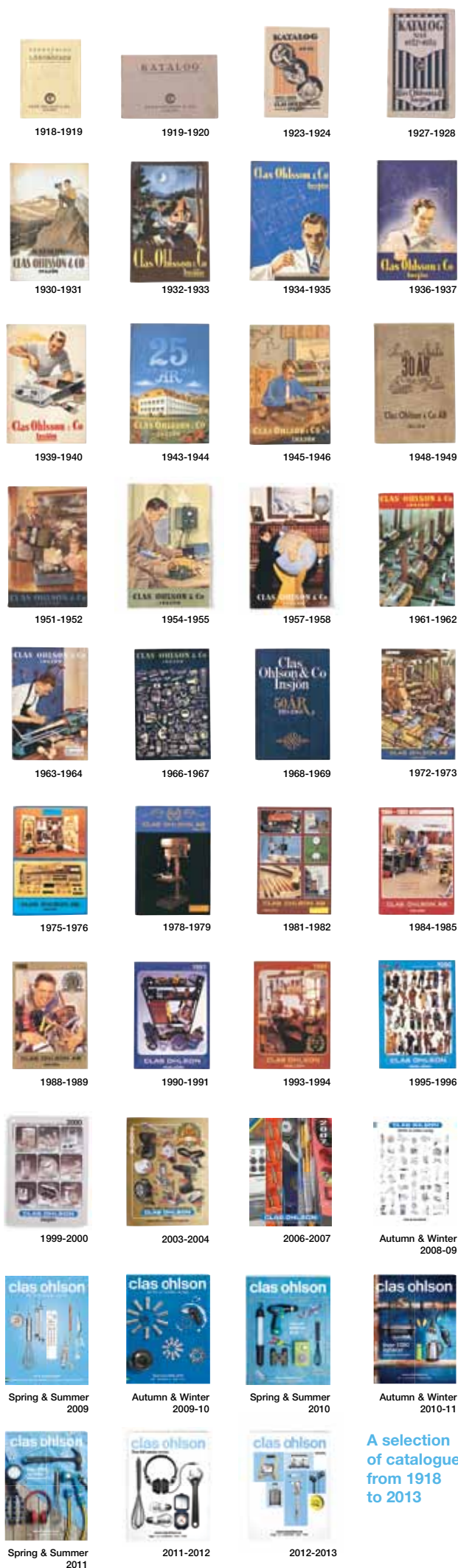


clas ohlson



Annual Report 2012/13

Contents



A selection of catalogues from 1918 to 2013

The year in brief	1
CEO's statement	2
Strategic orientation	5
Market overview	9
Operations	13
Marketing	13
Our sales channels	16
Purchasing and product range	20
Own brands	21
Logistics, IT and security	22
Risks and uncertainties	24
Sustainable development	27
Our work to promote human rights	30
Our values and employees	36
Our responsibility for the environment	40
Clas Ohlson's GRI profile	43
Shares and shareholders	45
Annual report	
Directors' report	48
Corporate governance	50
Five-year summary	58
Comments	59
Consolidated income, comprehensive income and cash-flow statements	60
Consolidated balance sheet and change in equity	61
Parent Company income, comprehensive income and cash-flow statements	62
Parent Company balance sheet and change in equity	63
Accounting policies and notes	64
Certification of the annual accounts	76
Audit report	77
Board of Directors and auditors	78
Senior Management	82
Quarterly results	84
Definitions	84
Addresses	85

More people discover Clas Ohlson

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, our spirit and our strong customer focus.

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 extend the service life of products and that's good for both your wallet and the environment.

Our customers can make purchases in our 174 stores throughout Sweden, Norway, Finland and the UK via our e-commerce platform, our catalogue or by calling customer service. During the financial year, Clas Ohlson had 70 million visitors and 34 million customers.

The Clas Ohlson spirit is based on a strong commitment to customers and employees. Equally important is the fact that we take responsibility and we contribute to sustainable development.

Clas Ohlson has grown and reported a profit every year since 1918. Today, we have 4,280 employees and total annual sales of SEK 6.5 billion.

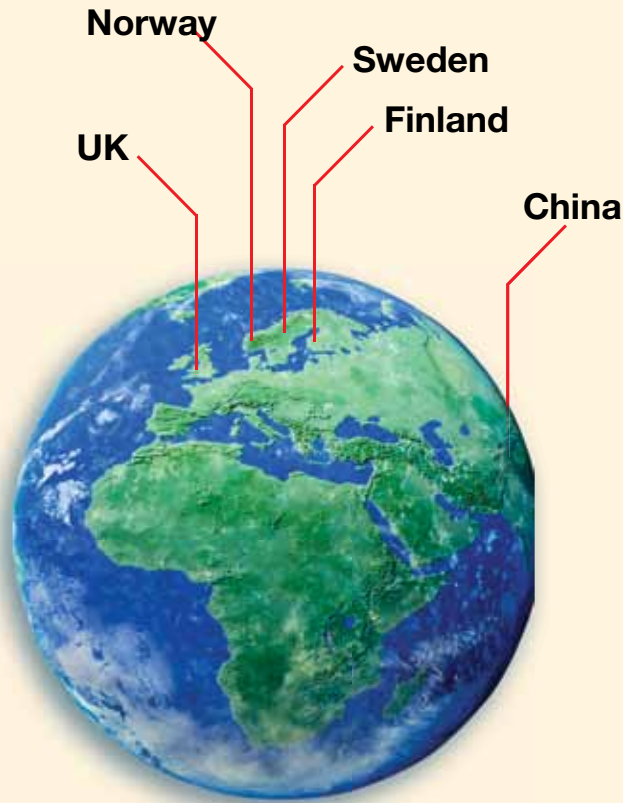
Practible solutions since 1918



In 1918, the founder Clas Ohlson established his first store, 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 at Hjultorget. 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, inspiration and smart solutions for everyday practical problems, no matter how large or small. 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 Internet customers.

son



Sweden

Start 1918. Number of stores: 73, including 5 new stores opened during the financial year. Head office and distribution centre. Number of employees: 2,179 (2,004, 2011/12). Sales: SEK 3,028 M (2,929, 2011/12).

Norway

Start 1985. Number of stores: 62, including 6 new stores opened during the financial year. Number of employees: 1,340 (1,241, 2011/12). Sales: SEK 2,665 M (2,561, 2011/12).

Finland

Start 2002. Number of stores: 27, including 6 new stores opened during the financial year. Number of employees: 407 (327, 2011/12). Sales: SEK 563 M (517, 2011/12).

UK

Start 2008. Number of stores: 12, no new stores opened during the financial year. Number of employees: 300 (301, 2011/12). Sales: SEK 263 M (254, 2011/12). 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. Number of employees: 54 (47, 2011/12).

Some key steps during the year



Clas Ohlson continued to refine the company's sales and service channels and opened 17 new stores in the 2012/2013 financial year. The company's new e-commerce platform was also launched in all markets during the year, making it easy for customers to find information, service and make purchases on their computers, tablets or mobile phones.



Clas Ohlson launched the company's first loyalty programme, Club Clas, in spring 2013. The club is designed to reward loyal customers and provide opportunities for increased sales due to higher visitor frequency and above-average receipts. The programme also enables more effective marketing. More than 250,000 customers had joined the club by June 2013, making Club Clas one of the largest DIY clubs in Sweden!



In December 2012, Clas Ohlson was selected for the Nasdaq OMX Sustainability Index, which includes the most prestigious listed companies in terms of sustainability. During the financial year, we took further steps to improve our supplier responsibility, developed our product range to identify new, smart products and solutions that can save energy and resources and optimised our transport efficiency to reduce carbon dioxide emissions.



During the year we continued to increase the proportion of direct purchases from manufacturers. This gives us greater control over design and quality and means that we can offer our customers even more value for money. We can also ensure compliance with our Code of Conduct on site, where the manufacturing is carried out, and check that working conditions meet our requirements.

International expansion



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 4 per cent in a generally weak retail market in our countries of operation. Operating profit was SEK 431 M (561) affected by lower sales in comparable stores.

Clas Ohlson received a number of new distinctions during the year, including most popular store in a shopping centre (Drömgallerian 2012), Sweden's second strongest retail brand (GFK 2012) and an award for being best in the industry in a survey on sustainability (Sustainable Brands Insight 2013).

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 gain access to what Clas Ohlson can offer!

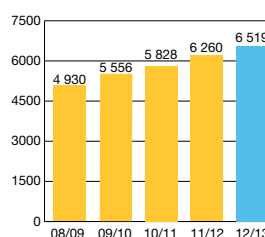
The year in brief

- Sales amounted to SEK 6,519 M (6,260), +4%
- Operating profit amounted to SEK 431 M (561), -23%
- Profit after tax amounted to SEK 332 M (400), -17%
- Earnings per share amounted to SEK 5.23 (6.29), -17%
- A proposed dividend of SEK 4.25 per share (4.25)
- 17 new stores opened

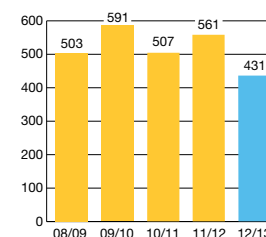
Key ratios	2012/13	2011/12	Change
Net sales, SEK M	6,519	6,260	+4%
Operating profit, SEK M	431	561	-23%
Profit before tax, SEK M	420	551	-24%
Profit after tax, SEK M	332	400	-17%
Operating margin, %	6.6	9.0	-2.4
Return on equity, %	18.3	23.1	-4.8
Return on capital employed, %	23.2	27.9	-4.7
Equity/assets ratio, %	59.1	60.3	-1.2
Earnings per share, SEK	5.23	6.29	-17%
Dividend per share, SEK	4.25*	4.25	0%
Total number of stores	174	157	+11%
Number of full-time equivalent employees	2,524	2,370	+6%

* Proposed dividend

Sales, SEK M



Operating profit, SEK M



Calendar

Interim report, first quarter	4 September 2013
Annual General Meeting for the 2012/13 financial year	7 September 2013
Six-month report	11 December 2013
Interim report, third quarter	12 March 2014
Year-end report for the 2013/14 financial year	11 June 2014

CEO's statement

In the 2012/13 financial year, Clas Ohlson continued to strengthen our customer offering and took new steps toward achieving our international retail chain vision. We continue to capture market shares in all of our markets. However, the generally weak retail market has impacted our growth and earnings. Profit was lower compared with the preceding year, due to lower sales in comparable stores, while we also invested to ensure that Clas Ohlson remains robust in coming years.

Increased market shares in a challenging market

Once again, it is time to put another financial year behind us. When summing up the past 12 months, it is impossible to deny that the retail market has experienced yet another trying year. "Yet another" is indeed the correct expression. Actually, we have been living with a fluctuating and challenging market since the financial crisis in 2008. The subsequent macroeconomic turmoil and recurring Eurozone crises have not eased concerns in the consumer sector. Generally speaking, consumers have reduced their consumption. And there is no doubt that competition in the retail market has continued to intensify during the period. Unfortunately, many popular, well-known stores and chains have been forced to close throughout the Nordic region and other parts of Europe.

Clas Ohlson is obviously affected by these difficult economic conditions, as reflected in our key ratios, but we have a business concept that works and an affordable product range that has proven attractive, regardless of the economic trend.

We also succeeded in raising the attractiveness of our offering and consolidating the company's position in our domestic markets, while taking several strategic steps toward achieving our international vision. We developed a new concept that makes it easier for customers to navigate around our stores. We adapted the size and format of our stores to their customer base and location. We established several purchasing offices in Asia to optimise our purchasing and significantly reduce our purchasing costs. We refined and strengthened our own brands, which now account for more than 25 per cent of our sales. We expanded and modernised our Distribution Centre in Insjön, which is now one of the most efficient distribution centres in the market. We launched a multi-channel strategy to increase our availability, particularly via computers and mobile phones. We established twelve Clas Ohlson stores in the UK market and are now preparing for the next market. The list can go on and on.

Clas Ohlson has a strong and sustainable business concept with long-term potential, we have the financial muscles that are required and an organisation with the capacity to drive a number of initiatives forward. This provides a platform for long-term and forward-looking strategies in a recession – and when the market turns, we are convinced that our investments will bear fruit.

The year in review

What about the recently concluded financial year for Clas Ohlson? My description above applies to this year as well. A great deal has happened, both major and minor events. We are working every day to improve our customer offering to make it more attractive and even more competitive.

Our business strategy is to make it easy for people to solve their small, everyday practical problems. We have a broad product range with attractively priced products and smart solutions that take both people and the environment into account. We are recognised for the quality of our service, and our competent and helpful employees. Our sales channels are also easy-to-access and inspirational.

Our employees are continually faced with new challenges and information. I have often heard the question: What did we ever do without the Clas Ohlson spirit in our corporate culture? To identify solutions with a customer focus is a guiding principle for our day-to-day decisions and actions. I would therefore like to thank all of our wonderful employees who do a fantastic job all through the year, who work at a high tempo, but always have a smile on their faces.

Multi-channel strategy

During the year, we invested a great deal of time and energy in the further development of our multi-channel strategy in all markets. In an era when our customers are increasingly using their computers, tablets and mobiles to plan and make purchases, investing in our Internet presence is a natural step. Customers can browse and make purchases from our broad product range in their own time, while we use text, images and videos to offer tips, advice and inspiration. While the significance of e-commerce will increase over time, it means far more to us than a new sales channel. It brings all of our sales channels together – our offering is integrated with our stores, our Clas Ohlson catalogues, our ads and all other strategies. The customer will feel at home and we will be there to offer practical solutions for everyday problems whenever the customer needs us, no matter what sales channel the customer chooses.

Club Clas

We want to offer something extra to our most loyal customers. I think many people have been waiting for us to launch our loyalty programme, Club Clas. It is part of our multi-channel strategy and allows us to offer something extra to our numerous and most loyal customers. Customers earn points for all of their purchases, which generates bonus vouchers and exclusive offers based on their interests and needs. We launched Club Clas in Sweden in March and the steady stream of new members has far exceeded our expectations. At the time of writing, in early June, we already have about 250,000 members. If the venture proves successful in all parts of Sweden, we will continue to launch Club Clas in our other markets.

Focus on sustainability

During the year, our sustainability efforts also moved forward. We now have effective and constructive dialogue with our suppliers concerning how they can develop their operations to improve working conditions and reduce their environmental impact. We bow to the complexity of setting high standards for long-term planning and commitment, but we have ambitious objectives and are learning more and more. We participate in the UN Global Compact initiative and contribute to Save the Children because we want to

share responsibility for improving human rights in general, and children's rights in particular.

In December 2012, Clas Ohlson was selected for inclusion on the NASDAQ OMX Sustainability Index, which serves as a guide for sustainable investments, and proves that our efforts have been successful. Although our work with sustainability is far from over, this feels like confirmation that our years of work and dedication have led to results.

These were brief descriptions of our most significant events in the past year. But I would also like to summarise the trend in each of our markets.

Our markets

The Swedish and Norwegian economies fared relatively well during the global financial crisis, yet households in our largest markets are also cautious about spending. One indication of the weak market in 2012 is that Christmas trading, which is critical for the retail market, recorded the lowest growth in almost 20 years. We are capturing market shares in both Sweden and Norway largely due to our strong brand and attractive offering. According to a Swedish survey during the year, Clas Ohlson is the second-strongest retail brand after a well-known furniture company with its roots in southern Sweden.

Clas Ohlson has experienced a positive trend in Finland in recent years. Growth figures have been high for many quarters and we have also expanded our store network accordingly. Some 29 stores are now in place in Finland. But households curbed their spending due to a weak economic trend in the preceding financial year. However, we have confidence in the Finnish market and expect that the growing strength of our brand will ensure stable growth when the economy revives.

Once again, our UK market was hit hardest by the global financial crisis. Building a brand in a new market takes time and the economic trend has not helped us. Our store expansion has been halted, and until further notice, we will focus on refining the offering in our existing sales channels instead and raise awareness of Clas Ohlson through intense marketing. Surveys show that one in four Brits now recognises Clas Ohlson, which is also evident from our positive sales trend, and a trend that we hope will continue.

Future investments

I would now like to focus on the future and the investments we are making to consolidate our position with customers and to secure long-term and profitable growth. Based on our strong concept and stable financial position, we want more customers to discover everything that Clas Ohlson can offer. We want to reach new customer segments and geographical markets where there is scope for us to expand.

Clas Office

Based on Clas Ohlson's strong offering and brand, we also see potential for broadening our operations and reaching new customer groups. As a result, we are developing our offering to corporate customers. Many companies have already discovered our broad and attractively priced office products range. A broader product range and better service will now make it even easier for them to become our customers via our extensive store network. Our primary focus is small and medium-sized office customers. Our plan is to launch Clas Office in Sweden and Norway in spring 2014. We believe that this market holds major potential for us and does not require any major investment.

Germany – our next European market

During the year, we announced that Clas Ohlson was preparing to enter the North German market with one or two stores and an e-commerce platform, with a launch scheduled for 2014. This is obviously a major step in our internationalisation process and something we feel very



confident about. Germany has no "modern hardware stores" in malls and major shopping centres and there is a niche available for our concept. Our conviction is based on a great deal of research over a long period of time. With our multi-channel strategy, we can enter this new market with a different approach and more cost efficiently.

It is important to point out that growth in new markets must meet our long-term financial targets. We will invest in new market establishments in coming years, which will have a negative impact of up to 2 – 3 percentage points on Clas Ohlson's operating margin during a financial year.

Thank you to our employees, customers and owners

Despite a challenging market, we have continued to develop Clas Ohlson in the past financial year. Although we are growing and capturing market shares, we did not achieve our financial targets during the year due to the weak economic climate. Obviously, we are not satisfied with this outcome.

At the same time, we can also summarise the year by confirming that we are financially strong and that many of our planned, long-term projects were delivered. Projects and initiatives that we firmly believe will generate long-term growth and profitability.

One year has also passed since we set new targets and made decisions about future investments. We are progressively growing stronger in a challenging time, and we look forward to our new initiatives with confidence. That is how I would like to summarise the year in one sentence.

Finally, I would like to extend my gratitude to all of our employees for your fantastic efforts and also thank our customers and shareholders for your continued confidence!

Klas Balkow
CEO and President, Clas Ohlson
Insjön, June 2013



Strategic orientation

Clas Ohlson's vision is to develop an international retail chain characterised by high profitability and healthy growth in shareholder value. Since market penetration in the Nordic region is high, new markets will become increasingly significant for Clas Ohlson's future growth.

Clas Ohlson's business concept is considered competitive and distinctive on a European basis, enabling future expansion into new markets.

To strengthen the operations and our competitiveness, we focus 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

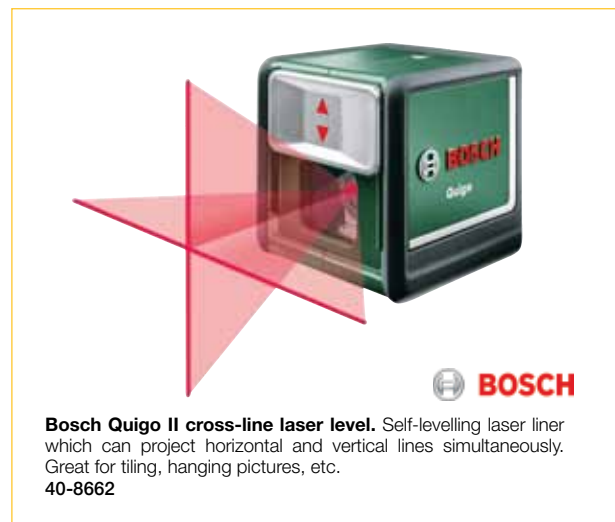
We want to develop a strong international retail chain characterised by high profitability and healthy growth in shareholder value. This will be achieved by being the self-evident choice for people's practical problem-solving in everyday life.

Sales growth at least 10 per cent

The Group's long-term objective is a sales growth rate of at least 10 per cent per year. The objective is measured in terms of the average annual growth rate over a five-year period. The growth objective will be achieved through increased sales in existing sales channels and continued new establishments in both existing and new markets. In the 2012/13 financial year, sales rose 4 per cent. Sales growth over the past five years has averaged 7 per cent.

Operating margin at least 10 per cent

The profitability objective is an operating margin of at least 10 per cent. In coming years, it is estimated that new market establishments (currently in the UK and Germany) will have a negative impact of up to 2-3 percentage points on Clas Ohlson's operating margin over a financial year. Growth in new markets must meet the long-term financial objectives. In the 2012/13 financial year, the operating margin was 6.6 per cent. For the most recent five-year period, the operating margin has averaged 9.0 per cent.



Business model

An affordable and attractive range

Our product range will be adapted to, and focus on, meeting the everyday needs of our customers. The products must be affordable and offer the right quality according to need. Clas Ohlson's product range should be versatile and contain smart, sustainable and affordable solutions.

High level of service

Our helpful and competent personnel will provide a high level of service and guide customers to simple and sustainable solutions. Our employees will have basic and broad knowledge of the product range. DIY manuals, inspiration, tips and advice will also be available on our website, through social media and in our catalogues.

Easy to access and inspirational

Clas Ohlson will be accessible through stores in attractive and busy locations and via e-commerce, catalogues and phone. Customers should find it simple, efficient and inspirational to solve their everyday practical problems with us through the various sales and communication channels that we offer. Our stores should be located in either busy central shopping centres or attractive external store locations that complement our city stores. Some 17 new stores were opened during the financial year, compared with 18 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 in terms of working conditions, the work environment and environmental impact. Sustainability is an integral part of our business operations. Clas Ohlson is socially engaged and supports local organisations and initiatives in Dalarna, where the company originated. We are



Pulse Watch with Pedometer. Measures heart rate according to personal profile using the included chest strap. Memory of previous results. Water resistant to 5 ATM.
31-1055

also committed to international initiatives through partnerships with non-profit organisations, where we can help to contribute in a broader context.

Milestones

Our objective fulfilment process includes several milestones for our market position, the percentage of satisfied customers and employees, logistics and sustainability.

Strengthen the Clas Ohlson brand

Clas Ohlson is one of the strongest retail brands in Sweden and Norway (read more on pages 13-14). In Finland, brand awareness has continued to rise during the year and is now more than 80 per cent, partly due to the establishment of six new stores and the launch of an e-commerce platform. Awareness of Clas Ohlson has also risen significantly in the UK, where Clas Ohlson has been established since autumn 2008, from 14 per cent in our first measurement to the current level of 23 per cent. The increase is largely due to intensified marketing and the launch of our e-commerce platform in the UK.

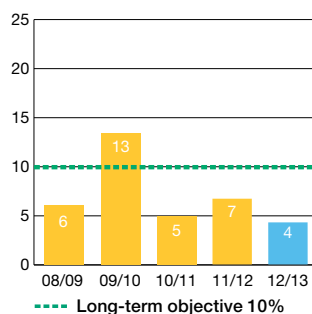
Adapt and develop the product range

Clas Ohlson will offer customers a broad, sustainable and attractive product range. Accordingly, 10-15 per cent of the product range is renewed every year by introducing new product categories and by supplementing and replacing existing categories. The breadth of our product range is a distinct competitive advantage and will continue to evolve. There will be a wider variation between the catalogue, our e-commerce platform and stores to enable more focus on seasonal ranges and special-order products. We issue one main catalogue per year in the autumn, which is complemented by other channels, primarily e-commerce where prices and product ranges can be continuously updated.

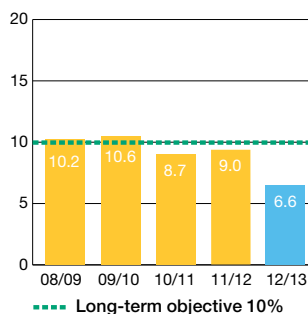
This year's catalogue contained 2,100 new products, which is in line with the preceding year. This also means that 14 per cent of this year's catalogue range has been renewed since 2011/2012, and discontinued products have been replaced.

Clas Ohlson's product range comprises a mix of popular brands, lesser-known brands and own brands including Clas Ohlson, Cotech, Cocraft, Coline and Exibel. The objective is that 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.

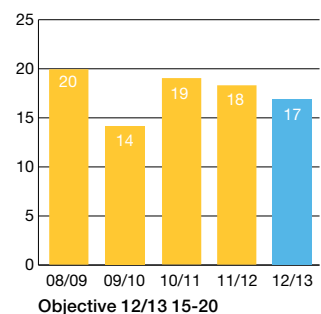
Growth in sales, %



Operating margin, %



Number of new stores



High level of service

The level of service is high in stores and for mail order/Internet sales. Integrated and automated logistics and sales systems make this possible. The level of service in stores, which is defined as having products available when customers want them, is more than 97 per cent.

Inventory turnover

Inventories tie up capital, which means that a high inventory turnover is a key performance indicator. The objective is an inventory turnover of 6-7 times in the distribution centre. During the financial year, the inventory turnover in the distribution centre was 6.9 times, compared with 6.1 times in the preceding financial year. This means that our entire inventory is replaced more often than every second month. Improved inventory management contributed to the higher turnover.

In our stores, inventories mainly comprise products that are not displayed on store shelves on account of their size, because they are theft-prone or for some other reason. Clas Ohlson stores have individual objectives based on their annual sales.

Satisfied and re-assured customers

Good customer service is central to Clas Ohlson's business concept. Our customer service policy is that every customer interaction will be characterised by respect and high-quality service. The objective is a satisfied customer following every interaction. During the financial year, we extended our return/exchange period to 90 days and our guarantee period to ten years for both store customers and mail order/Internet customers to provide added re-assurance. All of our store employees are trained in complaint handling. We believe that good customer care is a critical success factor and therefore strive to be even more professional when we interact with customers.

Motivated, competent and dedicated employees

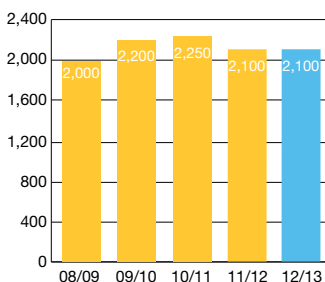
During the financial year, we conducted our fourth Group-wide employee survey. The response rate was 85 per cent (84), which represents a high level of participation. The survey was conducted in all of our countries. The Group's total result was an ESI (Employee Satisfaction Index) rating of 76 per cent (74), which is highly favourable compared with other companies. Our employee survey is an effective tool for improving how we attract, reward and motivate employees and how we should develop leadership in the company.



Responsibility for sustainable development

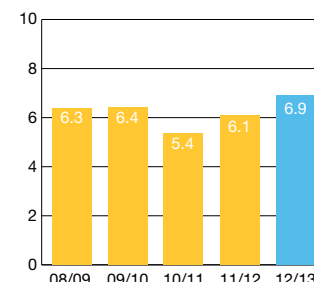
We aim to offer our customers qualitative and affordable solutions to their practical needs, while also promoting sustainable development for people and the environment. Clas Ohlson's overall environmental objective, together with our suppliers, is to reduce our CO₂ emissions by 30 per cent per tonne-kilometre by 2020, compared with 2007. Our customers should feel reassured that Clas Ohlson's products are manufactured under acceptable working and environmental conditions. The objective is to audit all manufacturers at least every second year, which has been achieved in recent years. During the financial year, Clas Ohlson conducted audits of 409 (617) facilities to verify compliance with our Code of Conduct.

Number of new products



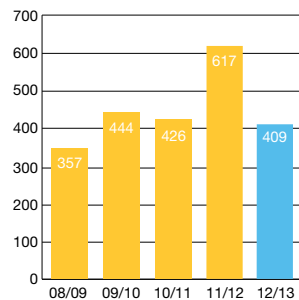
Objective 10-15% new products, corresponding to 1,500-2,250 new products

Stock turnover rate, Distribution Centre



Objective 6-7/year

CSR audits



byten och återköp

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Market overview

Overall, the retail trade in Sweden, Norway, Finland and the United Kingdom showed weak growth during 2012. Christmas trading is critical for the retail segment and declined in both Sweden and Norway, which has not been noted for several decades. Consumer confidence was relatively weak in all markets, due to continuing concerns about the global economy. Many store chains and e-retailers expanded their operations during the financial year, which led to continued and intense competition. In combination, this trend had a negative impact on both growth potential and profitability in the retail industry.

Weak growth in the retail market in 2012

In 2012, low growth figures were recorded in all four markets where Clas Ohlson is active. According to Statistics Sweden (SCB), the average increase was 2.2 per cent in fixed prices, compared with 1.3 per cent in 2011. In Norway¹, the corresponding increase was 3.2 per cent, compared with 2.6 per cent in 2011, in Finland² 1.2 per cent, compared with 2.7 per cent 2011 and in the UK³, which is 1.5 per cent compared with 0.4 per cent in 2011.

Despite the bleak market climate, Clas Ohlson continued to expand during the 2012/2013 financial year and, due to new stores and e-commerce services, captured market shares in all countries where the company operates. Sales growth totalled 4 per cent during the 2012/2013 financial year, while sales in comparable stores declined 4 per cent due to continued weak demand. In local currencies, Clas Ohlson's sales growth per country was 3 per cent in Sweden, 5 per cent in Norway, 15 per cent in Finland and 3 per cent in the UK.

Record weak trend in Sweden

In 2012, Swedish convenience goods performed better than sales of consumer durables. According to the Swedish Research Institute for Trade (HUI), in a recession, households reduce their spending on needs-driven products rather than convenience goods. In 2012, sales declined in December, the most critical month for the retail market,

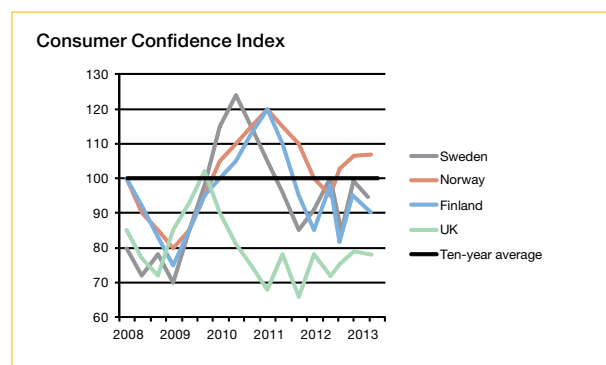
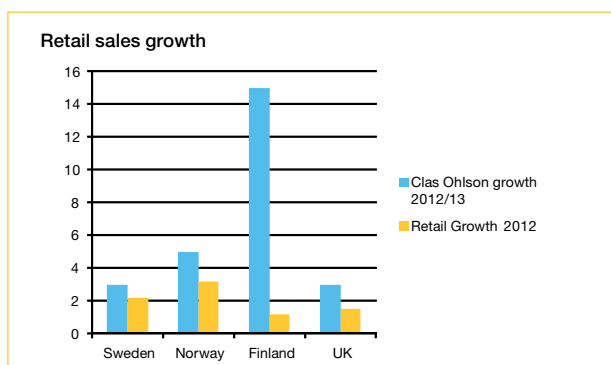
which has not been noted since 1995. According to HUI, the weak global outlook and concerns for possible layoffs are still affecting household consumption.

However, rising consumer confidence and fewer layoffs in early 2013 will hopefully lead to improvements this year. For the full year 2013, HUI predicts that the retail market will develop in line with 2012, which means that current prices will grow 2.5 per cent during both 2013 and 2014.

Household economic outlook

Regular surveys of consumer buying behaviour and confidence in the future are conducted in countries where Clas Ohlson is active. In Sweden, the National Institute of Economic Research (NIER) is responsible for the Consumer Confidence Index (CCI), which is based on four questions about personal finances and the Swedish economy at both the present time and 12 months ahead, and a question about the benefits of buying consumer durables now. The graphs below show the monthly trend in each country compared with the 10-year average.

As shown by the graphs, all markets recorded their lowest figures in connection with Christmas trading, which is a critical period for the retail trade. Since early 2013, the indicator has risen slightly compared with December but remains below the historic average which, according to NIER, indicates that the household economic outlook is considerably more negative than normal.



Source reference: ¹Source SSB ²Source Statistikcentralen ³Source National Statistics

Market trends

E-commerce continues to grow

Online shopping, e-commerce, is rising steadily. According to the EU, the expected annual growth rate of e-commerce in Western Europe over the next five years is 11 per cent, from EUR 112 billion to EUR 191 billion in 2017. In the UK, e-commerce already accounts for 13 per cent of the total retail market and is expected to reach 15 per cent by 2017. The corresponding figure for Sweden was 5 per cent and, according to HUI, is expected to be 13 per cent.

The best-performing segments were home electronics, clothing and shoes. The fastest growing segments were sport and leisure, home furnishings and furniture.

More than seven in ten consumers say they have made a purchase online in the past three months, a relatively unchanged level according to HUI. Although the household economic outlook weakened in 2012 and the recession had an overall impact on the retail market, faith in the future among e-retailers also remains strong.

M-commerce poised for growth

In Western Europe, mobile commerce is expected to rise eleven-fold to EUR 19.2 billion in 2017, according to global research and advisory firm Forrester Research. Europeans spent EUR 1.7 billion on mobile purchases in 2012, which is 1 per cent of total e-commerce sales. M-commerce is expected to represent almost 7 per cent of total e-commerce sales by 2017. The number of individuals who make mobile purchases will increase, rather than the amount that is spent. According to Forrester, the number of mobile consumers will rise dramatically from 7.6 million in 2011 to more than 79 million in 2017 (or 45 per cent of all mobile phone owners).

As well as transactions, mobiles will also play a critical role in other parts of the retail market, such as store localisation, discount coupons and price comparisons. According to the survey, 48 per cent of all Europeans owned a smartphone in 2012. This means that consumers are already online – they can search and make purchases wherever they are, whenever they want to. Availability of information on the web means that consumers increasingly conduct pre-purchase research – they search for all kinds of product information online before buying. Individual purchase decisions are now made through a variety of channels.

Major investments in non-central shopping centres

In the Nordic region, major investments in non-central shopping centres in recent years have led to a growing share of purchasing power being concentrated to fewer towns and retail centres. Sweden, in particular, has invested considerably more in non-central shopping centres than centrally located centres over the past ten years and this trend is continuing. Many city centres have been adversely impacted by the increasing trend to shop at large out-of-town retail centres.

Customers make carefully researched choices

During a recession, customers become better at making careful choices and seeking more value for money. The desire to seek more value for money usually persists and consumers subsequently spend more time comparing products, prices and quality before making a purchase decision, which involves moving between e-commerce sites, physical stores, shopping blogs and social media to find the right product for the right price. For the retail market, this means that the significance of e-commerce sites as display windows and marketing channels increases more than sales figures actually indicate. Purchase decisions are often made long before the customer visits the store, and this presents new challenges and opportunities for the retail market.

Own products

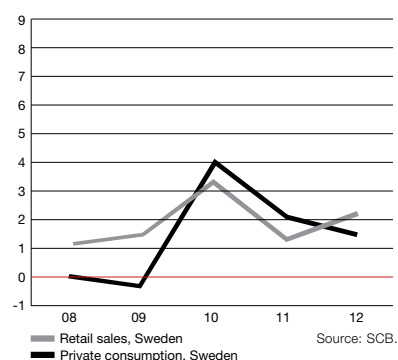
Retail chains increasingly market products under their own brands. Clas Ohlson has focused on own brands for many years, including Cotech, Cocraft, Coline and Exibel. By developing own brands, Clas Ohlson can offer high quality at low cost, since development and manufacturing costs are lower and goods can be purchased directly from manufacturers without costly intermediaries. Read more about Clas Ohlson's investment in own brands on page 21.

Competitors

Few competitors can rival the breadth of Clas Ohlson's product range. Those that come closest are Biltema, with stores throughout the Nordic region, and Jula in Sweden, Norway and Poland. Clas Ohlson also competes in five specific product categories with such companies as Media Markt, Järnia, Bauhaus, K-rauta, Rusta, Teknikmagasinet

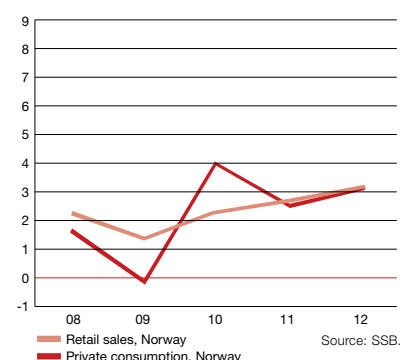
Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in Sweden 2008–2012, %

Sweden



Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in Norway 2008–2012, %

Norway



and Kjell & Co. As shown in the table on page 11, a large number of stores have been opened by both Clas Ohlson and our major competitors in the past five years. The total number of stores in Sweden has risen from 245 to 355.

To a certain extent, Clas Ohlson also competes with supermarkets and department stores 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 similar establishment philosophy to Clas Ohlson, with stores located preferably in town centres and busy shopping

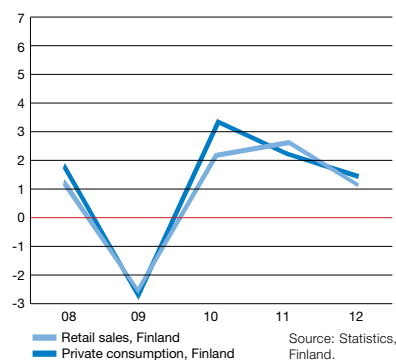
centres. In the UK, Clas Ohlson's competitors include store chains such as Argus, Maplin and Robert Dyas, which offer products in some of Clas Ohlson's five product categories. However, no UK competitor has a concept, establishment strategy or product range strategy that is similar to that of Clas Ohlson.

	Sweden		Norway	Finland	UK	Year of start	Electricity	Multimedia	Leisure	Hardware	Home
	2012/13	2007/08	2012/13	2012/13	2012/13						
clas ohlson	73	45	62	27	12	1918	•	•	•	•	•
Biltema	31	18	53	14		1963	•	•	•	•	•
Jula	36	24	17			1979	•	•	•	•	•
Rusta	68	57				1986			•	•	•
Teknikmagasinet	81	68	23	4		1989	•	•			
Kjell & Co	71	33				1990	•	•			
Järnia	71	83	165			1951			•	•	•
COOP Obs bygg/ extra bygg			82			1907	•		•	•	•
Maxbo			75			1995	•			•	
Anttila				30		1953	•	•		•	•
K-rauta	21	n/a		43		1940	•	•		•	
Argos					>740	1973	•	•	•	•	•
Maplin					205	1972	•	•			
Robert Dyas					100	1872	•			•	•

* Source: Web sites. n/a = not available

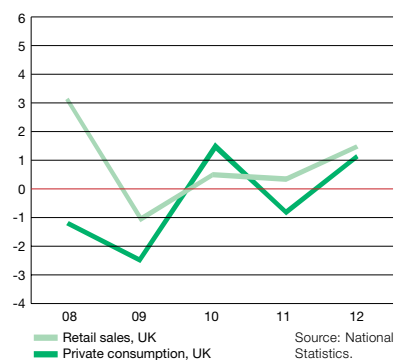
Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in Finland 2008–2012, %

Finland



Private consumption and retail sales
Trend in private consumption and retail sales in fixed prices in the UK 2008–2012, %

UK





1000
Glass lamp
north
100% REAL

Marketing

Our marketing communication proceeds from a shared platform, but the messages and offerings are adapted to the needs and conditions of each country.

We launched our new e-commerce platform during the year and added several new sales and communication channels to enable online purchases via computers, tablets or mobile phones. We also improved our social media services and communication in all markets. Clas Ohlson's first loyalty programme, Club Clas, was launched in Sweden to create an attractive club for all hardware customers throughout the country.

Clas Ohlson's sales strategy is to offer customers a variety of complementary sales and service channels with high availability, and to help customers find fast and simple solutions for their practical problems. Regardless of whether purchases are made in one of our 174 stores, from our online store on a computer, tablet or mobile phone, via our catalogue or by calling our customer service representatives, we want customers to perceive Clas Ohlson as easy-to-access, competent, friendly, positive and solution-driven.

Marketing adapted to local conditions

Awareness of Clas Ohlson depends on how long we have existed in each market. As a result, media initiatives and marketing are adapted to the needs and conditions of each market. We consciously promote our origin and the core of our offering in all communication, in all of our markets.

In Sweden and Norway, 98 per cent of people aged between 18-69 recognise Clas Ohlson and know what the company offers. In these markets, the primary objective is to increase visitor frequencies, the average number of purchases, loyalty and customer satisfaction.

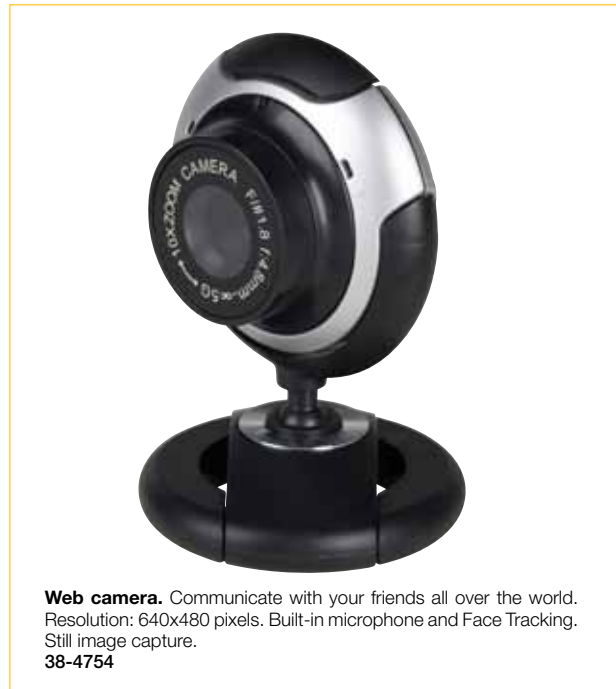
In Finland, almost 80 per cent of the population recognise Clas Ohlson, compared with less than 60 per cent five years ago. Here, we mainly focus on activities that drive foot traffic to our stores, strengthen the brand and raise awareness of our concept and offering.

We are still in the establishment phase in the UK, which requires a slightly different focus from our marketing initiatives in mature markets. Among UK consumers, awareness of Clas Ohlson rose from 16 to 23 per cent during the year, and we will continue using clear and cost-efficient marketing to drive foot traffic to our stores, increase sales and raise awareness of the Clas Ohlson brand and offering.

Multi-channel strategy

In addition to a broad product offering, Clas Ohlson offers generous guarantees, long opening hours, high availability and competent and dedicated customer service. During the financial year, we extended our return/exchange period to 90 days and our guarantee period with up to ten years to provide extra re-assurance.

Our customers can shop 24 hours a day through a range of channels. Our sales strategy is based on new store esta-



Web camera. Communicate with your friends all over the world. Resolution: 640x480 pixels. Built-in microphone and Face Tracking. Still image capture. 38-4754

blishments alongside continuous store-concept refinement, an e-commerce platform, catalogues and calling customer service. All channels are integrated, and the significance of individual channels depends on the customer segment.

Our stores should primarily be centrally located in shopping malls, along pedestrian streets and in major shopping centres. This means that we can reach customers in the places they frequently visit.

Via our e-commerce platform, customers can make fast, safe and efficient purchases using their computers, tablets or mobile phones. The web store contains all of our 15,000 products, thousands of spare parts, buying guides and inspirational videos. We also offer opportunities to chat with us, ask questions, save shopping lists and other features that make life easier for our customers.

We no longer mail out the classic Clas Ohlson catalogue to customers for environmental reasons, but it can be borrowed or picked up from our stores. The catalogue has been published since 1918 and is still widely popular.



Local relevance

We use regular market surveys to understand our customers' needs. We also notice how awareness of Clas Ohlson and confidence in the company have evolved over time. Our marketing is adapted to the maturity, needs and conditions of each market.

It should be bold, but attract attention in a sincere manner. It should create desire and offer inspirational content. It should strengthen our brand while communicating that Clas Ohlson is customer and product-focused, relevant and service-minded.

We emphasise our broad product range, quality and dedication to service but also promote our history and origin. Customers should know, think and feel that Clas Ohlson sells useful products with the quality they need at attractive prices.

With certain exceptions, the campaigns in Sweden, Norway, Finland and the UK follow the same clear theme, with messages, offerings and customer promises that create recognition in all media and sales channels. Messages and offerings vary with the season.

Our main marketing media are newspaper advertisements and supplements, web banners, radio and TV advertisements, newsletters, e-mail, Facebook and store displays. While the significance of social, digital, mobile and video media is increasing, printed media remains our prime focus.

New: Club Clas

Club Clas was launched in Sweden in March 2013. The new loyalty club is part of our multi-channel strategy and will help us understand our customers better, while we can provide more relevant information and adapt our offerings to their individual needs and interests.

Members earn points for all of their purchases and receive a bonus voucher when they reach 1,000 points. Membership also includes club discounts, exclusive offers and invitations to local store events, while we can share our knowledge of practical solutions for everyday problems.

No membership card is necessary, customers can show their ID when they make a purchase. At present, Club Clas has only been launched in Sweden.

Social involvement

Clas Ohlson has a long tradition of supporting clubs, events and organisations.

During the year, we co-sponsored the Dalhalla amphitheatre and the Leksand ice hockey team. Clas Ohlson also collected money for a Save the Children campaign in 2012.

In Insjön, where Clas Ohlson was founded and our largest store, head office and distribution centre are located, we support several organisations and sporting and cultural activities that mainly focus on young people.



Multi-channel strategy – “one Clas Ohlson” in all of our channels

Clas Ohlson offers solutions to everyday problems through dialogue with our customers. Customers should receive fast and efficient help to solve their problems, as well as information and service, and be able to choose the sales and communication channel that suits them best.

We are therefore combining our efforts to improve and customise our stores with the development of our e-commerce platform, social media such as Facebook and Twitter, search services, our catalogue and customer service. The total service concept is based on the energy and competence that exists in Clas Ohlson. Our employees are our public image and they build the brand every day, regardless of how the customer interaction takes place.

The launch of Clas Ohlson’s new e-commerce platform presents totally new opportunities for reaching even more customers.

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

The new e-commerce platform was launched in Sweden and Norway in April 2012, followed by the UK and Finland in the following summer and winter. Preparations to enter the German market are currently under way, with plans to launch an initial one to two stores in northern Germany and an e-commerce platform by the 2014 calendar year.

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

“The goal is to offer our customers a really effective, practical and user-friendly website that makes purchasing simple and offers lots of useful information. It will also be an excellent tool for customers who want to research a product online and then visit our stores to make a purchase,” says Catrin Folkesson, E-Commerce Manager at Clas Ohlson.



Our sales channels

More than 90 years of successful mail order sales have laid the foundation for the strong position held by Clas Ohlson today. Our sales and service strategy is to solve our customers' practical problems via easy-to-access and inspirational channels that are integrated and complementary. During the financial year, the launch of a new e-commerce platform further strengthened our offering.

Start-up costs for new and renovated stores, including the disposal of fittings, amounted to SEK 44 M (46).

Central locations

Clas Ohlson stores should preferably be situated in busy, centrally located shopping centres or retail centres, where the company works together with other stores and chains to bring about repeat visits. Of Clas Ohlson's 174 stores, 121 are currently centrally located, while 53 are situated in non-central shopping centres.

We own and operate our stores. The store premises are leased with long-term contracts. Most of our broad product range is available for self service in every store. Less than 10 per cent of our products are only sold over the counter.

Popular retail chain

Clas Ohlson is an attractive and popular retail chain among both consumers and companies in shopping centres. Our store establishments often have a significant impact on customer traffic for the entire centre. We attract new customer groups and our broad product range appeals to both men and women of all ages.

According to a survey by industry magazine Market in 2012, Clas Ohlson has the second-strongest brand after IKEA in the Swedish retail sector, and the fifth-strongest reputation among all Swedish companies.

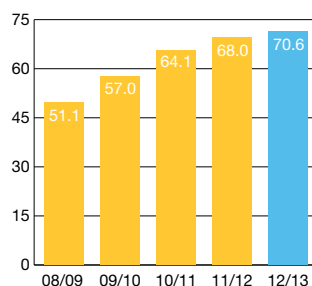
That customers want to make purchases in both our stores and via our e-commerce platform is a definite trend. Stores, mail order/Internet and customer service complement each other and present new opportunities for increasing sales and building even stronger ties with our customers.

Stores

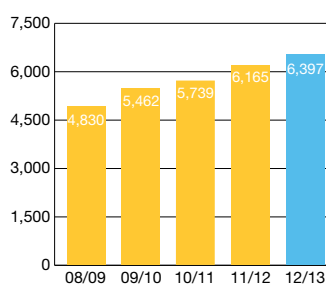
In the 2012/13 financial year, store sales amounted to SEK 6,397 M (6,165), up 4 per cent compared with the preceding year. In local currencies, sales rose 5 per cent. Store sales accounted for 98 per cent of the Group's total sales.



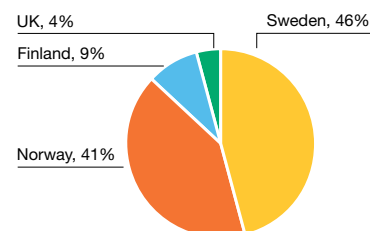
Number of visitors, millions



Sales in store, SEK M



Sales per country, %



Three sizes

Clas Ohlson has customers of all ages. To increase availability, we offer three different store concepts with the following surface areas: 1,500–3,000 square metres for large cities and catchment areas, 1,000–1,500 square metres for medium-sized locations and 700–1,000 square metres for smaller locations or as a complement to existing stores in large cities. In our smaller stores, the product range is concentrated to the most popular products. Other products can be ordered and picked up from the store within 48 hours. This concept has now been introduced in several cities throughout Sweden and Norway.

Store concept

Our store concept has been designed to help customers find their way around our stores. The concept includes new store fittings, signs, customer terminals, service counters for information and placing orders, and points of sale.

The current store concept was launched in 2008/09 and all stores since opened are designed according to the new concept. Older stores are gradually being adapted as they are renovated or updated.

Financial commitment

A new store entails an initial financial commitment of SEK 10-13 M, comprising SEK 2-3 M for start-up costs, SEK 4-5 M for investments in store fittings and computer systems and SEK 4-5 M for inventories. In some cases, investments in leased premises may also be required, for which Clas Ohlson is compensated by nonrecurring income and/or lease deductions.

In the UK, the start-up costs for our stores are initially higher and amount to about SEK 5-6 M, mainly as a result of higher marketing costs. New stores in Sweden and Norway are already profitable within the first twelve months of operation. The same applies to some of the stores in Finland. Ac-



Trolley case. Impact-resistant polycarbonate. TSA combination lock and four swivel ball-bearing wheels.
34-9208-1 38x24x51 cm, 20", 2,7 kg.

chieving profitability generally takes longer in countries where Clas Ohlson is newly established and the brand is new.

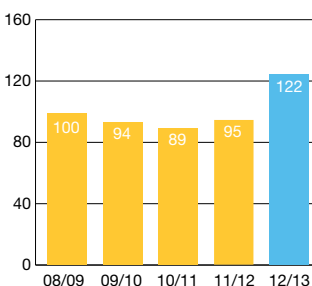
Continued store expansion

Clas Ohlson is continuing to open new stores in markets where we are already established. A total of 17 new stores were opened in the 2012/13 financial year and we plan to establish 12-17 stores during the 2013/14 financial year. The proportion of new stores in mature markets is declining in pace with the trend to invest in new and growing sales channels (e-commerce). In the UK, Clas Ohlson sees a potential for favourable long-term growth, but is balancing the expansion rate against current market conditions. Preparations to enter the German market are currently under way, with plans to launch an initial one to two stores in northern Germany and an e-commerce platform by the 2014 calendar year.

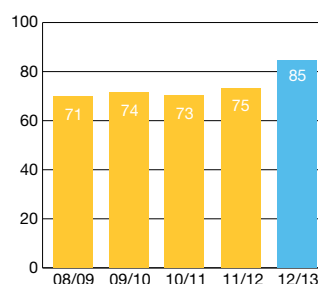
Increase in sales

Comparable stores in local currency	- 4 per cent
New stores	+ 9 per cent
Exchange-rate effects	- 1 per cent
Total	+ 4 per cent

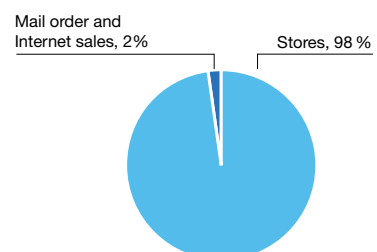
Mail order/Internet sales, SEK M



Proportion e-commerce/total mail order and Internet sales %



Proportion Mail order and Internet sales/Stores, %



Stores in Sweden

In 2012/13, Clas Ohlson stores in Sweden had 35.3 million visitors, up 0.4 million or 1 per cent compared with the preceding year. Of these visitors, 17.3 million also made a purchase.

During the financial year, the number of stores increased by five and at year-end, the total number of stores in Sweden was 73.

Although market penetration is now relatively high in Sweden, there is still scope for new store establishments. Several of our stores, with catchment areas of some 30,000–50,000 inhabitants, have demonstrated that high profitability is also possible in smaller cities.

Stores in Norway

In 2012/13, Clas Ohlson stores in Norway had 18.1 million visitors, up 1.4 million or 8 per cent compared with the preceding year. Of these visitors, 11.2 million also made a purchase.

Six new stores were opened during the financial year and at year-end, the total number of stores in Norway was 62. The Norwegian market has not reached saturation point in terms of continued establishment. Profitability is also high for stores in smaller cities with catchment areas of some 30,000–50,000 inhabitants.

Stores in Finland

In 2012/13, Clas Ohlson stores in Finland had 8.1 million visitors, up 0.8 million or 11 per cent compared with the preceding year. Of these visitors, 3.8 million also made a purchase.

Six new stores were opened during the financial year and at year-end, the total number of stores in Finland was 27. The continued differentiation of Clas Ohlson's offering in the Finnish market offers major potential for increasing sales in existing stores.

Stores in the UK

In 2012/13, Clas Ohlson stores in the UK had 9.1 million visitors, compared with 9.2 million in the preceding year.

No new stores were opened during the financial year and at the end of the period, the total number of stores in the UK was twelve.

The response from our customers in the UK remains positive and despite the bleaker market climate, the number of visitors and customers in UK stores is in line with the Group average. However, the conversion rate (the number



of visitors who make a purchase) and the average purchase in UK stores is lower than the Group average. Awareness of the Clas Ohlson brand rose from 16 per cent in 2011/12 to 23 per cent in 2012/13 due to the launch of an e-commerce platform, intensified marketing and other activities to differentiate our offering for UK consumers. These initiatives also led to an improved sales trend with increased sales in comparable stores during the second half of 2012/13.

E-commerce

In 2012/13, our mail order/Internet sales (via e-commerce, telephone and catalogue) amounted to SEK 122 M (95), up 28 per cent compared with the preceding year. During the financial year, e-commerce accounted for 85 per cent (75) of our mail order/Internet sales. The objective is to gradually increase the proportion of e-commerce sales in coming years and to support store sales.

The new e-shopping platform, which was launched during the first half of 2012/13, has increased both visitor traffic and sales. In Finland and the UK, where awareness of Clas Ohlson is lower than in Sweden and Norway and where we have previously offered store purchases only, e-commerce will be a key factor for more customers discovering Clas Ohlson. At the end of November 2012, we also launched a mobile-optimised site for e-commerce in all markets. The launch is a key strategy for enabling customer interaction across several parallel channels, and offering high availability and service based on customer requirements. The e-commerce initiative also provides new opportunities for establishing cost-efficient operations and expanding into new markets.

90-day return/exchange period

During the financial year, we extended our return/exchange period to 90 days to provide added reassurance for our customers. This change has further differentiated our generous customer service policy. As an extra service for our customers, we also offer spare parts and a service workshop, which extends the service life of many products.





New markets – the key to international expansion

New markets will become increasingly significant for Clas Ohlson's future growth. With e-commerce platforms and more than 130 stores throughout Sweden and Norway, opportunities for continued store expansion are limited. During the financial year, Clas Ohlson continued to expand in Finland by launching six new stores and an e-commerce platform, and growth potential in coming years remains favourable.

Our expansion in the UK

Although Clas Ohlson continues to expand in the UK, the company has adapted to prevailing market conditions. During the financial year, we focused on developing our existing 12 stores and launching an e-commerce platform. Surveys in our stores show that customers are generally positive to our business concept in terms of product range, prices and service, and that they would happily recommend Clas Ohlson to others. Our product range, stores and service are a new and welcome feature in the UK retail sector.

The continued weak economy in the UK also impacts Clas Ohlson. The numbers of visitors who make purchases and the average sales value per customer are lower than in our other markets. Both brand awareness and sales developed positively during the financial year. We intensified our marketing and continued to develop our offering and sales channels. We predict major long-term potential for our operations in the UK.

Preparing for new markets

Clas Ohlson's business concept is considered competitive in new European markets. No other chain currently offers a similar concept in central store locations. The continued development of Clas Ohlson's product range and sales channels, including the new e-shopping platform, will provide further growth potential.

Market research, competitor surveys and the translation of product manuals and information have now commenced for German-speaking markets. Clas Ohlson is scheduled for launch in a fifth market, with one to two stores in northern Germany and an e-commerce platform, by 2014. Germany is considered an attractive market with robust city retail, households with relatively high purchasing power and a competitive situation in which Clas Ohlson's offering can be distinctive.

Purchasing and product range

Clas Ohlson's product range has been carefully selected and adapted for our customers in Sweden, Norway, Finland and the UK. The product range is continuously renewed, with a focus on technology, function and quality. The environment and ethics are also key factors when choosing our products and suppliers.

Broad, attractive and distinctive range

The product range should be broad, attractive, distinctive and competitive in all of the markets where Clas Ohlson operates and offer practical solutions to everyday problems.

In addition to our range of some 15,000 products, we also offer spare parts and accessories. This philosophy is appreciated by our customers who can receive assistance, advice, tips and repairs from our service-minded personnel in stores as well as our central customer service in Insjön, which has also received several "Best Customer Service" awards in recent years.

Clas Ohlson does not conduct any manufacturing activities, has no patented products and is not dependent on a single supplier.

Thousands of new products every year

Every year, Clas Ohlson replaces about 2,000 products in the company's product range. Factors that determine whether a product is removed or added to the product range are demand, customer satisfaction and profitability. The phase in a product's life cycle also plays a role in the decision.

The key criteria for selecting new products are technology, function, environmental performance, price and quality. We also seek new products with improved environmental performance that can help our customers improve their environmental profile.

We also sell many high-tech products. Although we strive to offer cutting-edge products, we do not focus on creating trends or being technological pioneers.

Extensive quality and functional testing

Before any new products are added to our range, they undergo advanced testing of quality, function, safety, service life and other product features. Testing is carried out in Clas Ohlson's own workshops. Several products are also submitted to independent testing institutions, including Intertek Semko and the SP Technical Research Institute of Sweden. Clas Ohlson also works to minimise the use of hazardous substances in its range of products.

International purchasing

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

By conducting regular factory visits, Clas Ohlson can, through dialogue with suppliers and manufacturers, influence design, the choice of materials, manufacturing methods and manufacturing conditions including workplace safety, working conditions and environmental impact. The Purchasing Department has an integrated partnership with our Corporate Social Responsibility auditors, in which they share processes and instruments for purchasing and for verifying that the facilities manufacturing products for Clas Ohlson comply with the Code of Conduct.

Extensive experience and high expertise

Many employees in the Purchasing Department have worked at Clas Ohlson for a long time. Their knowledge and experience is also passed on to the next generation, which ensures continuity in our purchasing processes and product range development.

The company believes that today's purchasers and product managers should feel the same curiosity for new products as the company's founder Clas Ohlson. Curiosity and being interested in smart solutions for everyday problems is part of our culture and something we strive to uphold. Employees undergo training in Clas Ohlson's Code of Conduct and our methods and tools for verifying and supporting our suppliers. Purchasers play a key role in our efforts to verify compliance, improve workplace health and safety and working conditions and to ensure that the

Clas Ohlson's five product areas



Hardware



Home



Multimedia



Electrical



Leisure

environmental properties of products are approved and meet all of our requirements.

600 suppliers in 30 countries

Clas Ohlson purchases products from some 600 suppliers in 30 different countries. During the financial year, Swedish suppliers accounted for 55 per cent of our purchasing and direct purchasing from Asia for 37 per cent.

The major Swedish suppliers are trading houses or agents that hold import licenses or type approvals for various products. The country of origin for these products is usually in Asia or Europe. Combined with direct purchases, the proportion of products manufactured in Asia was 67 per cent, which remained unchanged compared with the preceding year.

Clas Ohlson is working to reduce the number of its suppliers and increase the proportion of direct purchases. The objective is to reduce the company's purchasing costs and strengthen partnerships with both suppliers and manufacturers in Europe and Asia. This will enable greater control over product design and quality and help to verify compliance with the company's Code of Conduct.

Purchasing policy

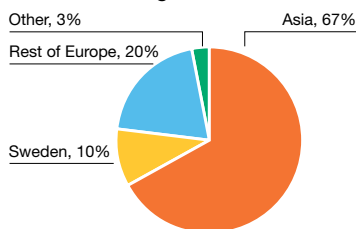
The company's purchasing policy stipulates that Clas Ohlson is to purchase products as close to the manufacturers as possible to avoid costly intermediaries.

Direct purchasing without intermediaries

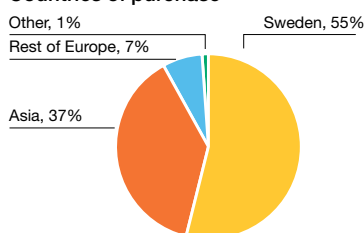
Asia, and China in particular, is Clas Ohlson's most important purchasing market. To strengthen the company's competitiveness, Clas Ohlson formed a purchasing company with one office in Shanghai in 2008, and opened an additional office in Shenzhen in 2011. By combining purchasing through our offices in Shanghai and Shenzhen with agents in Asia, our purchasing processes become even more efficient.

The agents we work with have experience and contact networks that generate added value for Clas Ohlson. Clas Ohlson's purchasing strategy also includes the continuous evaluation of products that are manufactured in Asia but sold via intermediaries in Sweden and Europe to identify possible alternatives for purchasing directly from Asian manufacturers. This is crucial to offering the lowest possible price to our customers. Our increased presence in Asia, with our own personnel in place, also presents greater opportunities for verifying and influencing working conditions in the manufacturing facilities.

Countries of origin



Countries of purchase



Positive trend for own brands

In recent years, we have focused increasingly on our own brands, which currently account for 25 per cent of sales. The strategy for our own products is to offer high quality at attractive prices and to maximise value for money for our customers. The combination of own and other recognised brands offers customers a wider selection and allows them to choose the price and product features that best suit their needs.



Logistics, IT and safety

An efficient Supply chain is one of Clas Ohlson's key success factors and sustainability challenges. The hub of the logistics chain is our automated sorting facility and fully automated high-bay warehouse in Insjön, one of the most modern and efficient logistics facilities in the Nordic region.

Efficient logistics and Supply chain – a key success factor

Clas Ohlson's Supply chain is extensive, with long transport routes from Europe and Asia to our central warehouse, and then on to our four markets. The distribution centre in Insjön is the logistics hub for the entire Group, and nearly every product passes through the centre before reaching our stores and mail order/Internet customers. Automated systems ensure high availability in our stores and for mail order/Internet sales. During the financial year, the average inventory turnover in the distribution centre was 6.9 times (6.1). This means that our entire inventory of 15,000 items is replaced about every second month. Due to the high inventory turnover, the distribution centre resembles a terminal rather than a warehouse.

During the financial year, the number of pallets delivered to stores was 242,000 (225,000), representing almost 1,000 per day. The normal delivery time to stores is one to three days, and orders are automatically added to the in-store computer system when a product reaches its re-order point in each store. Clas Ohlson also delivered approximately 176,800 mail order/Internet consignments (124,800), representing about 700 per day.

A sustainable Supply chain, with efficient logistics and the lowest possible environmental impact in all processes, is one of Clas Ohlson's most important development areas. Read more about Clas Ohlson's environmental performance on pages 40-43.

IT systems and security

Clas Ohlson's operations are highly dependent on IT support. As a result, it is essential that IT systems provide effective support for the company's day-to-day operations and maintaining a high level of reliability. The IT structure is under continuous development. Clas Ohlson's IT systems have been designed to efficiently manage orders, delivery, refilling, picking and the final delivery of products to our stores and customers. All systems involved in goods management are totally integrated, which means that the information is registered once only and presented in real time. To ensure a high level of service, the systems are designed for three different levels: the central system, the in-store computer system and the point-of-sale system.

Central system

All information related to items, customers, suppliers and so forth is registered in a shared database in our central system.

Purchasing procedures, inventory procedures and joint functions, such as accounting systems, are operated on this system. Many of the programs have been customised and developed specifically for our operations. Only the accounting system is a standard program.

In-store computer system

The in-store computer system contains all details related to the information flow within, to and from a store. This includes re-order points for all items in the store. When an item reaches its re-order point, an order is automatically placed in the central system.

Point-of-sale system

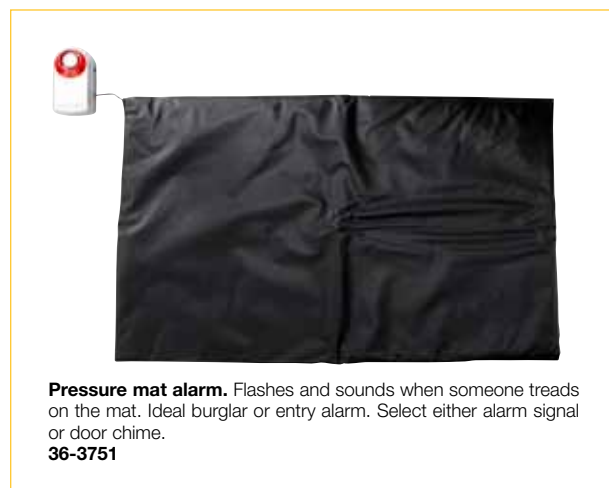
A special point-of-sale system that handles the sales transactions in each store is connected to each store system. Point-of-sale systems communicate continuously with both the store system and the central system, but can also continue to operate independently if communication with the other systems fails. During the financial year, a new point-of-sale system was installed in all of our stores with a number of improvements and advanced functionality for Clas Ohlson's new loyalty programme.

IT security a high priority

Clas Ohlson's operations are based on integrated systems that function reliably. To ensure high availability and reduce downtime, all systems are redundant. This enables faster restarts and a higher level of security than operating the systems in a single-computer environment. All systems and transactions are backed up every night. Firewalls and virus protection are also included in Clas Ohlson's security system.

Other business systems

During the financial year, a number of strategic IT projects took place to support and develop Clas Ohlson's operations and ongoing internationalisation process, including





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

the development and implementation of a new technology platform for e-commerce.

The new e-commerce platform was launched in all of our markets during the financial year, and we can now offer our customers fast, simple and inspirational e-commerce via computer, tablet and mobile phone as a complement to our stores. Clas Ohlson also developed and implemented new complementary systems for customer service management and product information.

General security measures

In recent years, Clas Ohlson has strengthened the company's overall security measures. The Security Department works systematically with business continuity planning, insurance issues, crisis management, fire safety, information security and in-store security. Shrinkage is a general problem in retailing. To reduce shrinkage, Clas Ohlson has developed processes and procedures for local preventive measures and all store employees undergo training. A store security standard has also been produced to ensure that cost-efficient security solutions are built into our stores. Security measures are monitored by performing internal security audits at fixed intervals.

Fire safety is a top priority for the company and all per-

sonnel undergo fire-protection training. The systematic fire-protection measures for our central warehouse are highly advanced and range from general safety precautions to regular controls and procedures.

The distribution centre is divided into several fire compartments. The property is equipped with a sprinkler system comprising about 47,000 sprinkler valves and a fire alarm with about 900 emergency addresses connected directly to SOS and our internal emergency response group. The sprinkler system is supplied with water from a sprinkler centre powered by diesel pumps. Water is led from water reservoirs connected to the sprinkler centre. To secure access to firewater, a dedicated fire pond has also been established next to the high-bay warehouse. A fire fighting team has also been trained to provide rapid response with existing fire equipment in the event of a fire in the distribution centre or head office.

Insurance cover

Clas Ohlson reviews the company's insurance cover every year and during the financial year, conducted a tender process for insurance policies. The policies provide full cover for inventories, buildings, machinery and fixtures as well as stoppages and liability, including product liability.

Risks and uncertainties

Clas Ohlson's operations entail risks that could have varying degrees of negative impact on the Group. These can be divided into operational risks, such as a competitive product range or a changed competitive situation, and financial risks, primarily currency exposure.

Operational and financial risks can have both a short and long-term impact on the ability to achieve set objectives in accordance with the company's business plan. Clas Ohlson works continuously to update the Group's risk situation by conducting a documented, systematic process in which risks are identified, measured, monitored and reported. Priority is assigned to risks considered most negative in terms of probable occurrence and their conceivable effects on the operations.

The risks are compiled in risk charts to provide a map of the overall exposure. Maps are compiled at Group level and are a key component of the executive management 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 as the company continues to grow and develop.

Operational risks

Expansion in the UK and Germany

Expansion in the UK and Germany presents opportunities for Clas Ohlson due to additional markets, but also entails risks. One risk is that the brand is relatively unknown and establishment is expected to take a long time. For more information about the UK and Germany, refer to pages 18–19.

Purchasing in Asia

Clas Ohlson currently purchases about 37 per cent of the company's products in Asia, mostly from China. The proportion of purchasing from Asia will increase through the company's own purchasing company. This will boost the company's competitiveness in the ongoing expansion process. Increased single-country exposure entails greater risk (political risk, transport risk, currency risk and so forth).

IT systems

Clas Ohlson's operations are highly dependent on IT support. As a result, it is essential that IT systems provide effective and reliable support for the company's day-to-day operations. The IT structure is under continuous development.

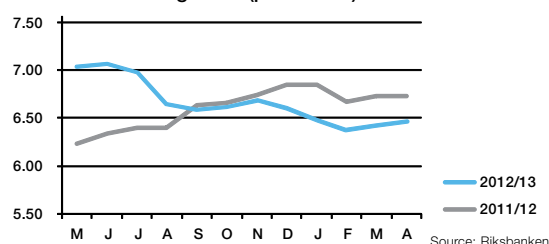
Competition

A clear trend in the European retail market is that major nationwide chains are growing, usually at the expense of



Plug-in thermostat. Frost protection. Ideal for regulating fan heaters or radiators. Simply set the temperature at which the appliance is to turn on or off. Plugs into the wall socket. For indoor use.
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USD/SEK exchange rate (per month)



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 2012 was SEK 6.72. The exchange rate gradually strengthened during the fiscal year, except for a slight weakening during the final quarter. On 30 April 2013, the rate was SEK 6.56, down 2 per cent.

The highest exchange rate during the financial year was SEK 7.29, recorded in June 2012, while the lowest was SEK 6.29, noted in February 2013. The average exchange rate for 2012/13 was 6.66 (6.60).

smaller, individual specialist retailers. The major chains and retailers are establishing themselves in several countries through both own stores and acquisitions. As a result, market players have become fewer and larger. During the financial year, competition intensified due to more stores and shopping centres, particularly in the Nordic region. For more information, refer to page 11.

Logistics

Clas Ohlson's distribution centre in Insjön is the hub of the Group's entire logistics chain. From here, goods are distributed to all stores and to mail order/Internet customers. In recent years, the distribution centre has been expanded to further optimise the company's logistics. However, concentrating all logistics to one location entails risks. These include communication and infrastructure disruptions, fire and strikes.

Key individuals

An increasingly critical success factor is being able to attract and retain key employees. Clas Ohlson's remuneration policy was changed in the 2008/09 financial year, following a resolution by the Annual General Meeting to allow a higher percentage of variable, performance-based remuneration. For more information, refer to page 56.

The company's geographical location requires flexible working conditions, which is essential for attracting and retaining key individuals from other locations.

Corporate Social Responsibility (CSR)

Demands for companies to accept social responsibility (Corporate Social Responsibility) are growing. Clas Ohlson works proactively with these issues, since they are strategically significant and contribute to building a long-term sustainable business. If these social responsibilities are neglected, the company risks losing sales and market shares. For more information about Clas Ohlson's sustainability efforts, refer to pages 27–43.

Product range

The company's most important task is to offer customers a broad and attractive product range. If Clas Ohlson were to misjudge new trends or product categories, this could entail lower growth and profitability.

Shrinkage

Clas Ohlson is exposed to shrinkage on a daily basis, including shoplifting, theft and other types of criminal activity. Clas Ohlson works to reduce shrinkage through long-term preventive measures such as training programmes, technical equipment and ongoing monitoring, assessment and adaptation of security measures.

Financial risks

Economic climate

The retail market in general is adversely affected by a weak economy and although Clas Ohlson sells products for everyday use, a weak retail market will have a negative impact on the company's sales.

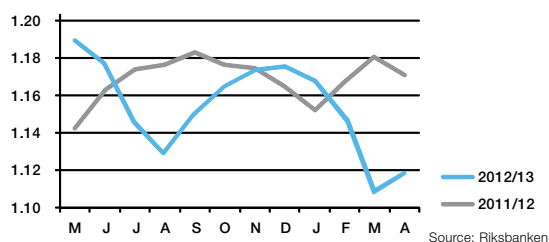
However, the broad and affordable product range is less sensitive to cyclical fluctuations than that of many other retailers. More than 80 per cent of the products sold by Clas Ohlson are priced at less than SEK 300. The company's broad product range, with five different product categories, also entails lower risk since demand in one product category could increase while demand in another category falls.

Wage inflation in manufacturing countries

Clas Ohlson is affected by wage-level changes in countries where the company's products are manufactured. This can vary between products depending on how much labour is involved in the manufacturing process.



NOK/SEK exchange rate (per month)



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 2012, the exchange rate for the Norwegian krone (NOK) against the SEK was 1.17. During the financial year, the trend for the Norwegian krona (NOK) could be compared to a rollercoaster. The price declined significantly in the summer, followed by a sharp upswing in the autumn. Another strong decline was noted during the last quarter of the financial year. On 30 April 2013, the exchange rate was 1.12, down 4 per cent.

The highest exchange rate during the financial year was 1.20 recorded in May 2012, while the lowest was 1.11, noted in March 2013. The average exchange rate for 2012/13 was 1.16 (1.17).

Raw-material prices

Purchase prices for the company's products are largely determined by the price of individual raw materials in international markets. This applies particularly to electronics (copper), batteries (zinc), lighting (aluminium) and plastic products (oil). Hedging against raw material prices is not carried out directly by the company. This entails a risk since the purchase price of the items concerned is affected by the price development of raw materials, while retail prices remain fixed during catalogue periods.

Transport costs

Clas Ohlson does not hedge transport or fuel costs for incoming transport. Freight shipping prices can vary considerably depending on the global spot market price, thus entailing a risk.

Currencies

The company's currency exposure is relatively high, primarily due to sales in Norway and the Group's purchasing. About 45 per cent of purchasing is made in currencies other than SEK.

The principal purchasing currencies are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). Move-

ment of the SEK against the Norwegian krone (NOK) is also important for 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 sales volume 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 the product range. At the same time, 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.

During the financial year, hedging was carried out in USD and NOK.

Currency movements

During the financial year, the NOK weakened against the SEK. The exchange rate for the NOK averaged 1.16, down 1 per cent compared with the 2011/12 financial year when the rate was 1.17. This had a negative impact 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 2012/13 financial year was 1 per cent higher than in the preceding year (SEK 6.66 compared with SEK 6.60). The average exchange rate for the HKD during the 2012/13 financial year was SEK 0.86, or 1 per cent higher compared with the 2011/12 financial year, when it was SEK 0.85. The average exchange rate for the Chinese currency (CNY) was 2 per cent higher than in the preceding year (SEK 1.06 compared with SEK 1.04).

The EUR weakened against the SEK during the past financial year. In the 2012/13 financial year, the average exchange rate was SEK 8.59 compared with SEK 9.02, down 5 per cent. The average exchange rate for the GBP was in line with the preceding financial year (SEK 10.51).



Sensitivity analysis

Factor	Change	Impact on profit before tax, SEK M
Volume of sales in comparable stores	+/- 5 per cent	+147/-163
Total currency effect excl. hedging		
– NOK	+/- 5 per cent	+/- 59
– USD	+/- 5 per cent	-/+ 50
– HKD	+/- 5 per cent	-/+ 7
– EUR	+/- 5 per cent	-/+ 1
– 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.

Sustainable development

Clas Ohlson is a dedicated retail company with 174 stores and e-commerce platforms 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 the company has some 4,300 employees. Clas Ohlson does not own any factories but cooperates with approximately 600 suppliers and 700 manufacturers in 30 countries. This Sustainability Report describes how we work with Corporate Social Responsibility (CSR). This work includes Clas Ohlson's social and environmental responsibilities, meaning our efforts to achieve sustainable development.

Contribution to sustainable development

Our business concept has remained relatively unchanged since 1918. Clas Ohlson wants to make it easy for people to solve their everyday practical problems. The company's founder, Clas Ohlson, wanted to promote the interests of employees, customers and the local community and laid the foundation for the company's strong corporate culture. The "Clas Ohlson spirit" underlies our willingness to take responsibility and adapt our operations, and contribute to sustainable social development.

We set high standards for our company, and for our suppliers and manufacturers, in terms of working conditions and human rights, workplace health and safety and environmental impact. With a long-term sustainable business concept and operation, Clas Ohlson aims to create value for its shareholders, customers, employees and society at large. Clas Ohlson will contribute to sustainable development and help improve the quality of life for current and future generations.

Contributions to sustainable social development are business-critical and one of the company's core strategies. While demands and expectations from customers, employees, shareholders and other stakeholders are growing, sustainability issues present new business opportunities for Clas Ohlson. All major investment decisions are to take financial, social and environmental implications into account.

Our sustainable vision

We will commit the company's resources to economic, social and environmental development that generates value for our stakeholders and society at large, and contributes to sustainable living conditions for current and future generations.

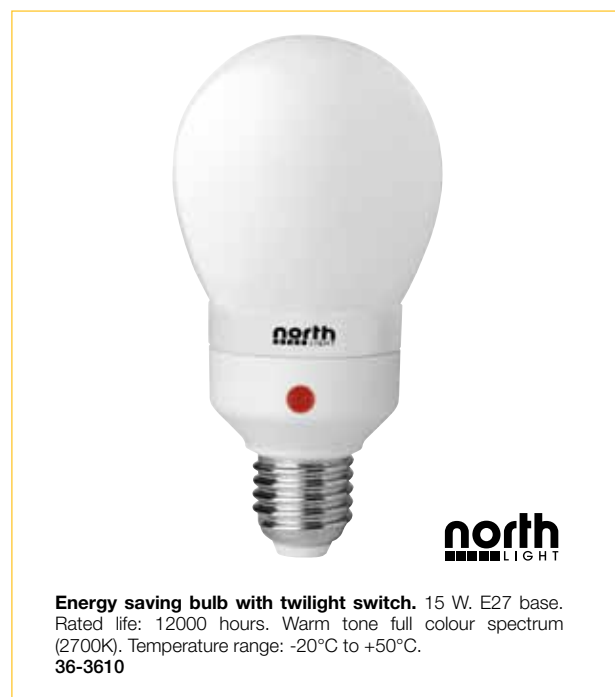
CSR organisation and responsibilities

Clas Ohlson works according to the philosophy that sustainability issues require a holistic approach and that these issues must permeate the entire organisation and its various operations. This requires involving the entire organisation in

efforts to achieve a sustainable society and also engaging our customers and owners in this work.

Clas Ohlson's sustainability work is led and coordinated by a CSR forum comprising the CEO, Director of Information and IR, Director of Purchasing, Director of Supply Chain, Director of HR, Senior Legal Adviser, Environmental Coordinator, internal controller and Director of CSR and Code of Conduct.

The forum makes decisions concerning objectives, strategies and activities for the entire Group's sustainability efforts and ensures that the company works effectively toward achieving the set objectives. The CEO is ultimately responsible and the aim is that sustainability efforts will be an integral part of the organisational strategy.



Policies and period for CSR reporting

This is Clas Ohlson's fifth sustainability report and is based on the most recent Global Report Initiative (GRI) Guidelines. Clas Ohlson has chosen to report against the criteria in Application Level C* (not audited by an external party). A cross-reference table is presented on page 43 showing where the various GRI indicators can be found in Clas Ohlson's Annual Report, Sustainability Report or website.

The information and key ratios presented in the Sustainability Report have been selected on the basis of significance and relevance from a sustainability perspective for Clas Ohlson, and in accordance with stakeholder requests.

The Sustainability Report covers the 2012/13 financial year, which is the 1 May 2012 – 30 April 2013 period. Information, key ratios and diagrams for the 1 January 2012 – 31 December 2012 period are presented in some of the sections below.

Clas Ohlson's stakeholders

Clas Ohlson's key stakeholders and target groups are customers, employees, shareholders, suppliers and manufacturers, non-profit organisations and the general public.

We have ongoing dialogue with our most important stakeholders and also perform internal and external measurements to capture any views and requests pertaining to the company's operations and development. Open dialogue generates greater knowledge and helps to determine any improvements that may be required in our sustainability efforts.

We hold meetings with various fund and asset management companies and their sustainability analysts to discuss various sustainability issues and the opportunities and challenges facing Clas Ohlson. During the financial year, Clas Ohlson also participated in seminars and forums arranged by various non-profit organisations to hear about their views, experience and work with human rights and the environment.

Participation in international initiatives

Clas Ohlson has been a signatory to the UN petition to promote human rights, the UN Global Compact, since 2008. Clas Ohlson has also participated in the international Carbon Disclosure Project (CDP) since 2008 and during the financial year, the company reported both the direct and indirect greenhouse emissions generated by its operations during 2012.

Employee surveys

Our work environment surveys show a high level of job satisfaction and a good working environment. During the financial year, a Group-wide employee survey was conducted – an Employee Satisfaction Index (ESI).

The survey provides valuable feedback from our employees about our workplaces, working conditions and satisfaction (read more on page 38).

Customer survey

During the year, Clas Ohlson participated in the 2012 Sustainable Brands Image Survey. The survey measures Swedish attitudes and perceptions of corporate sustainable industry, 2012."

Our dialogue with customers around sustainability issues is important and will be further developed to include our customers in the development of Clas Ohlson's operations and offering.

Our stores

In conjunction with store establishments, Clas Ohlson cooperates with municipalities, regions and authorities. There is a shared interest in creating a viable local business community, particularly in the city locations that Clas Ohlson prioritises when establishing 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. Every year, Clas Ohlson opens a large number of new stores in our existing four markets, which creates many new job opportunities.

Financial development generates value

Clas Ohlson has reported a profit every year since the company was founded in 1918. Healthy profitability and sound finances are essential for conducting long-term sustainable operations and generating value for shareholders, employees, suppliers and society at large. As the company 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 the year

During the financial year, we continued to make progress with our sustainability efforts. Some of the activities that took place were:

- Purchasing processes and monitoring compliance with the Code of Conduct were integrated with joint organisation, tools and processes. During the financial year, 409 (617) factory audits of our manufacturers in Asia were conducted to identify any non-compliance that needed to be addressed.
- Emissions from transport (CO₂/tonne/km) were reduced by raising the filling height for pallets used in distribution, increasing the proportion of rail freight and changing transport routes and procedures.
- Energy optimisation continued in a number of stores by introducing better lighting plans and new lighting technology. The new lighting is used in all new stores, and introduced into older stores when they are renovated.
- Clas Ohlson continued to contribute to the phase-out of conventional light bulbs and conversion to LED lighting through marketing campaigns and communication in our various sales channels.

- Clas Ohlson extended its partnership with Save the Children. The partnership includes training initiatives for migrant and young workers (16-20 years) in China, and campaigns in our sales channels to collect money for children in Nepal, one of the poorest countries in the world. The goal is that 8,000 children will be able to start school over a three-year period.
- In December 2012, Clas Ohlson was selected for inclusion in the NASDAQ OMX Sustainability Index, which serves as a guide for sustainable investments.



*GRI Application Levels

The GRI Guidelines have three Application Levels: A, B and C. The disclosure requirements for each level represent the degree of application or compliance with GRI's Framework. When an "+" is added to the Application Level, it shows that a report is externally assured.

Clas Ohlson's overall sustainability strategies:

Strategy	Activities
CSR must be an integral part of our business and operations. We will contribute to sustainable development, capitalise on existing business opportunities and strengthen our long-term competitiveness.	<ul style="list-style-type: none"> - Stakeholder feedback compiled from the Employee Satisfaction Index, customer surveys and participation in the Sustainable Brands Image Survey. - Internal training to raise Group-wide expertise and awareness of CSR issues.
More extensive collaboration with suppliers and manufacturers to promote better working conditions.	<ul style="list-style-type: none"> - Focus on reducing the number of suppliers and manufacturers. - Integrated organisation, processes and tools for purchasing and verifying compliance with our Code of Conduct. - Training programmes for both factory managements and factory workers. - Partnerships with other companies and organisations to improve CSR effectiveness.
Open dialogue with our stakeholders and non-profit organisations about our CSR process.	<ul style="list-style-type: none"> - Stakeholder feedback and dialogue, and results from the Employee Satisfaction Index and customer surveys. Participation in seminars, and sustainability dialogues with non-profit organisations, universities, forums and other parties. - External CSR reporting based on the Global Reporting Initiative (GRI) framework.
Develop offering and communication to guide our customers to the right solution for various practical needs.	<ul style="list-style-type: none"> - Develop the product range with new, smart solutions that help our customers minimise their environmental impact. - Guide our customers to the right quality according to need, spare parts, repairs and tips for more sustainable consumption. - Phase-out hazardous substances in products. - Smaller and better packaging and packaging material. - Communicate with customers about CSR through various sales and communication channels.
Contribute to society by promoting the rights of children and young people	<ul style="list-style-type: none"> - Long-term cooperation with Save the Children to promote better conditions for children. - Implementation of the new Children's Rights and Business Principles in Clas Ohlson's operations. - Community involvement by supporting cultural and sporting activities for young people in Insjön and the surrounding region.
Efficient and long-term supply chain sustainability.	<ul style="list-style-type: none"> - Increased use of rail for freight transport. - Higher fill rate. - More efficient transport routes and delivery schedules. - Transport partners with optimised environmental performance.

Our work to promote human rights

Taking responsibility for the individuals and environmental factors affected by our operations is important for Clas Ohlson. Responsibility in our supply chain entails making demands and verifying compliance, but also developing long-term relationships with our suppliers and supporting their sustainability efforts.

Our supply chain

Clas Ohlson is a dedicated retailer. Clas Ohlson does not own any factories and the company's product range is purchased from about 600 suppliers and 700 manufacturers in some 30 countries. 37 per cent of our products are purchased directly from factories in Asia. This direct purchasing provides greater opportunities for us to influence, verify and support our manufacturers in their work to improve working conditions and workplace safety.

Our processes to verify and support our suppliers and manufacturers focus primarily on production in countries where the risk of non-compliance with our Code of Conduct is high.

Long-term commitment and partnership

Our ambition is to contribute to a better workplace and improved working conditions for people involved in the pro-

duction of products that we purchase from various suppliers and manufacturers. We are also responsible for ensuring that the products have the lowest possible environmental impact over their entire life cycle. Verifying compliance and working for improvements in our supply chain is a long-term and complex process that requires commitment from our 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 compliance and improve conditions in our supply chain.

Integral part of the operations

In an effort to improve our supplier responsibility, the Purchasing and CSR departments work together to balance both financial and social aspects when selecting partners. Both departments use the same administrative purchasing systems and as part of their everyday procedures, can check and register information about our manufacturers' CSR status, audit reports and improvement processes to support their purchasing decisions. If manufacturers fail to address any issues of non-compliance, they are blocked in the purchasing system until the problems are rectified.

Our CSR department in China is responsible for verifying, assessing and monitoring compliance with Clas Ohlson's Code of Conduct, as well as training and providing information to our suppliers and manufacturers in Asia. This assignment includes performing CSR audits and supporting manufacturers in their improvement processes. At the end of the financial year, the department consisted of the CSR Manager Supply Chain, the CSR team leader, administrators and CSR auditors who perform manufacturing audits and provide information and training in factories.

Challenges and opportunities

Clas Ohlson has a broad product range with about 15,000 products that are purchased from a large number manufacturers. For many of these manufacturers, Clas Ohlson is a small customer that accounts for less than 5 per cent of their annual sales.

Factories in Asia are often characterised by a range of challenges, such as excessive overtime, unsafe working 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 third-party audit firms. Regular visits to the factories by our own personnel enable an overall assessment, including working conditions, when selecting manufacturers. Many factories have several international customers that demand compliance and perform regular factory audits, while others have limited experience since purchasers have rarely demanded compliance

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. Additional CSR office established in southern China.
- 2011 Purchasing office in southern China with CSR-auditor.
- 2012 Clas Ohlson conducts educational efforts for migrant workers and young workers together with Save the Children.



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36-5185

and performed CSR audits in the past. Joint demands by purchasing companies to improve working and environmental conditions are a positive trend and can generate even better results by attempting 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 with other purchasers. We also cooperate with Save the Children's Centre for Children's Rights and Corporate Responsibility in China to help improve conditions for migrant and young workers (older than 16) (read more on page 32).

As part of this process, and in line with the UN Global Compact initiative to combat corruption, the company underwent advanced internal training in business ethics, free competition, bribery and corruption during the fiscal year.

Business ethics

Clas Ohlson works to uphold high ethical standards in business practices, promotes free competition, does not accept offers of, or payment of, bribes or inappropriate benefits and is committed to compliance with applicable laws and ordinances. As a company and purchaser of goods and services, we are both able and obligated to demand high standards of business conduct, both our own and our subcontractors', and our business ethics guidelines are an integral part of Clas Ohlson's Code of Conduct.

Caring and showing respect for people and the environment, and upholding high ethical standards, integrity and honesty, are cornerstones of Clas Ohlson's corporate cul-

ture, core values and behaviour. During the financial year, training programmes were arranged for all Group functions and employees with purchasing responsibilities.

Training

Training programmes to provide all employees with basic CSR knowledge continued during the year. Training provides a shared platform for the company, describes the various components of Clas Ohlson's CSR processes and how each individual can contribute to achieving the company's sustainability targets. Our Purchasing Department undergoes regular training in corporate and supply chain responsibility and the purchasers participate in audits every year, which provides greater knowledge and experience of the process and insight into how they, as purchasers, can make a contribution to improvements.

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

Each year, Clas Ohlson arranges training courses in Hong Kong, Taipei and Shanghai for our agents regarding our CSR programme and how we monitor the supply chain. Our agents, who assist with direct purchasing in Asia, also participate in audits to raise their knowledge and become involved in the process.

Our tools and processes

Code of Conduct

Clas Ohlson's Code of Conduct contains the standards we set for ourselves, and for our suppliers and manufacturers, regarding working conditions, workplace health and safety, anti-corruption and environmental impact. The Code refers to international conventions as well as national laws and regulations. The standards in 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. During the year, the UN principles were amended to include a more detailed description of the rights of the child in relation to the business sector, whereby each company is responsible for paying special attention to the rights and conditions for children in every part of its operations. Our Code includes the following:

- 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 workplaces, 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, including 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 under Financial Information (<http://about.clasohlson.com>).

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

Manufacturers with a committed management and a robust business management system for monitoring, control and document management are generally successful in complying with our 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 is also required to sign our Code of Conduct.

To identify any non-compliance, we also work with self-assessments where the manufacturer completes a comprehensive questionnaire about factory conditions in terms of workplace health and safety, working conditions and the environment. The most extensive control is carried out during audits, when our own or third-party auditors inspect the manufacturing facility, interview the personnel and examine various documents. Clas Ohlson pays the costs incurred by manufacturing audits (for a description of how an audit is conducted, see page 35).

The standards in the Code are based on:

- The Universal Declaration of Human Rights.
- United Nations Convention on the Rights of the Child (1989).
- ILO Convention 138 – Concerning the minimum age for admission to employment (1973).
- ILO Convention 182 – Concerning the prohibition and immediate action for the elimination of the worst forms of child labour (1999).
- The ILO Declaration on Fundamental Principles and Rights at Work (1998).

Targets	What we achieved in 2012/13	What we want to achieve in 2013/14
<ul style="list-style-type: none"> • Improve conditions for individuals and the environment at the sites of our suppliers and manufacturers. 	<ul style="list-style-type: none"> • Participation in the CSR Asia organisation, leading to cooperation with other retail companies in the region. • Developed organisation, processes and tools for monitoring compliance with our Code of Conduct and achieving better working conditions. • Higher proportion of external audits by third parties to supplement the audit process. • Closer collaboration with key manufacturers in order to reduce the number of manufacturers. 	<ul style="list-style-type: none"> • Increased focus on environmental issues for our manufacturers by introducing training initiatives for factory managements and our own CSR auditors. • More intense cooperation with key manufacturers and suppliers to encourage and reward their CSR efforts. • More initiatives to support manufacturers' CSR processes in relation to their sub-contractors. Increased CSR audits of our suppliers' sub-contractors. • Improved "hotline" for reporting deviations at factories through new channels that reach more factory workers.
<ul style="list-style-type: none"> • Expand our work with information and training for manufacturers. 	<ul style="list-style-type: none"> • Our auditors provided information and training for factory managements in health and safety, Human Resources and the environment. • Training initiatives for migrant and young workers through partnership with Save the Children's CSR centre in China. 	<ul style="list-style-type: none"> • Continued training initiatives for both new and existing manufacturers regarding our Code of Conduct and our standards. • Training for manufacturers in the new principles concerning the rights of the child and the business sector. • Increased training initiatives for migrant and young workers at factories in Asia. • To develop a new training program for factory workers and managements in health and safety and workplace dialogue.
<ul style="list-style-type: none"> • Conduct regular training for our purchasing and CSR organisation. 	<ul style="list-style-type: none"> • During the year, our CSR auditors underwent training in ISO 14000, OHSAS 1800, Energy Saving and Job hazardous assessment. 	<ul style="list-style-type: none"> • Continuous further training for our CSR auditors. • Strengthened environmental expertise.
<ul style="list-style-type: none"> • Cooperate with other companies and organisations in order to influence and continue improving. 	<ul style="list-style-type: none"> • Participation in CSR Asia. • Cooperation with Save the Children in China (CCR CSR). • Participation in various research projects into CSR, including Lund University, Sweden. 	<ul style="list-style-type: none"> • Assess the potential to cooperate with other companies and organisations when performing audits to acquire greater efficiency and opportunities to exercise influence. • Expanded dialogue with stakeholders in the countries where we operate. • Deeper, long-term cooperation with Save the Children.
<ul style="list-style-type: none"> • Improved communication, both internally and externally. 	<ul style="list-style-type: none"> • More information about CSR on Clas Ohlson's website. • CSR training for all personnel (May/June 2012). • Participation in the Sustainable Brands Image Survey – rated "Best in the Industry" in 2012 and 2013. 	<ul style="list-style-type: none"> • Increased customer communication about CSR via all channels: stores, e-commerce, catalogues, telephone and marketing. • Enhanced cooperation with Save the Children and campaigns to offer children in Nepal the opportunity to attend school. • Regular CSR information to our employees via our internal communication channels.

Preventive and training measures

Initially, some manufacturers may have very little knowledge of our demands and regulations or how they can achieve compliance. During the audits, our auditors inform the manufacturers of our requirements and the areas that must be improved. We have produced training material in health and safety, Human Resources and the environment to support manufacturers' efforts to improve their operations. During the year, we conducted 71 training programmes at manufacturing facilities in Asia.

Although Clas Ohlson is often a small customer for our suppliers, most of them react positively to being audited and are willing to work toward improving any deficiencies. However, we do encounter manufacturers that for various reasons are not prepared to permit access for audits or are not interested in working within the given timeframes for achieving the improvements that are required. 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, and these are revised at least every second year. During the financial year, we performed 409 audits, both initial and recurring. Our own auditors conducted 380 audits, and 29 external audits were performed by third-party audit firms specialised in social responsibility and human rights.

An audit normally takes 1-2 days, depending on the size of the factory and number of employees. The auditors inspect the factory's premises, interview employees and examine documents. The audit is documented in a report. If we identify any non-compliance with our Code, an action plan is prepared with information about the 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 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

Non-compliance and improvements

In our audits, most non-compliance is identified in the areas of health and safety, such as deficiencies in the use of protective equipment, evacuation and fire protection, and in wages and working hours, such as excessive overtime or denial of social security rights. During the year, most improvements were noted in the health and safety area. General improvements in relation to wages and working hours take longer to achieve. These issues are complex and require a long-term process, in which both the purchasers and manufacturers of goods in Asia, in consultation with authorities and NGOs, must work together to find sustainable solutions. Since many manufacturers have "yellow" in terms of their CSR level (with some non-compliance), we plan to focus on raising the manufacturer's level toward green (no non-compliance) to enable goal-setting and to strengthen cooperation with strategically important manufacturers that can demonstrate a positive CSR result.



Cotech laser distance meter. Quick, accurate and easy-to-use distance meter. Accurate readings even on small areas and long distances (up to 40m).
40-8786

GRI (Global Reporting Initiative)

In 2009, Clas Ohlson introduced GRI – the global standard for sustainability reporting – to benchmark our progress with sustainability. The introduction of GRI has also generated value for Clas Ohlson by providing a framework with well-defined performance indicators that can be used to set targets and monitor results in selected areas.

Reporting non-compliance and implemented measures

Selected performance indicators in the area of human rights are presented in tables on page 34.

HR4 Non-discrimination

Audits during the year identified zero cases of discrimination. In past years, identified cases of discrimination have included the absence of an anti-discrimination policy or specifying the desired age and/or gender of candidates in job advertisements. In these cases, Clas Ohlson has demanded the introduction of an anti-discrimination policy and reformulation of the advertisements.

HR5 Freedom of association and the right to collective bargaining

We identified 15 cases of restricted freedom of association and the right to collective bargaining. We have demanded that these suppliers introduce systems to eliminate this restriction. In general, freedom of association is a major problem in Asia and represents a considerable and important area of development that requires collaboration between manufacturers, purchasing companies, NGOs and authorities.



3M Half Mask Respirator. 4 different filters in one mask. Protects against fine particles, water- and oil-based spray paints, solvents and organic gases. Fitted with 2 large carbon filters for low breathing resistance. 2 adjustable head straps. Type: FFA2P3 R D. Conforms to: EN 405:2001 + A1:2009.
40-8054

HR6K Child labour (under 16 years)

Our audits identified two cases of child labour during the year. In both of these cases, identified by audits in China, the children were 15 years of age (the minimum working age in China is 16). When we discover under-age workers, we try to find the best solution for the child by working together with the child, the parents and the factory.

In another 15 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 one case, the factory did not have a child labour policy. In these cases, Clas Ohlson demanded that the companies introduce a child labour policy and procedures for maintaining records of identification documents.

HR7 Forced labour

During the financial year, we identified one case of forced labour. The incident was discovered at a factory that only paid wages to its workers three times per year. Clas Ohlson demanded that this serious case of non-compliance be immediately addressed and that the factory introduce a policy and procedures to prevent forced labour. All non-compliance has now been rectified and meets our standards.

Status after completed CSR audits per financial year

Year	07/08	08/09	09/10	10/11	11/12	12/13
Green		14	11	4	11	8
Yellow	24	296	332	300	438	314
Orange			50	82	109	63
Red	14	49	51	40	59	24
Total	38	359	444	426	617	409

Status per active manufacturer 30 April 2013

Status	Green	Yellow	Orange	Red
Per cent proportion	11%	88%	1%	0%

Non-compliance based on GRI indicators after completed audits:

GRI indicators	2008/09	2009/10	2010/11	2011/12	2012/13	Total
HR4K Non-discrimination	16	15	20	6	0	57
HR5K Freedom of association and the right to collective bargaining	29	9	7	17	15	78
HR6K Child labour	1	1	6	12	2	23
HR7K Forced labour	5	2	0	0	1	8

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)

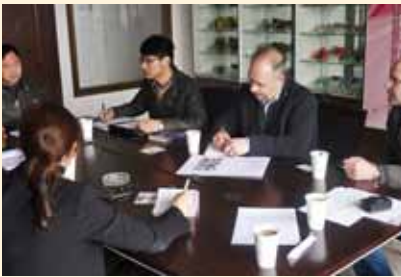
Companies that manufacture our products.

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://om.clasohlson.com/en>.



The CSR audit process

At Clas Ohlson's CSR department in Shanghai and Shenzhen, six auditors are employed to check the conditions in factories. Clas Ohlson performs internal audits using its own auditors and external audits through third-party organisations.

An audit comprises the following components

- An audit is initiated when our auditors convene an opening meeting together 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.
 - Documents for production and other properties
 - Certificates and permits
 - Policies
 - Attendance lists
 - The practice 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 (Material Safety Data Sheet)
 - Training and medical examinations for people who work with hazardous substances
 - Recycling management
 - Water purification, air purification
 - If the factory provides housing for the workers
 - Number of people per rooms
 - Personal space
 - Toilets
 - Gender-separated rooms
 - Fire safety (including fire equipment, escape routes, emergency exits)
 - Ventilation and light
 - Hygiene and safety
- 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.
 - A follow-up 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.

Our employees and core values

Committed and goal-oriented employees are the core of our brand and fundamental to the company's continued expansion and development.

Our core values – drive, commitment, innovation and warmth – form the basis for how we work and care about our customers, and how we strive to achieve our goals.

The key to our continued expansion in Europe is that we can retain, develop and attract skilled and committed employees to our various professional roles and markets.

We do this by being a modern, responsive and exciting employer, and by offering a gender-balanced and healthy workplace with challenging assignments, continuous skills development, good working conditions and international career opportunities.

Exporting the Clas Ohlson spirit

One of our greatest challenges is to simplify and develop our core values. Spreading the Clas Ohlson spirit throughout our international operations. Understanding and capitalising on cultural differences, encouraging frequent interchange between countries and employees and setting clear measures and goals.

Our core values are the compass for all work conducted by the Group and the guiding principle for how we approach and communicate with our customers. In our current phase of growth, it is even more important that our core values remain clear, alive and present in our everyday work. We want to present the same image and Clas Ohlson experience to our employees and customers in Sweden, Norway, Finland, the UK and China.

Our core values rest on commercial awareness. We enjoy our business, and always have the customer's best interests at heart. Commercial awareness has four cornerstones:

Drive

Drive is the desire, willingness and ability to generate results. To turn problems into solutions and words into action.

Warmth

Warmth is the friendliness, care and service-mindedness that permeates all interaction with our customers, colleagues and suppliers.

Commitment

Commitment means that every employee is given, and accepts, personal responsibility. Every employee, regardless of their role or area of responsibility, is important for achieving our goals.

Innovation

Innovation means being creative, innovative and curious. Always seeking new opportunities, products and solutions is an important part of the Clas Ohlson spirit.

Diversity and gender equality

All Clas Ohlson employees must have the same rights, opportunities and obligations. We consider diversity a natural reflection of the world we live in and vital for our continued growth. Our approach to diversity and gender equality will permeate all of our operations, and discrimination on the grounds of gender, age, religion, ethnic origin, disability or sexual orientation is not permitted. One of our goals is that neither gender will account for less than 40 per cent of each professional category, which is achieved through targeted skills development combined with the prioritisation of gender equality when recruiting.

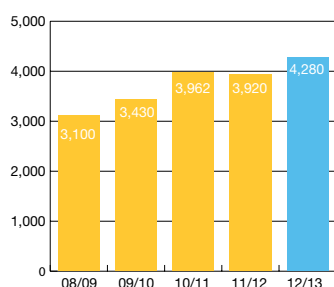
During the financial year, 43 per cent (42) of the company's employees were women. The proportion of women on the Board was 38 per cent (38) and in senior management, 20 per cent (20). Of national managers and senior executives, women accounted for 25 per cent (25). On 30 April 2013, 47 per cent of our personnel were younger than 30, while 10 per cent were older than 50.

Skills development

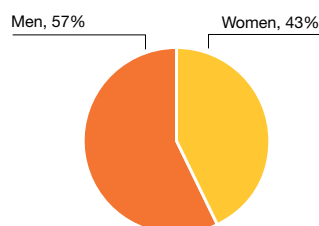
Business-orientated skills development is vital for our continued growth and to increase employees' commitment, motivation and job satisfaction.

New employees in the Group undergo "Insjön training," a basic course located in Insjön to learn about Clas Ohlson's corporate culture and core values. Continuous training takes place in all professional categories and levels. In the preceding year, our employees participated in a total of 10 hours training per person, including interactive training programmes via Clas Ohlson's digital learning portal.

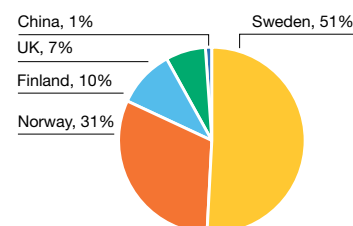
Total number of employees



Number of employees, men/women



Employees per country





From Lund to London in less than two years

When Sophia Bonnevier Dudzik commenced Clas Ohlson's traineeship programme in Insjön in autumn 2010, she was already determined to work abroad. Just a few weeks after completing the programme, she landed at Heathrow, ready for her first project as a Business Developer at Clas Ohlson UK in Kingston-upon-Thames in South West London.

Sophia did not arrive in London by chance.

"My supervisor and I maintained an open dialogue throughout the trainee period. We set up a long-term plan, where the organisational requirements and objectives were matched with my personal qualities and ambitions. Working abroad was one of the milestones."

During her 18 months as a trainee, Sophia became familiar with many facets of the business, from working in stores and customer service to purchasing, sales and business development. *"Ever since I was 16, when I started working in a chocolate store in Lund, I have loved everything about interacting with customers – serving, selling and talking to people. Working at Clas Ohlson has strengthened that feeling, so helping to develop our sales and marketing communication feels very exciting."*

Business development with variation

Sophia is involved in development projects in a range of areas in the UK market, including product ranges, store environments, sales and communication strategies.

"We are ambitious, driven and goal-oriented. But we maintain a high level of flexibility. We spur and challenge each other, share our knowledge and experience, discuss ideas and enjoy working together. I love my job!"

Day-to-day variation appeals to Sophia.

"I am not a specialist, I have a broad range of interests. I prefer to know a little about lots of topics, see the entirety and broader context, which Clas Ohlson has seen, respected and leveraged. As a result, I am growing, feel confident and am working with something I love, which benefits the company in the end."

Work-life balance

Sophia often refers to Clas Ohlson's unique corporate culture and work environment.

"I think the company's work climate and leadership are unusually flexible and open. They are based on a long-term strategy. Junior employees, like me, can also make a contribution. The company also respects that employees have a family and private life, which creates a healthy work-life balance and job security."

Last but not least, Sophia describes how working at Clas Ohlson never feels monotonous or boring.

"The combination of a modern, expansive Group and an almost century-old retailing tradition creates a wonderful dynamic and presents fantastic opportunities to contribute and make a difference."

After completing the traineeship programme, Sophia has found the perfect environment and challenge as a Business Developer in the UK.

The Group:

	Store	Store manager	Salaried employees	Other managers	Ware-house	Women	Men	Total
Total number of training hours	27,292	6,553	4,059	2,200	1,225	17,720	23,609	41,329
Average per employee	9	38	9	22	3	9	10	10

Number of employees*	Sweden	Norway	Finland	UK	China	Total
Stores	1,302	1,224	344	266	-	3,136
Distribution centre	377	-	-	-	-	377
Salaried employees	500	116	63	34	54	767
Total	2,179	1,340	407	300	54	4,280
- of whom women, %	43	39	55	52	63	43
- of whom permanent employees, %	87	86	97	94	4	87
- of whom full-time, %	58	44	44	28	100	51

Average period of employment in the company, year*	Sweden	Norway	Finland	UK	China	Total
Salaried employees	7.6	8.6	5.0	3.0	4.0	7.1
Stores/Distribution centre	7.1	3.6	2.0	1.9	-	4.9

Average sickness absence, %	Sweden	Norway	Finland	UK	China	Total
Total sickness absence	5.9	6.0	4.2	2.0	0.6	5.4
- long term sick leave	2.5	2.7	0.3	0.4	0.2	2.2
- women	7.2	7.8	5.2	2.3	0.8	6.6
- men	4.9	4.8	3.4	1.7	0.2	4.5

* April 30, 2013

Health

Clas Ohlson offers a healthy work environment, where employees enjoy physical and mental well-being, and feel a sense of security and belonging. During the financial year, the employee turnover was 17.9 per cent (including part-time employees) compared with 18.4 per cent in 2011/12. Total sickness absence was 5.4 per cent, of which absence exceeding 14 days accounted for 2.2 percentage points. Clas Ohlson works proactively and preventively to improve the company's sickness absence figures, through initiatives such as training courses and preventive healthcare.

Leadership

Managers at Clas Ohlson are expected to combine good employeeship with clear, goal-oriented and committed leadership based on the company's core values. Our managers play a key role in developing the business skills of each employee. To create a culture where we are always open to opportunities to develop the company based on our commercial awareness, customer focus and desire to generate results.

Recruitment

All recruitment is aligned with our growth strategy and our objective to promote gender equality and diversity. Recruitment takes place both externally and internally, although we endeavour to recruit internally if the expertise already exists. Clas Ohlson encourages employees to take on new challenges within the Group.

Over the past the year, the number of employees increased by 360, of whom 276 are permanent employees.

Salaries

Clas Ohlson offers competitive salaries, in line with our remuneration policy, local ordinances and currently applicable collective agreements and labour legislation. Salaries are based on an employee's professional role and responsibilities, performance, level of expertise and results. The fixed salary is adjusted annually in accordance with applicable collective agreements, in relation to the employee's personal development and the general market situation. Locally adapted benefits, such as physical wellness subsidies, personnel discounts and levelling out of salaries during parental leave, are also offered.

Employee Satisfaction Index

On 30 April 2013, the number of employees in the Group totalled 4,280, of whom 3,716 (87 per cent) were permanent employees. Of these, 54 per cent were full-time employees. Some 85 per cent (84) of personnel responded to our annual employee survey in Sweden, Norway, Finland, the UK and China. The ESI (Employee Satisfaction Index) for the Group was 76 per cent (74), which compared favourably with other companies in an external comparison.

The survey shows that most of our employees feel proud of working at Clas Ohlson and that they can contribute to the decisions that are made. Confidence in managers and executive management is strong on average, while our efforts to promote diversity, equal treatment and gender equality are rated highly.

The employee survey provides an effective basis for how we can develop leadership within the Group and how we should be working to stimulate and motivate our employees.

Activities and initiatives during the year

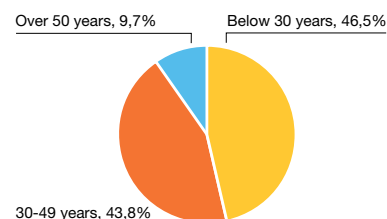
The following is a brief summary of significant events, initiatives and activities in the HR area during the 2012/13 financial year:

- Continued consolidation of our core values, with the objective that all employees throughout the entire organisation will understand our history and corporate culture and help to develop the Clas Ohlson spirit.
- Continued focus on skills development in the areas of commercial awareness and leadership.
- Implemented Group-wide leadership training for managers, other key individuals and employees with leadership talent.
- Completed the second round of our traineeship programme. New traineeship programme will start in autumn 2013.
- Continued development of our interactive learning portal (LMS), with a broader range of courses and training programmes.
- Follow-up of ESI 2012 (Employee Satisfaction Index), and establishment of action plans in each team.

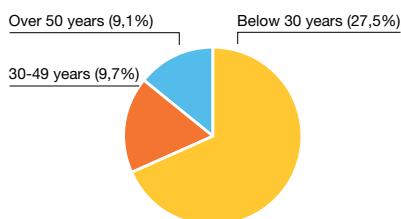
A young organisation

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.

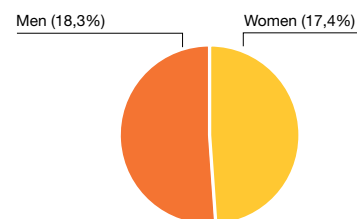
Age breakdown, Clas Ohlson Group



Employee turnover*



Employee turnover, men/women*



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



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

A key component of Clas Ohlson's service concept is our own workshop and vast range of spare parts – comprising more than 9,000 items – that can extend the service life of various products. Items range from clock parts to drive belts and coffee pots.

To date, only a small proportion of our customers have known that we offer both 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 service 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 being able to display the extensive range of spare parts that are also available for various products. 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 expensive machinery and tools. And for support, Clas Ohlson can also offer considerable expertise, with 25 service engineers divided between the various speciality areas: electrical and clock parts, machinery and tools, multimedia, home and household, and leisure and toys.

Offering spare parts and workshop services is a key feature of our service, but also makes a significant contribution to sustainable development due to extended wear and less waste. Our aim is to always guide our customers to the right product with the right quality for solving their specific problem. A simpler, low-cost product can function perfectly for many years when used less often and for simpler tasks. However, a professional who uses a product for demanding tasks every day requires a more advanced and often more expensive product that can withstand sustained use.

Responsibility for the environment

Clas Ohlson purchases products from some 600 suppliers in 30 countries. The products are transported to the distribution centre in Insjön in Dalarna, where they are sorted and stored 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 growing by the year.

We work systematically to achieve our environmental objectives and continuously improve the company's environmental performance. Clas Ohlson's environmental policy states that the environmental perspective must be firmly integrated in our day-to-day activities and underpin all important decisions, in order to generate long-term value for our customers, employees, shareholders and society at large. This entails a lifecycle perspective that spans the entire chain, from the choice of products, suppliers, manufacturing methods and transport modes to a product's materials, usage, energy utilisation and waste management.

Key events during the year

- Strengthened organisation for goods-flow management, including a new transport director with responsibility for developing Clas Ohlson's goods transport, enhancing efficiency and minimising the company's environmental impact.
- More efficient distribution. By raising the filling height for pallets, more goods and less air are transported,

which reduced the company's emissions and costs during the year.

- Energy efficiency in stores continues. A programme to develop the lighting systems of existing stores commenced during the year, and reduced energy consumption by 25 to 50 per cent.
- Clas Ohlson's model for the risk assessment of chemicals in goods was developed and is now more exact and effective. Our method has been acclaimed by authorities and industry colleagues.

Environmental work in a wider context

Our greatest challenge, from a risk and cost perspective, is our dependence on fossil energy sources and their climate impact, particularly in terms of our freight. In addition to the threat of a future oil shortage, current climate policy could lead to higher tax and charges.

The climate impact of logistics 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 has issued directives aimed at improving the energy efficiency of products. Today, Clas Ohlson offers a broad range of energy-saving products. As part of the process to help our customers minimise their electricity consumption, Clas Ohlson's product range and product information is continuously developed, which is both environmentally and financially sound. One example is the phase-out of traditional light bulbs, whereby Clas Ohlson has invested in training and marketing to provide practical tips and advice to customers who seek alternative lighting solutions.

The EU REACH regulation drives efforts to phase-out hazardous chemicals from goods. We apply a risk assessment model that classifies our products on the basis of supplier category, brand, area of application and user group. We adapt our supplier and product requirements to the risk classification.

Environmental goals	Start 2007	Goal 2012	Outcome 2012	Comments
Sea freight -5% CO ₂ /tkm	3.70	3.52	3.63 (Asia), 3.77 (incl. EU)	The performance indicator is dependent on the global economy, which affects the fill rate and our outcome.
Road -10% CO ₂ /tkm	51.9	46.7	50.8	Since emission calculations are based on standards, improvements generated by higher fill rates, for example, are hidden.
Train +10% of the proportion of land transports	16.1	17.7	23.1	Increased rail use for the flow of goods between the Distribution Centre and stores.
Air -10% lower share	0.094	0.085	0.066	Development of internal procedures for ordering air freight.
Business travel -20% CO ₂ /km	124.3	99.4	102.0	New company cars are increasingly fuel-efficient.
Consumption of operating electricity at the DC in Insjön -25 %kWh/pallet	23.8	17.1	17.6	Systematic efforts to improve energy efficiency

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: **CO₂/tkm** = CO₂ emissions per tonne/kilometre. **DC** = Distribution Centre.

Organisation and responsibility

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

Freight and business travel

Our overall environmental objective is that fossil-fuel 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 2007. The reduction applies to the total performance indicators for current transport modes.

In 2012, about 85 per cent of the goods transported by sea from Asia to Gothenburg were transported by rail to the terminal in Insjön. From January 2013, the total flow of goods will be transported by rail. Goods from Swedish and European suppliers are coordinated in several locations for transport by road to Insjön.

Deliveries from the distribution centre to stores and customers mainly takes place by road but during the year, the proportion of rail and sea transport was 18 per cent, compared with 16 per cent in 2011.

The performance indicator for climate impact in conjunction with business travel by road, air and rail decreased 6 per cent, from 108 to 102 grams per CO₂/kilometre. The underlying factor is a higher proportion of train travel, and a lower proportion of car and air travel.

Results

Clas Ohlson's total carbon dioxide emissions generated by freight increased from 15,349 tonnes (2011) to 18,161 tonnes (2012). Emissions per tonne/kilometre are largely invariable, with a reduction from 6.0 grams per tonne/kilometre (2011) to 5.9 grams per tonne/kilometre (2012).

Product responsibility

Overall environmental objective

The products we sell must have properties that meet or exceed market expectations in regard to material characteristics, energy utilisation, safety and quality. The product range and information will be developed to help our customers minimise 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 to train suppliers in legislation and the chemical risk assessment of contents in products and packaging. In addition to partnerships with laboratories in Sweden and Asia, we have also acquired sources of expertise pertaining to the properties and risk substances in materials. This increases precision when goods are subjected to chemical analyses.

Phase-out of risk substances

All materials and substances in products must meet the requirements of applicable legislation. We are phasing out risk substances on the REACH Candidate List by setting a maximum limit of 0.1 weight per cent. We have identified additional substances, beyond legal requirements, for textiles and leather products, which we are minimising. Our processes improved during the year and the number of substances we now test increased from 5 to 26. Clas Ohlson also applies more stringent requirements than the legally permitted levels for materials that come into contact with skin or that are used by children. The EU 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 chosen to provide information directly on both the product and our website if we consider that a product contains a hazardous chemical. However, our supplier requirements stipulate that no hazardous chemicals are permitted in any products.

Energy consumption*

	2012	2011	2010
Store premises, (kWh electricity/m ² , year)*	135	141	147
Offices, (kWh/m ² , year, total)	142	153	143
Distribution Centre, (kWh/m ² , year, total)	92	88	99
Distribution Centre (kWh electricity/pallet)	19.5	20.2	22.6
Fuel oil Insjön, (m ³)	2.2**	0.8	9.4

* Excluding stores in the UK.

** Own heat generation due to disrupted district heating services, 13–14 December.

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.

Total electricity consumption (GWh)

	2012	2011	2010
Store premises*	36.1	34.0	30.9
Offices	1.5	1.5	1.6
Distribution Centre	4.7	4.6	5.1

Fossil carbon dioxide (tonnes)

	2012	2011	2010
Freight	17,234	15,349	16,289
Travels	683	794	514
Heating***	15	11	186
Electricity	3,648	3,453	2,760

***Carbon emissions originate from burning of fuel oil. During 2012, 1% of district heating at Insjön was based on fuel oil and 99% on biomass. Of the carbon emissions, 5.7 tonnes comes from own consumption and 9.2 tonnes from district heating production.

Carbon dioxide emissions from transport and travel

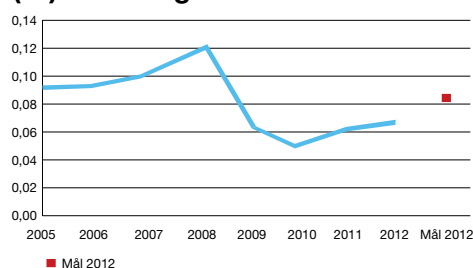
Transport gram CO₂ per tonne/kilometre

	2012	2011	2010
Outgoing freight	47.4	46.6	47.7
Incoming freight - Europe	21.1	17.1	22.5
Incoming freight - Asia	4.07	4.29	3.76

Business travel gram CO₂ per person/kilometre

	2012	2011	2010
Mean value road, air, rail	102	108	100

Proportion of air freight (%) of total goods flow



Energy efficiency

The Ecodesign Directive and Energy Labelling Directive are key instruments in the EU objective to reduce energy consumption by 20 per cent by 2020. The directives entail that certain product groups must provide certain energy and resource efficiency to qualify for use within the EU, and that the energy efficiency of products must be clear for consumers.

A considerable proportion of the products affected by the directives is included in Clas Ohlson's product range. Specific examples are demands for reduced "standby-losses", higher energy efficiency in transformers and more stringent requirements for light sources, in terms of both energy efficiency and energy labelling.

Aftermarket service – wear but not waste

Repairing a product rather than throwing it away is a good example of sustainability. In addition to extending the life of a product, less waste generates environmental benefits. Clas Ohlson's product range includes more than 9,000 spare parts and our customer service employees can offer product knowledge that is highly appreciated by customers. Service engineers in our workshops carry out repairs at cost price. Now that our spare part inventory is available via our online store (e-commerce), sales of spare parts have increased significantly.

Quality according to need

Another key feature for extending the service life of products is that our personnel can help customers choose the right quality according to their needs. A product designed for professional use has totally different demands on quality and function compared with ordinary and less frequent use in the home. This has been Clas Ohlson's basic philosophy since the company was founded in 1918.

Energy consumption

Overall environmental objective

All energy consumption in our own and leased premises and properties must be documented. Energy consumption in the distribution centre, head office and stores must move toward specific energy-saving targets. Energy from fossil sources will be phased out in our own operations.

Distribution Centre

Despite an increase of 5 per cent in operational time, total energy consumption rose 3.7 per cent in the distribution centre. The marginal increase from 88.2 (2011/12) to 91.6 kWh/m² is a result of continued optimisation of ventilation, cooling equipment and automation equipment.

Other performance indicators reinforce the impression of a positive trend. Energy consumption per handled pallet continued to decline from 20.2 (2011/12) to 19.5 (2012/13) kWh/pallet.

Head office

Clas Ohlson's head office in Insjön comprises two buildings totalling 20,000 square metres of floor space, which also house the Insjön store, customer service with workshops, the spare parts inventory and so forth. From December 2009, all sections of the buildings have been connected to bio-based district heating. The total consumption of electricity, district heating and oil continues to decline.

Stores

Electricity and energy requirements vary substantially from store to store. For example, some stores have escalators

and additional electric signage, which increases their energy consumption.

Energy consumption in our stores shows the reversed trend in 2011/12 will continue in 2012/13. Electricity utilisation declined by slightly more than 4 per cent, from 141 kWh per square metre and year (2011/12) to 135 (2012/13), excluding stores in the UK. In our Nordic stores, 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 lower electricity consumption is due to a greater internal focus on lighting issues, effective cooperation with suppliers and a higher proportion of energy-efficient light sources and fittings.

Waste

The Waste Electrical and Electronic Equipment Directive (WEEE Directive) pertains to producer responsibility for the recycling and recovery of electrical and electronic products. The WEEE Directive applies in all countries where we operate and Clas Ohlson accepts producer responsibility through membership in national waste collection systems in our markets.

The distribution centre in Insjön has had efficient systems for waste separation at source and recycling for many years. Surplus packaging is pressed into large bales that are sold and become raw material for new products. The same applies to various fractions from plastic. Other waste is separated at source into about ten fractions.

Packaging

In cooperation with our suppliers, we aim to reduce the proportion of packaging pollution. 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 to reduce our freight transport and environmental impact.

During the year, REPA repeated its sampling measurements of Clas Ohlson's product packaging. The results show that the amount of paper and plastic has declined 51 and 42 per cent respectively in three years.

In 2012/13, the number of carrier bags sold in our stores will be 9.5 million, of which paper carriers account for about 9 per cent. Other carrier bags are made of polythene and come in two different versions: white = medium (6.7 million, with 60 per cent recycled materials), and black = large (1.9 million, with 85 per cent recycled materials). Sales of reusable carriers made of fibre-reinforced plastic amounted to almost 200,000.

Packaging sent to our mail order/Internet customers is sustainable due to recovered fibre and bio-based adhesives accounting for about 63 percent of the content. 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 objective

When choosing a communication channel, environmental impact will influence our decisions. We aim to increase the amount of our online customer and shareholder communication. Production of our printed matter is to take place with technology and materials that are well-documented and sustainable. It must be possible to recycle our printed matter as high-quality fibre raw material.

Clas Ohlson's catalogues are printed according to Nordic Ecolabel criteria, and mainly distributed in conjunction with goods deliveries to our stores. Our direct marketing and this annual report are also printed on Nordic Ecolabel-approved paper. The Clas Ohlson Annual Report is only distributed to shareholders who request printed information, which has reduced the number of issues printed by some 70 per cent and thus lowered our environmental impact.

Legislation and guidelines

Clas Ohlson is mainly impacted by the following EU directives:

- Regulations on the use of substances with a toxic impact on human health and the environment in product (REACH, RoHS (directive on materials intended to come into contact with food and the Toy Safety Directive).
- The regulation of energy-related products (ErP).
- Producer responsibility for the recycling of electrical and electronic equipment (WEEE).

Read more For more information about our environmental and sustainability efforts, please visit our website <http://about.clasohlson.com>.

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 manufac-

turers 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 (Global Reporting Initiative)

A complete version is available at http://om.clasohlson.com/en Clas Ohlson reports at C level.		
	Performance indicators	Page
	Financial impact	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	60-63
	Environmental impacts	
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
	Social impact	
LA1	Total workforce by employment type, employment terms and region.	37, 75 note 31
LA2	Employee turnover.	38
LA10	Average number training hours per employee and year per employee category.	37
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other diversity indicators.	38, 78-83
	Human rights	
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
	Product responsibility	
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	41, 42



In line with tradition, Clas Ohlson's Annual General Meeting is one of the largest in Sweden, and every year attracts many visitors to Insjön in Dalarna, Sweden. In addition to the actual meeting, participants are also able to see the new items in Clas Ohlson's product range, meet Clas Ohlson's Board of Directors, executive management and other employees, and enjoy lunch together. Another much-appreciated feature is the entertainment provided by Swedish folk musicians.

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 an additional split (2:1) in October 2004, now corresponds to SEK 13.25.

During the financial year, extending from 12 May 2012 to 30 April 2013, the share price declined from SEK 99 to SEK 87 kronor, down 12 per cent. The Affärsvärlden General Index rose 13 per cent during the same period. During the period, the lowest price paid was SEK 81.25, quoted in November 2012, while the highest price paid was SEK 106.00, recorded in August 2012.

Share turnover

During the period, 16,304,343 Clas Ohlson shares were traded on the Stockholm Stock Exchange, representing a turnover rate of 26 per cent. The total turnover rate on the Nasdaq OMX Stockholm during the same period was 70 per cent.

On 30 April 2013, Clas Ohlson's total market capitalisation was SEK 5.7 billion.

Share capital

The share capital of Clas Ohlson totals SEK 82 M, comprising 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 amounts to 65,600,000, which remains unchanged compared with the preceding year. On 30 April 2013, the company held 2,312,192 shares (1,985,000), corresponding to 4 per cent of the total number of registered shares (3 per cent). At the end of the period, the number of shares outstanding, net after repurchase, was 63,287,808.

To safeguard the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2012 (see more on page 69), Clas Ohlson repurchased 366,000 shares during the first quarter of the 2012/13 financial year for a total of SEK 36 M at an average price of approximately SEK 99 per share.

Shareholders

On 30 April 2013, the company had a total of 26,449 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 27,462 on 30 April 2012. The ten largest shareholders at that time held 59 per cent of the capital and 77 per cent of the votes.

Non-Swedish shareholders accounted for 30 per cent of the capital and 31 per cent of the votes. Swedish institutions accounted for 34 per cent of the capital and 19 per cent of the votes. Swedish private individuals accounted for 36 per cent of the capital and 50 per cent of the votes.

Dividend policy and dividend

Clas Ohlson's dividend policy is justified as follows:

The dividend is to comprise at least 50 per cent of earnings per share after tax, with consideration for the financial position. The previous dividend policy required that the dividend ratio correspond to approximately 50 per cent of the profit after tax, and that surplus liquidity, if any, be distributed.

The Board of Directors proposes that a dividend of SEK 4.25 per share (4.25) be paid for 2012/13. The proposed dividend amounts to a total of SEK 279 M (279), corresponding to 84 per cent (70) of the financial year's net profit.

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, as requested. The company's Annual General Meeting is also one of Sweden's most popular AGMs.

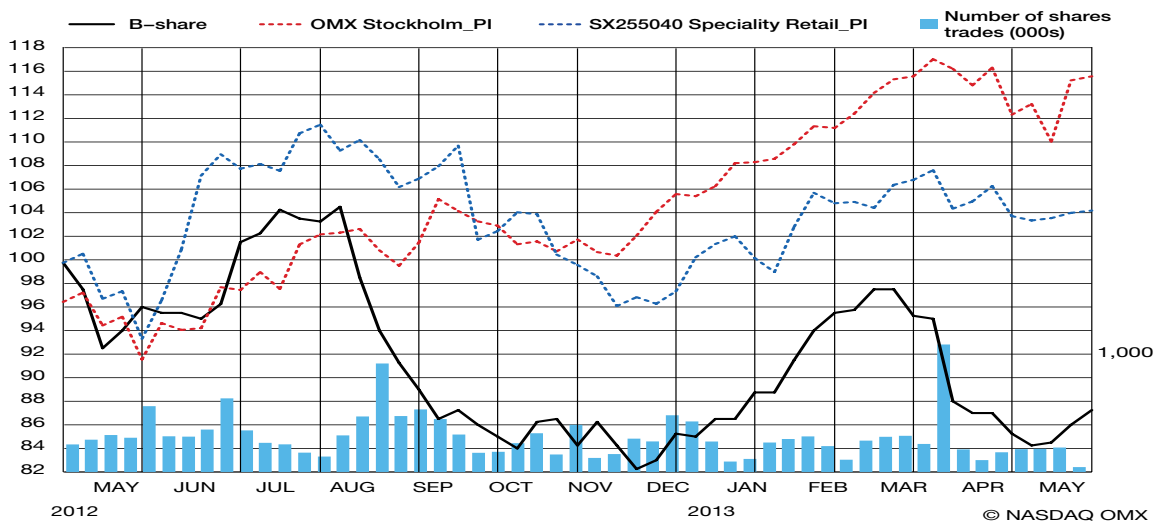
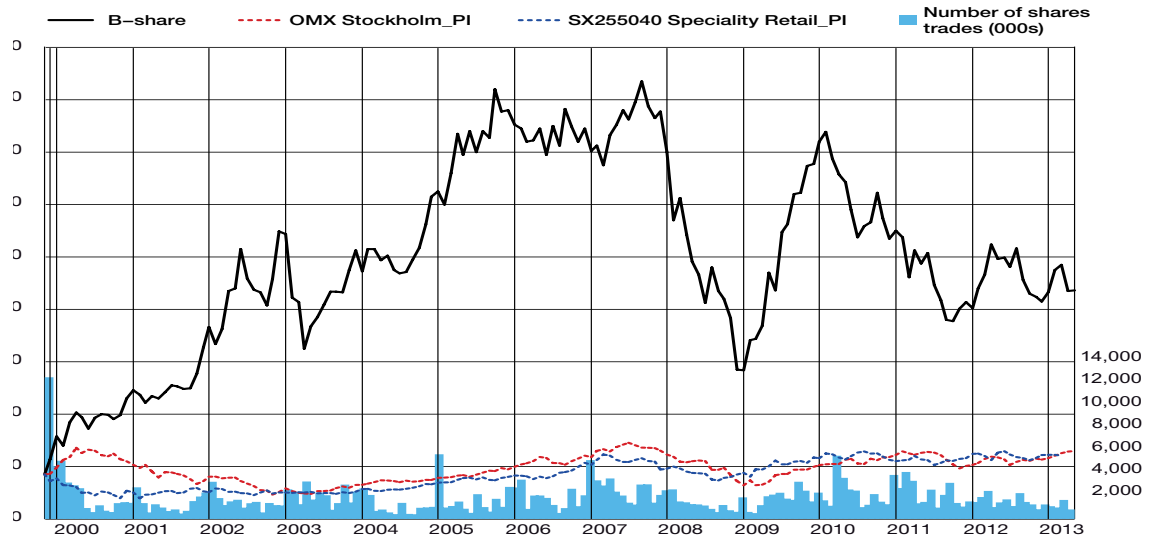
All financial information regarding Clas Ohlson is available on the company's website: <http://about.clasohlson.com>. Press releases and reports are presented there as soon as they are published. The website contains all of the press releases, interim reports and annual reports published by the company since its initial listing on the stock exchange in October 1999.

Analysts' presentations held by the company around the time of the publication of its interim report are also available on the website.

Included in Sustainability Index

On 3 December 2012, Clas Ohlson was included in the NASDAQ OMX Sustainability Index, which serves as a guide for sustainable investments. The index is calculated and compiled by NASDAQ OMX in collaboration with GES Investment Services and includes listed companies that are leaders in terms of sustainability.

The Clas Ohlson share



Data per share³

	2012/13	2011/12	2010/11	2009/10	2008/09
Number of shares, millions ²	63.3	63.6	63.8	64.4	65.1
Earnings per share, SEK	5.23	6.29	5.71	6.72	5.62
Gross cash flow per share, SEK	8.39	9.11	8.27	8.86	7.04
Equity per share, SEK	29.02	28.98	26.01	25.61	22.99
Share price at 30 April, SEK	87	99	98	128	94
Dividend per share, SEK	4.25 ¹	4.25	3.75	3.75	3.00
P/E ratio, multiple	17	16	17	19	17
Share price/gross cash flow, multiple	10	11	12	15	13
Price/equity ratio, %	301	342	375	502	409
Dividend yield, %	4.9	4.3	3.8	2.9	3.2
Payout ratio, %	81	68	66	56	54

¹ Proposed dividend.

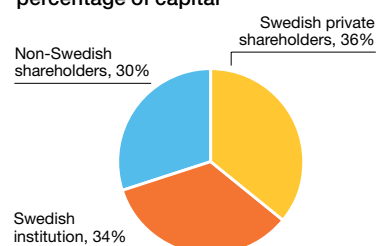
² Average number of shares before dilution.

³ See KPI definitions on page 84.

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

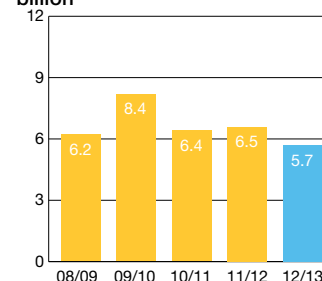
Shareholder categories, percentage of capital



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	1,800,000	4.8	13.2
Björn Haid	911,960	4,732,834	8.6	11.8
Peter Haid	911,960	3,785,243	7.2	11.0
Claus-Toni Haid	911,960	3,785,133	7.2	11.0
Håkan Thylén	288,000	430,000	1.1	2.8
AFA Försäkring		4,182,970	6.4	3.6
IF Skadeförsäkring		3,114,337	4.7	2.7
Nordea Investment Funds		2,869,479	4.4	2.4
Lannebo fonder		1,850,000	2.8	1.6
Anders Moberg		1,400,000	2.1	1.1
Other shareholders		25,710,176	39.2	21.9
Total	5,760,000	59,840,000	100.0	100.0

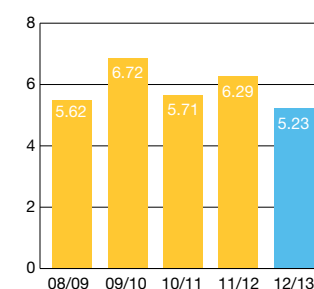
Market capitalisation, SEK billion



Shareholder categories*

Shareholder	Number of A shares	Number of B shares	Percentage of capital	Percentage of votes
Swedish private individuals	3,936,080	19,445,325	35.6	50.1
Swedish insitutions		22,556,512	34.4	19.2
Non-Swedish shareholders	1,823,920	17,838,163	30.0	30.7
Total	5,760,000	59,840,000	100.0	100.0

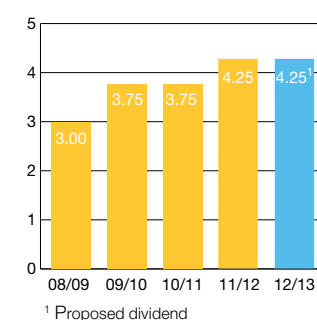
Earnings per share, SEK



Shareholding structure*

Size interval	Number of shares	Percentage	Number of shareholders
1-500	3,191,125	4.9	19,884
501-1,000	3,316,031	5.0	4,072
1,001-5,000	4,534,270	7.0	2,109
5,001-10,000	1,587,861	2.4	210
10,001-20,000	1,144,612	1.7	78
20,001-100,000	2,788,239	4.2	61
100,001-500,000	4,913,979	6.4	19
500,001-	44,123,883	68.4	16
Total	65,600,000	100.0	26,449

Dividend per share, SEK



* at 30 April 2013

Director's 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 2012 to 30 April 2013. 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 174, of which 73 were in Sweden, 62 in Norway, 27 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

During the financial year, 17 new stores were opened, of which five in Sweden, six in Norway and six in Finland. In addition, mail order/Internet has been launched in Finland and the UK.

A new e-commerce platform, which was launched during the first half of 2012/13, has resulted in increased visitor traffic and higher sales. In Finland and the UK, where knowledge about Clas Ohlson is lower than in Sweden and Norway, e-commerce will be an important complement in ensuring that more customers discover Clas Ohlson.

At the end of November 2012, Clas Ohlson launched a mobile-adapted version of e-commerce in all markets. The launch is strategically important for being able to meet our customers through parallel channels and offer the best availability and service, adapted to the customers' needs. The venture in e-commerce will also generate new opportunities to cost-efficiently establish the operation and expand in new markets. Initially, the venture will entail increased sales costs due to investments in systems and logistics solutions. In early March 2013, the new Club Clas loyalty programme was launched in Sweden. The aim of the loyalty programme is to generate further value for Clas Ohlson's customers. Together with other sales and service channels with stores, e-commerce via computers, tablets and mobiles, catalogues, telephone customer service and social media, Club Clas will provide accessible, inspiring and attractive solutions to everyday practical problems. In addition to benefits in the form of customised club discounts, based on areas of interest and purchasing history, members will receive bonus points on all purchases, invitations to themed evenings and access to tips and advice.

Higher customer loyalty will generate the prerequisites for higher sales resulting from higher visitor frequency and higher average receipts, as well as the opportunity for more effective marketing. The launch exceeded expectations and more than a quarter of a million customers have already become members of the customer club.

Sales and profits

Sales totalled SEK 6,519 M, compared with SEK 6,260 M, up 4 per cent. In local currencies, sales increased 5 per cent. Mail order/Internet sales totalled SEK 122 M (95), up 28 per cent. Clas Ohlson's new e-commerce platform was launched in the Nordic region and the UK during the April to September 2012 period, which had a positive impact on mail order/Internet sales.

Sales were distributed as follows:

Sales area (SEK M)	2012/13	2011/12	Percentage change, local currency	
			Percentage change	local currency
Countries				
Sweden	3,028	2,929	+ 3	+ 3
Norway	2,665	2,561	+ 4	+ 5
Finland	563	517	+ 9	+ 15
UK	263	254	+ 4	+ 3
	6,519	6,260	+ 4	+ 5

The 4 per cent increase in sales by stores is broken down as follows:

Comparable stores in local currency	- 4 per cent
New stores	+ 9 per cent
Exchange-rate effects	- 1 per cent
Total	+ 4 per cent

The gross margin was 41.6 per cent, which is 0.5 percentage points lower than the preceding year (42.1). The margin was negatively impacted by exchange-rate effects and sales mix.

The share of selling expenses increased 1.8 percentage points to 32.3 per cent (30.5). The increase was primarily due to lower sales in comparable stores, and higher depreciation. Start-up costs for new and remodelled stores, including the scrapping of fittings, amounted to SEK 44 M (46).

Depreciation for the year amounted to SEK 198 M, compared with SEK 179 M for the preceding year. The increase was mainly attributable to new stores, as well as depreciation pertaining to e-commerce and IT-related support processes.

Operating profit amounted to SEK 431 M (561). The change was primarily due to lower sales in comparable stores and lower gross margin compared with the preceding year. The operating margin was 6.6 per cent (9.0). Profit after financial items amounted to SEK 420 M (551).

Spot exchange rates for key currencies averaged SEK 1.16 for NOK and SEK 6.66 for USD, compared with 1.17 and 6.60, respectively, in the preceding financial year. Currency hedging was undertaken in USD and NOK. The company's policy is to hedge 50 per cent of anticipated flows during a catalogue period.

On 21 November 2012, the Swedish Government decided to reduce the corporate tax rate from 26.3 per cent to 22.0 per cent, effective from the financial year commencing after 1 January 2013 (from the financial year 2013/14 for Clas Ohlson). Deferred tax has been recalculated to the lower tax rate for the third quarter of 2012/13, entailing that deferred tax liabilities decreased by approximately SEK 31 M, with a corresponding reduction in deferred tax expense (income).

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 and has the potential to expand in several countries, and increase market shares in existing markets.

Growth in new markets will take place in accordance with the long-term financial objectives. 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.

During the coming 2013/14 financial year, Clas Ohlson plans to establish 12–17 new stores. The proportion of new stores in mature markets will decline to match the development of investments in new expanding sales channels (e-commerce).

The company anticipates that it will take time to establish the brand and position in new markets and that the conversion rates, average purchase and sale are expected to increase successively in the coming years.

The continuing development of Clas Ohlson's product range, sales channels and new customer segments (corporate customers) will generate additional growth potential, both in established and new markets. Preparation is in progress to enter the German market with an initial 1–2 stores in Northern Germany and e-commerce with planned launch not later than during the 2014 calendar year.

Clas Ohlson is also developing a new offering directed at corporate customers, Clas Office, with an expanded range and service that focuses primarily on small and mid-size offices. The offering will be made available through Clas Ohlson's e-commerce, and will include a network of stores. The launch of the concept is scheduled for the first half of 2014, commencing in Sweden and Norway.

Financial position

Cash flow from operating activities during the financial year was SEK 518 M (965). During the financial year, SEK 73 M in additional tax was paid, since the regulations for Swedish companies with a split financial year were amended with payment of preliminary tax being brought forward. Otherwise, the difference between the years was primarily attributable to a positive change in working capital in 2011/12, as a result of significantly reduced value of inventories. Cash flow for the year, after investing and financing operations, amounted to SEK 17 M (neg: 23). In September 2012, a cash dividend of SEK 269 M (239) was distributed to Clas Ohlson's shareholders.

The average value on inventories during the 12 months amounted to SEK 1,336 M (1,291). The rolling 12-month stock turnover rate at the central distribution facility was 6.9 multiples (6.1).

At the end of the financial year, inventories amounted to SEK 1,304 M (1,229). Compared with the same month a year earlier, 17 stores had been added.

The repurchase of own shares to secure LTI 2012 (Long Term Incentive programme 2012) amounted to SEK 36 M (11) during the year. The Group's net cash, that is cash and cash equivalents less interest-bearing liabilities, totalled SEK 125 M (net cash of SEK 82 M in the preceding year). The equity/assets ratio was 59 per cent (60).

Investments

Investments during the financial year amounted to SEK 167 M (207). Of these, SEK 103 M (93) pertains to investments in new or remodelled stores. Other investments pertained primarily to IT investments and replacement investments. Investments in e-commerce and IT-related support processes totalled SEK 37 M (56).

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, 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 2013, there were a total of 26,449 shareholders according to the register of shareholders held by Euroclear Sweden, compared with 27,462 on 30 April 2012. The ten largest shareholders at the same date accounted for 59 per cent of the capital and 77 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 57, there are no other circumstances of the kinds the company is obligated 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 2013, the company had 2,312,192 shares (1,985,000), corresponding to 4 per cent (3) of the total number of registered shares. The number of shares outstanding, net after repurchase, amounted to 63,287,808 (63,615,000). To secure the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2012, Clas Ohlson repurchased 366,000 shares during the first quarter of 2012/13 for a total of SEK 36 M, at an average price of approximately SEK 99 per share.

Corporate governance (pages 50–55)

Introduction

Good corporate governance is built on the company's strategies, targets and values permeating the entire organisation and good corporate governance is a prerequisite for maintaining confidence among shareholders, customers and other external stakeholders.

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 (the 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 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

Shareholders exercise their influence through participation in the company's annual general meeting (the ordinary annual general meeting). The Annual General Meeting is the ultimate decision-making body and since the initial public offering in 1999, has always been held in Insjön on a Saturday in early September. The Notification of the AGM, which is normally prepared five weeks prior to the Meeting is published in the Swedish Official Gazette, as well as on the company's website. All shareholders who are registered in the share register on the fifth day prior to the AGM and registered in time are entitled to participate. The registration can be made by telephone, e-mail or letter. Each year, the AGM appoints the Board, the Chairman of the Board and the auditors for Clas Ohlson AB. In addition, the Annual General Meeting 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). The AGM has always been very well attended, and the latest one attracted nearly 1,800 participants, making it one of the largest in Sweden.

On 30 April 2013, the company's largest shareholders, each representing at least 10 per cent of the votes, were Helena Ek Tidstrand (16.9 per cent), Johan Tidstrand (13.2 per cent), Björn Haid (11.8 per cent), Peter Haid (11.0 per cent) and Claus-Toni 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 propo-

Corporate governance in Clas Ohlson



ses the Chairman of the AGM. At Clas Ohlson, a nomination process is applied 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 members.

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.

Nomination procedure prior to the 2013 Annual General Meeting

Prior to the 2013 Annual General Meeting, a Nomination Committee was elected comprising 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 basis of the Nomination Committee's work is that the Board is to have the expertise, experience and background required by the assignment. Particular emphasis has been placed on the company's strategies and targets, as well as on the demands that the company's future focus will place on the Board. The Nomination Committee has also discussed the Board's long-term composition based on future competency requirements and succession.

The Group has worked on the nominating procedure for Clas Ohlson's Annual General Meeting on 7 September 2013 and held five meetings that were recorded, where the Board's composition was evaluated, considered and discussed.

The Nomination Committee's work during the mandate period included the following:

- Interviews with Board members to gain an in-depth picture of the functioning of the Board work
- Report on the Board's work from the Chairman of the Board
- Evaluation of the Board's work
- Nomination of the Chairman of the Board and Board members
- Position concerning the candidates' independence
- Preparation of proposals for fees to the Board and committees
- Preparation of proposals for the Chairman of the AGM
- Nomination of auditors

The Nomination Committee's complete proposal will be presented in the second week in August, in connection with the publication of the Notification of the Annual General Meeting.

Auditors

The Annual General Meeting appoints auditors for the Parent Company. The current auditors are Öhrlings PricewaterhouseCoopers (PwC), which are represented by Annika Wedin (Auditor-in-Charge from the financial year

2006/07) and Lennart Danielsson (from the financial year 2009/10). Both are authorised public accountants at PwC. PwC was elected up to the 2013 Annual General Meeting. Payment for audit engagements in the Group in the past three years has totalled SEK 2.4 M, SEK 2.9 M and SEK 2.6 M, respectively. Remuneration for other consultations in the past three years has totalled SEK 0.8 M, SEK 0.2 M and SEK 0.6 M, respectively. Work in addition to auditing relates primarily to issues pertaining to consultation on tax issues and IFRS accounting rules. 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

Clas Ohlson's shareholders elect the Board of Directors annually at the Annual General Meeting. The Board comprises eight members, including the CEO, who are elected by the AGM. In addition to 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 Board fulfils the independence requirement of the Code. All members, with the exception of Björn Haid and Klas Balkow, are deemed independent in relation to the company, company management and major shareholders. Clas Ohlson strives to, over time, have an equal distribution of men and women on the Board. Gender distribution on the Board among the members elected by the AGM in the past financial year was five men (62.5 per cent) and three women (37.5 per cent). In the preceding year, the corresponding distribution was the same. The current Board of Directors is described on pages 78-81 of the annual report.

Board meetings

Immediately following the AGM, the statutory Board meeting is held, at which the rules of procedure for the Board and instructions to the company's CEO 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 seven further meetings during the year. These are held quarterly in conjunction with the publication of the company's financial reports, once in June prior to concluding the annual report, once in connection with the Annual General Meeting 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 eight Board meetings during the financial year, of which one was a strategy meeting. The Board assesses its work annually.

How the Board works

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 notification of meetings and secrecy.

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. 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 several of 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 audi-

ting effort is evaluated annually, after which information is passed to the Nomination Committee on the outcome.

The Audit Committee held seven meetings during the financial year. The attendance is shown in the table on page 53. 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 meeting 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, accounting, 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 four times during the financial year. Attendance is shown in the table on page 53. 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).

Distribution of work between the 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, forecasts and policies of the company. In addition, the Board decides on major investments and matters of principle relating to the gover-

The Board's working schedule



nance 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 managed 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.

CEO and Group Management

Clas Ohlson's CEO leads the Group Management's work and makes decisions pertaining to the operations in consultation with others in the management team. At the end of the financial year, Group Management comprised ten individuals and meetings were held monthly and as otherwise necessary. The meetings focus primarily on strategic and operative monitoring and development, as well as budget follow-up. In addition to these meetings, there is close daily cooperation within management.

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.

External and internal control instruments

Clas Ohlson's governance occurs within the framework for external control instruments. For example, NASDAQ OMX Stockholm's rules and regulations, the Swedish Companies Act and the Swedish Annual Accounts Act, to mention a few.

Furthermore, there are internal control instruments consisting of the articles of association, the Board's work pro-

cedures, instructions for the CEO, policies, guidelines, as well as Clas Ohlson's values/corporate culture.

Clas Ohlson's corporate culture

The core of Clas Ohlson's corporate culture is salesmanship – "we focus on the customer and seek to pursue good business." Our corporate culture is based on warmth, commitment, drive and innovation. These common values permeate the daily work. One example of this is that all new employees in all the Group's stores undergo their basic training at Insjön.

Remuneration

Fees paid to the Board during the financial year totalled SEK 3.0 M, in accordance with the resolution by 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. 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 5.7 M during the equivalent period, of which SEK 1.1 M was in the form of variable remuneration (STI refer to Note 6). Variable remuneration of SEK 0.0 M pertaining to an expensed but not definitive portion of long-term incentive programmes (LTI 2010, LTI 2011 and LTI 2012) was calculated for the CEO. The amount includes recovery pertaining to LTI 2010 since no options were distributed. Remuneration to the other nine senior management totalled SEK 16.4 M, of which SEK 2.3 M was in the form of variable remuneration. Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive programmes was calculated to SEK 0.2 M. All ten senior executives receive the additional benefit of a company car. The 2012 Annual General Meeting decided on guidelines for remuneration to senior management pertaining to the 2012/13 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.

Composition of the Board and attendance during the financial year⁶

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

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

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

³ President and CEO.

⁴ Major shareholder, see page 47.

⁵ Chairman.

⁶ The trade-union organisations have had two representatives on the Board.

For further information on Board members, see pages 78–81. The work of the Board and its committees is described on pages 50–55.

⁷ For information on date of birth, work experience, assignments and shareholdings, see pages 78–81.

⁸ Remuneration of Board members is stated in Note 6, see page 68.

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 1.6 M was paid during the year. Other members of senior management receive pension entitlements based on their 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 67-69.

Risk management

The Board has overall responsibility for the Group's risk effort. The risk situation in the Clas Ohlson Group is updated and analysed 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 (control activities), 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 Group's 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 pages 24-26 and Note 2 pages 66-67).

Sustainability

For Clas Ohlson, it is important to protect and assume responsibility for people and the environment impacted by our operation. The sustainability effort is an integrated part of Clas Ohlson's operation, which must permeate the entire organisation. The company's sustainability programmes are led by the CSR forum comprising the CEO, representatives from Group Management and various specialists within the relevant areas. The CSR forum makes decisions pertaining to goals, strategies and activities for the entire Group's sustainability programmes and monitors whether the company is working effectively toward its set goals.

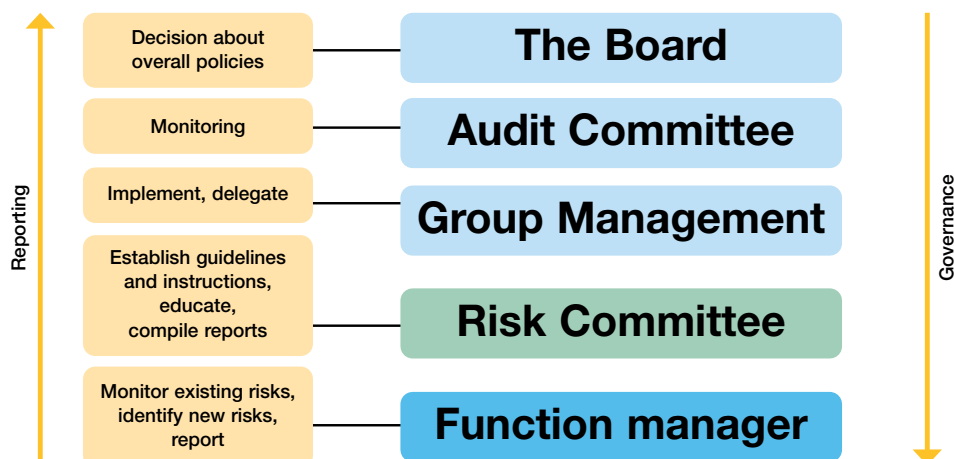
In sustainability work, the Code of Conduct is the basis of the work to monitor and improve the supplier chain. Clas Ohlson's Code of Conduct contains the requirements we place on ourselves, our manufacturers and suppliers with respect to the work environment, working conditions, environmental impact and anti-corruption.

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 company's 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.

Risk management



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 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 authorisation levels that parallel the Group's organisational 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 authorisation 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 and improving 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 of 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 of 85 per cent of inventories and non-current assets. 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 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 of internal control

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 essential 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 2012/13 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. Furthermore, a Risk Committee has been established, which will continuously evaluate the material risks and control activities of the company.

Employees

The number of employees in the Group was an average of 2,524 (2,370), of whom 1,097 (1,000) were women. The distribution by country is 1,397 (1,305) in Sweden, 665 (628) in Norway, 223 (190) in Finland, 191 (210) in the UK and 48 (37) in China. Further information about employees is found in Notes 6 and 31 in the Annual Report.

Risks and uncertainties

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

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 printed annual report and on the company's website: 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. The company 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 printed annual report and on the website, about.clasohlson.com

Guidelines for remuneration of senior management

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 will strive to offer competitive total remuneration levels with a focus on performance-based remuneration. This means that the variable remuneration could comprise a significant portion of the total remuneration. The objective is that the basic remuneration should be the median to the comparable market, while the total remuneration shall be in the upper quartile of the market, when Clas Ohlson AB achieves or exceeds its targets.

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 trend for the basis salary shall be based on the degree of performance and how well employees develop their expertise in order to assume future assignments with greater responsibilities. 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 designed to promote the company's long-term value creation. Clearly defined performance goals are decided annually by the Board or by individuals appointed by the Board. The performance goals may be financially and personally connected to the operations. The remuneration from the STI programme has a limit (ceiling), which means that Clas Ohlson AB is able to calculate the maximum remuneration levels from the onset. To the extent a performance does not correspond to the lowest performance level, no STI will be paid. STI shall depend on the position held and may amount to a maximum of 50 per cent of the salary upon achieving the ceiling level, which also constitutes the maximum outcome of STI. The STI remuneration is also conditional upon the performances on which earnings are based being sustainable over time, and that Clas Ohlson AB is able to reclaim such remuneration paid that were based on information that later turned out to be erroneous.

Long-term incentives ("LTI")

The objective of the LTI programmes is to generate conditions for retaining and recruiting competent personnel to the Group. The programmes were designed because it had been deemed desirable that participants to a larger extent are shareholders in the company, which is expected to have a positive impact on their long-term work input. Connecting participants' rewards to the company's income and value development will foster company loyalty and thus the long-term value growth in the company.

The long-term incentive programme will entitle employees to acquire shares conditional upon approval by the AGM. During the financial year, LTI 2010, LTI 2011 and LTI 2012 were in progress. Following the end of the

financial year, LTI 2010 was concluded and LTI 2013 initiated. LTI 2010, LTI 2011, LTI 2012 and LTI 2013 are share-matching and earnings-based employee share option programmes.

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 more information on remuneration, refer to Note 6 and page 38 of the annual report.

Parent Company

Parent Company sales amounted to SEK 5,157 M (4,924) and profit after financial items totalled SEK 307 M (481). Investments for the year totalled SEK 83 M (120). Contingent liabilities for the Parent Company totalled SEK 275 M (282).

Events after the end of the year

The Annual General Meeting of Clas Ohlson AB on 8 September 2012 authorised the Board, for the period until the next annual general meeting, to acquire a maximum of 859,000 shares to secure the company's undertaking in connection with the introduction of a share-related incentive programme, LTI 2013. The total number of shares required to secure the undertaking for LTI 2013 is estimated at 780,000. Part of the undertaking for LTI 2013 can be secured through the use of shares (543,419) that were bought back to secure LTI 2010, which has expired and in which only matching shares were distributed (26,581 shares of the 570,000 that were repurchased).

The Board has decided to utilise the AGM authorisation to buy back the remaining 236,581 shares required to

secure the company's undertaking as regards LTI 2013. The acquisition will take place via Nasdaq OMX Stockholm, during the period up to the 2013 AGM, at a share price in the price range registered at all times. As per 30 April 2013, the company's holding of Clas Ohlson shares amounted to 2,312,192 shares, corresponding to 4 per cent of the total number of registered shares.

Dividend

Clas Ohlson's dividend policy has been adjusted according to the following:

The dividend shall comprise at least 50 per cent of the earnings per share after tax, taking into account the financial position.

The previous dividend policy stated that the dividend proportion should correspond to approximately 50 per cent of profit after tax, and the distribution of any surplus liquidity.

The Board proposes a dividend of SEK 4.25 per share be paid (4.25) for the 2012/13 financial year. The proposed dividend totals SEK 279 M (279), which represents 84 per cent (70) 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	434,739
Net profit for the year	145,991
Total	580,730

The Board and Chief Executive Officer propose:

Dividend payable to shareholders	
SEK 4.25 per share	278,800
Carried forward to new account	301,930
Total	580,730

The record date for payment of the dividend is proposed as 11 September 2013. It is anticipated that the dividend decided upon by the Annual General Meeting will be despatched on 16 September 2013. 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 59.1 per cent before payment of dividend and 55.1 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the future expansion has been 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 accompanying notes to the accounts.

Five-year total

SEK M	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
INCOME STATEMENT					
Net sales	6,518.9	6,260.0	5,828.0	5,555.8	4,930.2
Operating profit	430.6	560.6	507.1	590.5	502.8
Profit before tax	419.9	551.0	499.0	588.2	503.8
Income tax	-88.4	-150.5	-134.6	-155.4	-138.3
Net profit for the year	331.5	400.5	364.4	432.8	365.5
BALANCE SHEET					
Non-current assets	1,464.8	1,518.5	1,480.4	1,366.5	1,197.5
Inventories	1,303.9	1,228.7	1,429.2	1,204.1	1,117.2
Current receivables	214.9	197.5	176.7	173.4	164.5
Cash and cash equivalents	124.6	111.8	132.6	98.8	92.0
Total assets	3,108.2	3,056.5	3,218.9	2,842.8	2,571.2
Equity	1,836.5	1,843.8	1,656.8	1,646.1	1,493.1
Non-current liabilities, interest-bearing	-	-	300.0	100.0	65.0
Non-current liabilities, non-interest-bearing	185.7	195.7	165.9	90.3	86.4
Current liabilities, interest-bearing	-	30.0	261.7	171.4	208.6
Current liabilities, non-interest-bearing	1,086.0	987.0	834.5	835.0	718.1
Total equity and liabilities	3,108.2	3,056.5	3,218.9	2,842.8	2,571.2
CASH FLOW					
Cash flow from operations	517.8	964.9	350.3	602.8	339.7
Investments	-166.5	-206.1	-295.3	-315.8	-433.1
Cash flow after investments	351.3	758.8	55.0	287.0	-93.4
Financing activities	-334.4	-781.5	-6.0	-267.9	-109.2
Cash flow for the year	16.9	-22.7	49.0	19.1	-202.6
KEY RATIOS					
Growth in sales, %	4.1	7.4	4.9	12.7	5.8
Gross margin, %	41.6	42.1	41.6	40.8	40.8
Operating margin, %	6.6	9.0	8.7	10.6	10.2
Return on capital employed, %	23.2	27.9	24.6	32.6	32.6
Return on equity, %	18.3	23.1	22.5	28.0	24.4
Equity/assets ratio, %	59.1	60.3	51.5	57.9	58.1
Sales per square metre in store, SEK 000s	31	34	34	38	38
Number of stores at year-end	174	157	139	120	106
Number of full-time equivalent employees	2,524	2,370	2,219	2,048	1,938
DATA PER SHARE					
Average number of shares before dilution	63,349,241	63,635,998	63,802,230	64,383,906	65,065,008
Average number of shares after dilution	63,421,154	63,702,052	63,870,584	64,432,321	65,075,701
Earnings per share before dilution, SEK	5.23	6.29	5.71	6.72	5.62
Earnings per share after dilution, SEK	5.23	6.29	5.71	6.72	5.62
Gross cash flow per share, SEK	8.39	9.11	8.27	8.86	7.04
Equity per share, SEK	29.02	28.98	26.01	25.61	22.99
Dividend, SEK	4.25 ¹	4.25	3.75	3.75	3.00

¹ Proposed dividend.

Comments

Sales

Sales amounted to SEK 6,519 M compared with SEK 6,260 M in the preceding year, up 4 per cent. In terms of local currencies, sales increased 5 per cent. Mail order/Internet sales totalled SEK 122 M (95), up 28 per cent. Clas Ohlson's new e-commerce platform was launched in the Nordic region and the UK during April to September 2012, which had a positive impact on mail order/Internet sales.

Number of stores

During 2012/13, 17 new stores were opened (18). The number of stores at the end of the period was 174, of which 73 were in Sweden, 62 in Norway, 27 in Finland and 12 in the UK.

Operating profit

Operating profit amounted to SEK 431 M (561). The change was primarily due to lower sales in comparable stores and lower gross margin compared with the year-earlier period.

Gross margin

The gross margin was 41.6 per cent, which is 0.5 percentage points lower than the preceding year (42.1). The margin was negatively impacted by currency effects and the sales mix.

Operating margin

The operating margin was 6.6 per cent (9.0). The change was primarily due to lower sales in comparable stores and lower gross margin compared with the year earlier.

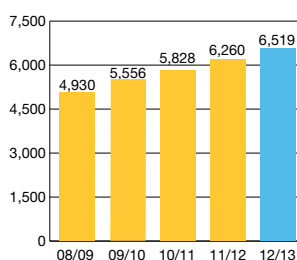
Cash flow

Cash flow from operating activities during the financial year totalled SEK 518 M (965). During the financial year, SEK 73 M in additional tax was paid, since the rules for Swedish companies with split financial years were amended to entail earlier payment of preliminary tax. The difference in other respects between the years was primarily due to positive change in working capital for 2011/12, as a result of significantly reduced inventory values. Cash flow for the year, after investment and financing activities totalled SEK 17 M (neg: 23). The cash dividend paid to Clas Ohlson's shareholders in 2012 totalled SEK 269 M (239).

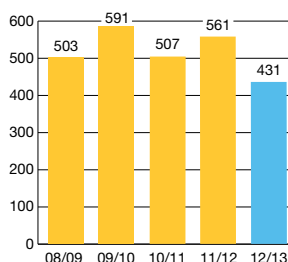
Return

The return on capital employed amounted to 23.2 per cent (27.9) and the return on equity was 18.3 per cent (23.1).

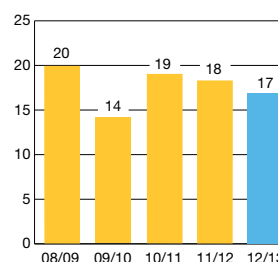
Sales, SEK M



Operating profit, SEK M



Number of new stores



Group

Income statement

SEK M	Note	1 May 2012 –30 Apr 2013	1 May 2011 –30 Apr 2012
	1, 2		
Net sales		6,518.9	6,260.0
Cost of goods sold	4,5,6	-3,809.5	-3,623.7
Gross profit		2,709.4	2,636.3
Selling expenses	4, 5, 6	-2,103.4	-1,906.6
Administrative expenses	4, 5, 6, 7	-173.9	-168.4
Other operating income	3	24.5	23.2
Other operating expenses	3	-26.0	-23.9
Operating profit		430.6	560.6
<i>Financial items</i>			
Financial income	8	1.9	6.0
Financial expense	8	-12.6	-15.6
Profit before tax		419.9	551.0
Income tax	9	-88.4	-150.5
Net profit for the year		331.5	400.5
Number of shares, million		63.3	63.6
Earnings per share, SEK (before and after dilution for earnings attributable to the Parent Company's shareholders during the year)	10	5.23	6.29
Proposed dividend per share, SEK	11	4.25	4.25

Comprehensive income, Group

SEK M		1 May 2012 –30 Apr 2013	1 May 2011 –30 Apr 2012
Profit for the year		331.5	400.5
Other comprehensive income, net after tax:			
Exchange-rate difference		-37.2	20.9
Cash-flow hedging		2.6	8.0
Other comprehensive income, net after tax:		-34.6	28.9
Comprehensive income for the year		296.9	429.4

Cash flow statement

SEK M		1 May 2012 –30 Apr 2013	1 May 2011 –30 Apr 2012
<i>Operating activities</i>			
Operating profit		430.6	560.6
<i>Adjustment for non-cash items</i>			
- depreciation		197.7	179.1
- profit from sale/disposal of fixed items		-0.5	-0.6
- other non-cash items		5.8	10.0
Interest received		1.9	6.0
Interest paid		-12.6	-16.6
Tax paid		-172.7	-77.3
Cash flow from operating activities before changes in working capital		450.4	661.2
<i>Cash flow from changes in working capital</i>			
- accounts receivables		-4.5	-1.1
- inventories		-91.8	209.1
- other receivables		-17.7	-1.1
- accounts payables		117.2	66.0
- other current interest-free operating liabilities		64.2	30.8
Cash flow from operating activities		517.8	964.9
<i>Investing activities</i>			
Investments in intangible assets		-36.8	-55.5
Investments in tangible assets		-130.3	-151.4
Sale of equipment		0.6	0.6
Amortisation of financial assets		-	0.2
Cash flow from investing activities		-166.5	-206.1
<i>Financing activities</i>			
Changes in current interest-bearing liabilities		-30.0	-231.7
Bank loans			
- new loans		150.0	-
- amortisation		-150.0	-300.0
Repurchase of own shares		-35.4	-11.2
Dividend to shareholders		-269.0	-238.6
Cash flow from financing activities		-334.4	-781.5
Cash flow from the year		16.9	-22.7
Cash and cash equivalents at start of year		111.8	132.6
Exchange-rate differences in cash and cash equivalents		-4.1	1.9
Cash and cash equivalents at end of year		124.6	111.8

Group

Balance sheet

SEK M	Note	30 Apr 2013	30 Apr 2012
Assets			
Non-current assets	12		
<i>Intangible assets</i>		111.0	87.4
<i>Tangible assets</i>			
Land and buildings		514.8	542.6
Equipment, tools, fixtures and fittings		835.8	885.0
Total tangible assets		1,350.6	1,427.6
<i>Financial assets</i>			
Shares and interests		-	0.1
Deferred tax assets	9	3.1	3.2
Non-current receivables		0.1	0.2
Total financial assets		3.2	3.5
Total non-current assets		1,464.8	1,518.5
Current assets			
Inventories	13	1,303.9	1,228.7
Accounts receivables	14	21.3	17.1
Current tax assets		20.7	-
Other receivables	17	19.3	27.1
Prepaid expenses and accrued income	15	153.6	153.3
Cash and cash equivalents	16	124.6	111.8
Total current assets		1,643.4	1,538.0
Total assets		3,108.2	3,056.5

Balance sheet

SEK M	Note	30 Apr 2013	30 Apr 2012
Equity and liabilities			
Equity	18		
<i>Capital and reserves attributable to Parent Company shareholders</i>			
Share capital, 65,600,000 shares with a quotient value of SEK 1.25		82.0	82.0
Other contributed capital		90.4	90.4
Other reserves		-81.6	-47.0
Profit brought forward including net profit for the year		1,745.7	1,718.4
Total equity		1,836.5	1,843.8
Non-current liabilities			
Deferred liabilities	9	180.5	190.5
Bank loans	20	-	-
Pension obligations	19	0.2	0.3
Other long-term liabilities		5.0	5.0
Total non-current liabilities		185.7	195.8
Current liabilities			
Utilized overdraft facilities	20	-	30.0
Accounts payable	20	511.8	396.8
Tax liability		38.1	101.1
Other current liabilities	17, 20	75.9	65.3
Accrued expenses and deferred income	21	431.0	397.4
Other provisions	22	29.2	26.4
Total current liabilities		1,086.0	1,016.9
Total equity and liabilities		3,108.2	3,056.5

Change in Group's Equity (note 18)

SEK M	Attributable to Parent Company shareholders						Total
	Share capital	Other contributed capital	Translation difference	Hedging reserve	Profit brought forward		
Opening balance at 1 May 2011	82.0	90.4	-71.0	-4.9	1,560.3	1,656.8	
<i>Comprehensive income</i>							
Profit for the year	0.0	0.0	0.0	0.0	400.5	400.5	
Other comprehensive income							
Cash-flow hedging after tax	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	
<i>Transactions with shareholders</i>							
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	
Closing balance at 30 April 2012	82.0	90.4	-50.1	3.1	1,718.4	1,843.8	
Opening balance at 1 May 2012	82.0	90.4	-50.1	3.1	1,718.4	1,843.8	
<i>Comprehensive income</i>							
Profit for the year	0.0	0.0	0.0	0.0	331.5	331.5	
Other comprehensive income							
Cash-flow hedging after tax	0.0	0.0	0.0	2.6	0.0	2.6	
Exchange-rate differences	0.0	0.0	-37.2	0.0	0.0	-37.2	
Total other comprehensive income	0.0	0.0	-37.2	2.6	0.0	-34.6	
Total comprehensive income	0.0	0.0	-37.2	2.6	331.5	296.9	
<i>Transactions with shareholders</i>							
Repurchase of own shares	0.0	0.0	0.0	0.0	-35.4	-35.4	
Employee stock options plan: value of employees' service	0.0	0.0	0.0	0.0	0.2	0.2	
Dividend	0.0	0.0	0.0	0.0	-269.0	-269.0	
Total transactions with shareholders	0.0	0.0	0.0	0.0	-304.2	-304.2	
Closing balance at 30 April 2013	82.0	90.4	-87.3	5.7	1,745.7	1,836.5	

Parent Company

Income statement

SEK M	Note	1 May 2012 –30 Apr 2013	1 May 2011 –30 Apr 2012
	1, 2		
Net sales	23	5,157.4	4,924.3
Cost of goods sold	4, 23	-3,738.8	-3,451.1
Gross profit		1,418.6	1,473.2
Selling expenses	4,5,6	-967.7	-866.0
Administrative expenses	4,5,6,7	-134.1	-128.5
Other operating income	3	24.1	23.1
Other operating expenses	3	-24.9	-23.9
Operating profit	4,5,6,7	316.0	477.9
<i>Financial items</i>			
Interest income	8	6.9	22.2
Interest expenses	8	-15.9	-19.5
Profit after financial terms		307.0	480.6
Appropriations	25	-100.9	-148.6
Profit before tax		206.1	332.0
Income tax	9	-60.1	-85.6
Net profit for the year		146.0	246.4
Proposed dividend per share, SEK (before and after dilution)	11	4.25	4.25

Comprehensive income Parent Company

SEK M		1 May 2012 –30 Apr 2013	1 May 2011 –30 Apr 2012
Profit for the year		146.0	246.4
Other comprehensive income, net after tax:			
Income from hedge of net investment in foreign operations		-21.0	12.4
Comprehensive income for the year		125.0	258.8

Cash-flow statement

SEK M		1 May 2012 –30 Apr 2013	1 May 2011 –30 Apr 2012
<i>Operating activities</i>			
Operating profit		316.0	477.9
<i>Adjustment for non-cash items</i>			
– depreciation		129.5	112.7
– profit from sale/disposal of fixed assets		-0.2	1.0
– other non-cash items		5.4	20.5
Interest received		6.9	22.2
Interest paid		-15.9	-20.5
Tax paid		-149.8	-52.3
Cash flow from operating activities before change in working capital		291.9	561.5
<i>Cash flow from changes in working capital</i>			
– accounts receivable		-2.6	-2.8
– inventories		-28.5	182.2
– other receivables		-98.9	-14.2
– accounts payable		116.6	60.1
– other current interest-free operating liabilities		-111.9	129.6
Cash flow from operating activities		166.6	916.4
<i>Investing activities</i>			
Investments in intangible assets		-36.8	-55.5
Investments in tangible assets		-46.6	-64.0
Sale of equipment		0.3	0.5
Cash flow from investing activities		-83.1	-119.0
<i>Financing activities</i>			
Repurchase of shares		-35.4	-11.2
Overdraft facility		191.6	-
Change in current interest-bearing liabilities		-30.0	-231.7
Bank loans			
– new loans		150.0	-
– amortisation		-150.0	-300.0
Dividend to shareholders		-269.0	-238.6
Cash flow from financing activities		-142.8	-781.5
Cash flow for the year		-59.3	15.9
Cash and cash equivalents at start of year		86.1	70.2
Cash and cash equivalents at end of year		26.8	86.1

Parent Company

Balance sheet

SEK M	Note	30 Apr 2013	30 Apr 2012
Assets			
Non-current assets			
<i>Intangible assets</i>	12	111.0	87.4
<i>Tangible assets</i>			
Land and buildings		513.8	541.3
Equipment, tools, fixtures and fittings		485.0	528.1
Total tangible assets		998.8	1,069.4
<i>Financial assets</i>			
Receivables, Group companies		200.6	413.3
Participation in Group companies	24	33.3	33.3
Shares and participations		-	0.1
Total financial assets		233.9	446.7
Total non-current assets		1,343.7	1,603.5
Current assets			
<i>Inventories</i>			
Merchandise	13	867.0	838.5
Total inventories		867.0	838.5
<i>Current receivables</i>			
Accounts receivables	14	14.8	12.2
Current tax assets		20.7	-
Receivables from Group companies	23	175.2	104.7
Other receivables		3.9	1.5
Prepaid expenses and accrued income	15	79.2	73.9
Total current receivables		293.8	192.3
Cash and bank balances	26	26.8	86.1
Total current assets		1,187.6	1,116.9
Total assets		2,531.3	2,720.4

Balance sheet

SEK M	Note	30 Apr 2013	30 Apr 2012
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25		82.0	82.0
Statutory reserve		106.8	106.8
Total restricted equity		188.8	188.8
<i>Non-restricted equity</i>			
Fair value fund		-53.0	-32.0
Profit brought forward		487.8	545.6
Net profit for the year		146.0	246.4
Total non-restricted equity		580.8	760.0
Total equity		769.6	948.8
Untaxed reserves	27	824.0	723.1
Provisions			
Other provisions	22	18.2	13.9
Total provisions		18.2	13.9
Non-current liabilities			
Other non-current liabilities	20	5.0	5.0
Bank loan	20	-	-
Total non-current liabilities		5.0	5.0
Current liabilities			
Utilised overdraft facilities	20	0.0	30.0
Accounts payable	20	458.5	341.9
Liabilities from Group companies		199.9	357.0
Tax liability		-	70.5
Other current liabilities	20	12.9	13.8
Accrued expenses and deferred income	21	243.2	216.4
Total current liabilities		914.5	1,029.6
Total equity and liabilities		2,531.3	2,720.4
Pledged assets	28	0.0	0.0
Contingent liabilities	29	275.3	281.5

Change in Parent Company equity

SEK M	Share capital	Statutory reserve	Non-restricted equity	Total
Opening balance at 1 May 2011	82.0	106.8	743.6	932.4
Dividend			-238.6	-238.6
Repurchase of own shares			-11.2	-11.2
Employee stock options plan: value of employees' service			7.4	7.4
Other comprehensive income			258.8	258.8
Closing balance at 30 April 2012	82.0	106.8	760.0	948.8
Opening balance at 1 May 2012	82.0	106.8	760.0	948.8
Dividend			-269.0	-269.0
Repurchase of own share			-35.4	-35.4
Employee stock options plan: value of employees' service			0.2	0.2
Other comprehensive income			125.0	125.0
Closing balance at 30 April 2013	82.0	106.8	580.8	769.6

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 1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) as approved by the EU. The financial statements were prepared in accordance with the cost method, apart from financial assets and liabilities measured at fair value.

The annual accounts of the Parent Company have been prepared in accordance with the Swedish Companies Act and RFR 2 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 2012

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 2013. 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. Sales to members of Club Clas are conducted in accordance with IFRIC 13, in order to take into account club members' earning of bonus points and the opportunity to utilise points saved in the form of bonus checks as payment in the future. Earnings are recognised through a reduction in turnover during the earnings period with a corresponding provision in the balance sheet. 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 and valuation of inventories.

Deferred tax assets and 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 during 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 recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised 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 recognised in other comprehensive income. The gain or loss attributable to the ineffective portion is recognised in the income statement.

Accumulated gains and losses in equity are recognised 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.

Note 1 cont.

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 noncurrent 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 2010, LTI 2011 and LTI 2012 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 noncurrent 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, as well as bonus points to customer club members.

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 amortised 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.

The Board is responsible for the overall risk effort for the Group. At Clas Ohlson, the Group's risk situation is updated and analysed regularly. This is done through a systematic process in which risks are identified, evaluated and assessed, managed, monitored and reported. In a collective assessment of possible impact and probability, priority is placed on the risks deemed to have the most negative impact. For more information, refer to page 54 of the annual report.

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 product range are set.

Approximately 45 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 40 per cent 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 (excluding hedging).

Currency	Change	Impact on profit before tax, SEK M
NOK	+/- 5 per cent	+/- 59
USD	+/- 5 per cent	-/+ 50
HKD	+/- 5 per cent	-/+ 7
EUR	+/- 5 per cent	-/+ 1
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 foreign currencies.

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 expenses are 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 receivable 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 59.1 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	
	2012/13	2011/12	2012/13	2011/12
Other operating income				
Rental income	24.0	22.7	24.0	22.7
Gain/loss on sale or disposal of property, plant and equipment	0.5	0.5	0.1	0.4
Total	24.5	23.2	24.1	23.1
Other operating expenses				
Leasing expenses	-23.9	-22.4	-23.9	-22.4
Gain/loss on sale or disposal of property, plant and equipment	-2.1	-1.5	-1.0	-1.5
Total	-26.0	-23.9	-24.9	-23.9

Note 4 Depreciation

Group	2012/13	2011/12
	Depreciation broken down by type of asset	
Intangible assets*	13.3	1.6
Land and building	29.1	29.1
Equipment, tools, fixtures and fittings	155.3	148.4
Total	197.7	179.1
Depreciation broken down by function		
Cost of goods sold	67.9	65.0
Selling expenses	123.8	108.3
Administrative expenses	6.0	5.8
Total	197.7	179.1

Parent Company	2012/13	2011/12
Depreciation broken down by type of asset		
Intangible assets*	13.3	1.6
Land and building	28.9	28.9
Equipment, tools, fixtures and fittings	87.3	82.2
Total	129.5	112.7
Depreciation broken down by function		
Cost of goods sold	68.0	65.0
Selling expenses	55.5	41.9
Administrative expenses	6.0	5.8
Total	129.5	112.7

* 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 1,397.9 M (1,300.0) in the Group and SEK 845.8 M (762.9) in the Parent Company. Depreciation during the financial year totalled SEK 197.7 M (179.1) in the Group and SEK 129.5 M (112.7) in the Parent Company.

Note 6 Expenses for employee benefits

	2012/13	2011/12
Salaries and other remuneration		
Parent Company	623.3	557.2
Subsidiaries	475.4	464.5
Group total	1,098.7	1,021.7

	2012/13		2011/12	
	Social security expenses	of which pension expenses	Social security expenses	of which pension expenses
Social security expenses				
Parent Company	222.5	39.2	205.7	37.7
Subsidiaries	76.7	20.0	72.6	18.5
Group total	299.2	59.2	278.3	56.2

Of the Parent Company's pension expenses, SEK 2.4 M (2.2) pertained to the group consisting of the Board, CEO and Deputy CEO. Of the subsidiaries' pension expenses, SEK 0.8 M (0.8) pertained to managing directors of subsidiaries. In the Group, expenses for defined-contribution pensions amounted to SEK 51.1 M (48.2) and defined-benefit pensions to SEK 0.2 M (0.3).

The Parent Company only has defined-contribution pensions (including Alecta) for which the year's expenses amounted to SEK 31.3 M (30.0). In the Parent Company, the year's expenses for special employer's contribution on pension premiums totalled SEK 7.9 M (7.7). 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

	2012/13	2011/12
Parent Company		
Salaries and other remuneration	25.1	28.0
– of which variable remuneration	0.0	0.0
Pension expenses	5.7	5.3
Number of individuals in group	17	17
	2012/13	2011/12
Group		
Salaries and other remuneration	31.5	34.6
– of which variable remuneration	0.0	0.0
Pension expenses	6.5	6.1
Number of individuals in group	21	21

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.

	2012/13		2011/12	
	Director fees	Other remuneration	Director fees	Other remuneration
The Board				
Anders Moberg, Chairman	0.60	0.12	0.55	0.12
Björn Haid, member	0.30	0.06	0.28	0.06
Cecilia Marlow, member	0.30	0.07	0.28	0.07
Sanna Suvanto-Harsaae, member	0.30	0.06	0.28	0.06
Klas Balkow, member and CEO	0.00	0.00	0.00	0.00
Lottie Svedenstedt, member	0.30	0.07	0.28	0.07
Urban Jansson, member	0.30	0.14	0.28	0.14
Edgar Rosenberger, member*	0.30	0.06	0.28	0.06
Board total	2.40	0.58	2.20	0.58

Board member Klas Balkow received remuneration in his capacity of President and CEO of the company.

The gender distribution on the Board, among the members elected by the Annual General Meeting, during the financial year was five men and three women. In percentage terms, the distribution is thus 62.5 per cent male and 37.5 per cent female. The distribution in the preceding year was the same.

Remuneration to senior management

Remuneration paid to the Chief Executive Officer and other members of senior management is made up of basic salary, variable remuneration and pension contributions. Other members of senior management are the eight individuals who together with the Chief Executive Officer and the Deputy CEO made up the Group management team during the financial year. For the composition of the senior management at 30 April 2013, see pages 82–83 of the printed annual report.

	2012/13				2011/12			
	Basic salary	Vari. remu. STI	Bene-fits LTI ¹	Bene-fits	Basic salary	Vari. remu. STI	Bene-fits LTI ¹	Bene-fits
Salaries paid to senior management								
Klas Balkow, CEO	4.6	1.1	0.0	0.2	4.3	1.3	0.8	0.2
Deputy CEO	2.7	0.6	0.0	0.1	2.5	0.6	0.5	0.1
Other senior management (8)	11.4	1.7	0.2	0.7	10.7	2.0	1.5	0.7
Management total	18.7	3.4	0.2	1.0	17.5	3.9	2.8	1.0

¹ LTI (Long term incentive program) pertains to a reported cost for LTI 2010, LTI 2011 and LTI 2012. The amount includes the expensed portion of LTI 2011 and LTI 2012, which was largely compensated by a reversed provision (reduced cost) for LTI 2010 since no stock options were allocated. Refer below to the description of STI (Short term incentive program) and LTI.

	2012/13		2011/12	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
Pension expenses for senior management				
Klas Balkow, CEO	1.6	0.0	1.5	0.0
Deputy CEO	0.7	0.0	0.7	0.0
Other senior management (8)	3.4	0.0	3.1	0.0
Management total	5.7	0.0	5.3	0.0

Under the contract of employment with the Chief Executive Officer, the mutual period of notice is six months. Twelve months' salary is payable 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 1.6 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 in the individual annual accounts. 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 during the financial year 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, which is the same percentage as in the preceding year.

Further information on decision-making processes in the Group is presented on pages 50–55 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 based on work performance and the degree to which the employee develops his/her expertise to assume future assignments with greater responsibility. The basic salary is to be reviewed annually to ensure that it is market-based and competitive.

Variable salary (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, designed to promote the company's long-term value creation. 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. STI

remuneration is also conditional upon the performance on which earnings are based being sustainable over time, and that Clas Ohlson AB is able to reclaim such remuneration that was paid due to information that later turned out to be obviously erroneous.

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. The programmes were designed to encourage participants to become shareholders in the company, which is expected to have a positive impact on their long-term work performance. Connecting participants' rewards to the company's profit and value development will continue to promote company loyalty and thus sustainable value growth in the company.

Long-term incentive programmes that entitle employees to acquire shares are subject to AGM approval. LTI 2010, LTI 2011 and LTI 2012 were in effect during the financial year. LTI 2010 was concluded after the close of the financial year and LTI 2013 was launched. LTI 2010, LTI 2011, LTI 2012 and LTI 2013 are share matching and profit-based employee stock option plans.

Long-term incentive programmes LTI 2009, LTI 2010, LTI 2011 and LTI 2012

LTI 2010, LTI 2011 and LTI 2012 were approved at the Annual General Meetings 2009, 2010 and 2011. The programmes encompass up to 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 2010, LTI 2011 and LTI 2012 has been set at SEK 141.30, SEK 108.10 and SEK 109.10 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

Long-term incentive programmes LTI 2011 and LTI 2012³

Participants	LTI 2011			LTI 2012		
	Matching shares No. of B aktier ¹	No. of employee stock options ¹	Target value SEK M ²	Matching shares No. of B aktier ¹	No. of employee stock options ¹	Target value SEK M ²
CEO	4,264	42,640	1.4	4,413	44,130	1.1
Other member of Group management	10,167	101,670	3.3	11,539	115,390	2.9
Other participants	21,320	213,200	7.0	21,741	217,410	5.5
Total	35,751	357,510	11.7	37,693	376,930	9.6

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

² 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 85.90 (LTI 2011)/ SEK 86.44 (LTI 2012) and the fair value of the option was SEK 24.22/16.75. 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 SEK 98.31/99.43, an exercise price of SEK 108.10/109.10, an expected dividend per share annually, an anticipated lifetime for the options of five years, an interest rate of 2.98 per cent /1.15 per cent, a volatility of 40.92 per cent /34.00 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.

³ Initially, at the start of the programme, the participants acquired 38,398 and 40,058 shares under the frameworks of the LTI 2011 and LTI 2012, respectively.

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 2010 were valid from 1 May 2010 until 30 April 2013. A total of 26,581 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. The set criteria pertaining to the average sales and profit growth per share for the period 2010 to 2013 were not achieved, which resulted in no options being allotted to participants and the LTI 2010 was thus concluded. Participants of LTI 2009 were already entitled to exercise seven options per purchased share at an exercise price of SEK 98.10.

It was not possible to exercise any of the options for LTI 2011 or LTI 2012 on 30 April 2013. 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 0 options per share for LTI 2010, 5 options per share for LTI 2011 and 10 options per share for LTI 2012.

In accordance with the above, LTI 2011 and LTI 2012 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 2012/13 totalled SEK 0.2 M, including social security contributions.

Share repurchase for LTI programmes

During 2010, 2011 and 2012, 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.

Pensions and other benefits

As a main rule, pension agreements shall be defined-contribution and designed in accordance with the levels and practices that apply in the country in which the member of senior management is employed. Other benefits may occur in accordance with the conditions that apply in the country in which the member of senior management is employed. However, such benefits may not constitute a large portion of the total remuneration.

Note 7 Remuneration to auditors

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
<i>Öhrings</i>				
<i>PricewaterhouseCoopers</i>				
Remuneration for audit engagement	2.2	2.6	1.3	1.6
Remuneration for other consultations	0.2	0.3	0.1	0.2
Tax consultations	0.6	0.1	0.5	0.0
Other	0.2	0.1	0.1	0.1
Total	3.2	3.1	2.0	1.9

Note 8 Financial income and expenses

Financial income and expenses are broken down as follows:

Group	2012/13	2011/12
Interest income	1.9	6.0
Group total	1.9	6.0
Parent Company	2012/13	2011/12
Interest income	2.0	1.0
Interest income, subsidiaries	4.9	21.2
Parent Company total	6.9	22.2

Financial income and expenses are broken down as follows:

Group	2012/13	2011/12
Interest expenses	-12.6	-15.6
Parent Company	2012/13	2011/12
Interest expenses	-12.6	-15.4
Interest expenses, subsidiaries	-3.3	-4.1
Parent Company total	-15.9	-19.5

The net financial items for 2012/13 were charged with a nonrecurring item totalling SEK 6.4 M, pertaining to the excessive internal interest rate recognised for the years 2007 – 2011.

Note 9 Income tax

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Tax on net profit for the year				
Income tax on net profit for the year	98.2	113.7	60.1	85.6
	98.2	113.7	60.1	85.6
Deferred tax				
Deferred tax pertaining to temporary differences	-9.8	38.8	0.0	0.0
Deferred tax pertaining to the tax value in capitalised loss carry forwards	0.0	-2.0	0.0	0.0
	-9.8	36.8	0.0	0.0
Total reported tax expense	88.4	150.5	60.1	85.6
Reconciliation of applicable tax rate and effective rate				
Reported profit before tax	419.9	551.0	206.1	332.0
Income tax calculated according to national tax rates pertaining to profit in each country (26-28%)	-114.0	-147.6	-54.2	-87.3
Tax effect of:				
Non-deductible expenses/non-recognised income	-4.2	-3.8	-2.6	-1.4
Temporary differences	0.8	1.2	-1.2	3.1
Effect of changed tax rates in Sweden	31.1	0.0	0.0	0.0
Adjustment earlier taxation	-2.0	-0.3	-2.0	0.0
Recognised tax expense	-88.4	-150.5	-60.1	-85.6

Applicable tax rate for income tax, %	26.6	26.6	26.3	26.3
Effective tax rate, %	21.0	27.3	29.2	32.9

Deferred tax items recognised directly in equity	0.0	0.0	0.0	0.0
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Group	2012/13	2011/12
Recognised deferred tax assets and tax liabilities		
Equipment, tools, fixtures and fittings	-1.9	-1.9
Inter-company profit in inventories	-3.9	-5.0
Allocations	6.5	6.6
Pensions	0.3	0.3
Accelerated depreciation	-77.5	-85.1
Tax allocation reserve	-103.8	-105.1
Deficit in subsidiaries	0.0	0.0
Other	2.7	2.9
Total deferred tax asset (+)		
Deferred tax liability (-), net	-177.4	-187.2
Deferred tax asset	3.1	3.2
Deferred tax liability	-180.5	-190.5

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

Group 2012/13	Amount at start of year	Recognised in profit and loss	Amount at the end of year
Change in deferred tax in temporary differences during the year			
Equipment, tools, fixtures and fittings	-1.9	0.0	-1.9
Inter-company profit in inventories	-5.0	1.1	-3.9
Allocations	6.6	-0.1	6.5
Pensions	0.3	0.0	0.3
Accelerated depreciation	-85.1	7.6	-77.5
Tax allocation reserve	-105.1	1.3	-103.8
Other	2.9	-0.2	2.7
Total	-187.3	9.8	-177.4

Group 2011/12	Amount at start of year	Recognised in profit and loss	Amount at the end of year
Change in deferred tax in temporary differences during the year			
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
Total	-150.5	-36.8	-187.3

Note 10 Earnings per share

	2012/13	2011/12
<i>Earnings per share before dilution, SEK</i>		
Net profit for the year	331.5	400.5
Average number of shares outstanding before dilution	63.3	63.6
Earnings per share before dilution, SEK	5.23	6.29
<i>Earnings per share after dilution, SEK</i>		
Net profit for the year	331.5	400.5
Average number of shares outstanding after dilution	63.4	63.7
Earnings per share after dilution, SEK	5.23	6.29

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 331.5 M (400.5) and on a weighted average number of shares outstanding before and after dilution during both 2011/12 and 2012/13.

Note 11 Dividend per share

The dividends paid in 2012/13 and 2011/12 totalled SEK 269.0 M (SEK 4.25 per share) and SEK 238.6 M (SEK 3.75 per share). A dividend pertaining to 2012/2013 of SEK 4.25 per share, totalling SEK 279 M, will be proposed at the Annual General Meeting to be held on 7 September 2013. The proposed dividend has not been recognised as a liability in these financial statements.

Note 12 Non-current assets

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
<i>Intangible assets</i>				
Activated IT and software costs				
Opening depreciation	89.4	33.9	89.4	33.9
Acquisitions for the year	37.4	55.5	37.4	55.5
Sales and disposals	-0.6	0.0	-0.6	0.0
Closing accumulated cost	126.2	89.4	126.2	89.4
Opening depreciation	2.0	0.4	2.0	0.4
Depreciation for the year	13.3	1.6	13.3	1.6
Sales and disposals	-0.1	0.0	-0.1	0.0
Closing accumulated depreciation	15.2	2.0	15.2	2.0
Closing residual value according to plan	111.0	87.4	111.0	87.4
<i>Property, plant and equipment</i>				
Land and buildings				
Opening cost	738.1	737.5	736.3	735.7
Acquisitions for the year	1.3	0.6	1.3	0.6
Reclassifications	0.0	0.0	0.0	0.0
Translation differences	0.0	0.0	0.0	0.0
Closing accumulated depreciation	739.4	738.1	737.6	736.3

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Acquisitions for the year	29.1	29.1	28.9	28.9
Translation differences	0.0	0.0	0.0	0.0
Closing accumulated depreciation	224.6	195.5	223.9	195.0
Closing residual value according to plan	514.8	542.6	513.8	541.3
Carrying amount, land	6.5	6.5	6.5	6.5
Equipment, tools, fixtures and fittings				
Opening cost of acquisition	1,462.0	1,301.5	890.9	849.3
Acquisitions for the year	128.3	151.0	44.6	63.6
Reclassification	0.0	0.0	0.0	0.0
Sales and disposals	-16.7	-22.4	-15.7	-22.0
Translation differences	-33.0	31.9	0.0	0.0
Closing accumulated cost	1,540.6	1,462.0	919.8	890.9
Opening depreciation	577.0	436.6	362.8	300.9
Depreciation for the year	155.3	148.4	87.3	82.2
Sales and disposals	-15.8	-21.1	-15.3	-20.3
Translation differences	-11.7	13.1	0.0	0.0
Closing accumulated depreciation	704.8	577.0	434.8	362.8
Closing residual value according to plan	835.8	885.0	485.0	528.1
<i>Financial assets</i>				
Opening cost	0.3	0.5	446.7	446.7
Decrease/increase in non-current receivables	-0.2	-0.2	-212.8	0.0
Closing accumulated cost	0.1	0.3	233.9	446.7
Fair value	0.1	0.3	233.9	446.7
Investment commitments				
Contracted investments on the balance-sheet date not yet recognised in the financial statements total the following amounts:				
Land and buildings	20.8	0.0	20.8	0.0
Equipment, tools, fixtures and fittings	55.5	88.0	22.5	27.0

Note 13 Inventories

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Merchandise	1,303.9	1,228.7	867.0	838.5
Total	1,303.9	1,228.7	867.0	838.5
Cost of goods sold	3,809.5	3,623.7	3,738.8	3,451.1
Of which, obsolescence	13.4	24.0	8.6	16.1

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	
	2012/13	2011/12	2012/13	2011/12
Accounts receivables	21.3	17.1	14.8	12.2
Total	21.3	17.1	14.8	12.2
Fair value	21.3	17.1	14.8	12.2

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Prepaid rent	89.7	88.8	40.6	43.3
Prepaid costs of materials	17.2	17.5	17.2	17.5
Other prepaid expenses	46.7	47.0	21.4	13.1
Total	153.6	153.3	79.2	73.9

Note 16 Cash and cash equivalents

Group	2012/13	2011/12
Cash and bank balances	124.6	111.8
Group total	124.6	111.8

At the end of the year, utilised overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 0 M (30.0), refer to note 20. Unutilised overdraft facilities in the Group, which are not included in cash and cash equivalents, amounted to SEK 350.0 M (320.0).

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. ¹	
	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12
Sell/buy						
NOK/SEK	5.1	1.8	135.0	293.8	1.1	1.6
USD/SEK	0.4	0.4	78.7	73.9	1.1	2.4
Total	5.5	2.2	213.7	367.7	1.1	1.8

¹ Maturity ranges 8 May–27 June for USD/SEK and 2 May–26 June 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, 2013, there are only positive market values in the currency pairs. Forward contracts with negative market values totalled SEK 0 M (0.8), which was recognised in the

item Other current liabilities. Forward contracts with positive market values amounted to SEK 5.5 M (3.0), which is recognised in the item Other current receivables.

Deferred tax of SEK 1.5 M was taken into account and the remaining fair value of SEK 4.0 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 2,312,192 B shares. The number of shares outstanding at the end of the year was 63,287,808 (63,615,000). The average number of shares before and after dilution is reported in Note 10.

The Group's reserves contain exchange-rate differences of SEK –87.3 M (–50.1 M), and hedging reserve of SEK 5.7 M (3.1).

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	2012/13	2011/12
<i>Surpluses (-)/obligations (+) in the balance sheet for:</i>		
Pension benefits	0.2	0.3
Group total	0.2	0.3

Group	2012/13	2011/12
<i>Recognition in profit and loss pertaining to:</i>		
Pension benefits	0.2	0.3
Group total	0.2	0.3

Pension benefits

The amounts recognised in the balance sheet are as follows:

	2012/13	2011/12	2010/11	2009/10	2008/09
Present value of funded obligations	6.9	9.4	8.7	9.0	9.7
Fair value of plan assets	–8.1	–9.4	–8.6	–9.3	–8.0
Unrecognised actuarial gains/losses	1.4	0.3	0.2	0.6	–1.6
Asset/liability in balance sheet	0.2	0.3	0.3	0.3	0.1

The amounts recognised in the income statement are as follows:

	2012/13	2011/12	2010/11
Expenses for service during current year	0.3	0.3	0.4
Interest expense	0.3	0.3	0.4
Expected return on plan assets	–0.3	–0.3	–0.5
Actuarial gains/losses reported during the year	–0.1	0.0	0.0
Total, included in personnel expenses	0.2	0.3	0.3

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 0.0 M (0.1) in Administrative expenses.

The actual return on plan assets was SEK 0.2 M (0.3).

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

	2012/13	2011/12
At the start of the year	0.3	0.3
Exchange-rate differences	0.0	0.0
Total expenses recognised in profit and loss	0.2	0.3
Contributions paid	-0.3	-0.3
At end of year	0.2	0.3

The principal actuarial assumptions used were as follows:

	2012/13	2011/12
Discount rate, %	3.9	2.6
Expected return on plan assets, %	3.9	4.1
Future pay increases, %	3.5	3.5
Future pension increases, %	0.2	0.1
Estimated average remaining period of service, years	5	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.

	2012/13	2011/12
Group	51.1	48.2
Parent Company	31.3	30.0

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 2012, Alecta's surplus in the form of the collective funding ratio was 129 per cent (2011: 113 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 instruments

Financial instruments by category

Assets 30 April 2013	Loans and accounts receivable	Hedging: Forward contracts	Total
Derivative instruments	0.0	5.5	5.5
Accounts receivable	21.3	0.0	21.3
Cash and cash equivalents	124.6	0.0	124.6
Total	145.9	5.5	151.4

Liabilities 30 April 2013	Hedging: Forward contracts	Other financial liabilities	Total
Derivative instruments	0.0	0.0	0.0
Bank loans	0.0	0.0	0.0
Accounts payable and other liabilities	0.0	587.7	587.7
Total	0.0	587.7	587.7

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

Liabilities 30 April 2012	Hedging: Forward contracts	Other financial liabilities	Total
Derivative instruments	0.8	0.0	0.8
Bank loans	0.0	0.0	0.0
Accounts payable and other liabilities	0.0	492.1	492.1
Total	0.8	492.1	492.9

Financial liabilities

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Accounts payables	511.8	396.8	458.5	341.9
Other short term liabilities	75.9	65.3	12.9	13.8
Total	587.7	462.1	471.4	355.7
Fair value	587.7	462.1	471.4	355.7

The average period of credit is 45 days (45 days) for accounts payable and 21 days (20 days) for other current liabilities.

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Non-current portion				
Bank loans	0.0	0.0	0.0	0.0
Current portion				
Overdraft facilities	0.0	30.0	0.0	30.0
Total borrowing	0.0	30.0	0.0	30.0

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 2.06 per cent. The overdraft facility carries floating interest rates. During the year, the average interest rate was 2.02 per cent.

Collateral for bank loans consisted of the reporting of financial covenants. 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 0.0 M (30.0).

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	
	2012/13	2011/12	2012/13	2011/12
Accrued salary expenses	88.1	85.0	48.4	44.6
Accrued holiday pay expenses	150.6	140.8	87.9	82.3
Accrued social security contributions	73.7	83.1	60.8	70.7
Other items	118.6	88.5	46.1	18.8
Total	431.0	397.4	243.2	216.4

Note 22 Other provisions

Pertains to provisions for guarantee commitments, unredeemed gift cards, open purchase and estimated bonus points to customer club members, 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. Ninety 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	
	2012/13	2011/12	2012/13	2011/12
Guarantee commitments				
Opening provisions	8.6	7.9	4.6	4.5
Utilised during the year	-8.6	-7.9	-4.6	-4.5
Allocated during the year	10.2	8.6	6.2	4.6
Total	10.2	8.6	6.2	4.6
Open purchase, unredeemed gift cards and bonus points				
Opening provisions	17.8	15.5	9.3	8.8
Utilised during the year	-17.8	-15.5	-9.3	-8.8
Allocated during the year	19.0	17.8	12.0	9.3
Total	19.0	17.8	12.0	9.3

Note 23 Intra-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for SEK 2,129.1 M (1,995.7). Of this sum, SEK 1,789.5 M (1,666.6) related to sales to Clas Ohlson AS in Norway, SEK 323.8 M (314.3) to sales to Clas Ohlson OY in Finland and SEK 15.8 M (14.8) 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 (18.0 M), of which the value of shareholder contributions was SEK 13.3 M (13.3 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, 1,500,000 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	2012/13	2011/12
<i>The difference between recognised depreciation and depreciation according to plan :</i>		
- Equipment, tools, fixtures and fittings	-29.9	-42.6
- Land and buildings	1.0	1.0
<i>Provision for tax allocation reserve</i>		
Taxation 2014 and 2013	-72.0	-107.0
Total Parent Company	-100.9	-148.6

Note 26 Cash and bank balances

Parent Company	2012/13	2011/12
Cash and bank balances	26.8	86.1
Total Parent Company	26.8	86.1

Utilised overdraft facilities, which are not included in cash and bank balances, totalled SEK 0.0 M (30.0 M) at the end of the year. The credit is included in a cash pool for the Group in which utilised credit totalled SEK 0.0 M.

Unutilised Group overdraft facilities, which are not included in cash and cash equivalents, totalled SEK 350.0 M (320.0).

Note 27 Untaxed reserves

Parent Company	2012/13	2011/12
<i>Accumulated difference between recognised depreciation and depreciation according to plan on:</i>		
- Equipment, tools, fixtures and fittings	347.6	317.7
- Land and buildings	4.8	5.8
<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	107.0
Tax 2014	72.0	-
Total Parent Company	824.0	723.1

Note 28 Pledged assets

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Cash and cash equivalents	14.9	13.9	0.0	0.0
Property mortgages	0.0	0.0	0.0	0.0
Floating mortgages	0.0	0.0	0.0	0.0
Total pledged assets	14.9	13.9	0.0	0.0

The company has no security for own obligations pertaining to currency forward contracts. Applicable utilised overdraft facilities report the company's financial covenants, for which the company met the terms and conditions by a healthy margin. At year-end, overdraft facilities totalled SEK 0.0 M (30.0) in the Group and Parent Company. During the year, unutilised overdraft facilities amounted to SEK 350.0 M (320.0) in the Group and Parent Company.

Note 29 Contingent liabilities and commitments

Parent Company	2012/13	2011/12
<i>Contingent liabilities Parent Company</i>		
Guarantee in favour of Group companies pertaining to future rental commitments	275.3	281.5

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 2013 was five years.

Agreed leases have been calculated according to rent levels for 2013.

Parent Company	2012/13	2011/12			
Rents and lease payments in financial year	242.2	221.1			
	2013/14	2014/15	2015/16	2016/17	2017-
Contracted future rents	239.6	226.0	207.3	194.8	629.5

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 2013 was five years.

Agreed leases have been calculated according to rent levels for 2013.

Group	2012/13	2011/12			
Rents and lease payments in financial year	622.2	565.3			
	2013/14	2014/15	2015/16	2016/17	2017–
Rents and lease payments in financial year	652.1	603.4	545.2	492.3	1,446.0

Note 30 Related-party transactions

The number of shareholders in the Parent Company totalled 26,449 at the end of the financial year. The major shareholders are Clas Ohlson's descendants Helena Ek-Tidstrand, Björn Haid, Peter Haid, Clas-Toni Haid and Johan Tidstrand, who hold 39 per cent of the capital and 64 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 of the Annual Report.

Note 31 Average number of employees

	Group		Parent Company	
	2012/13	2011/12	2012/13	2011/12
Sweden	1,397	1,305	1,397	1,305
– of whom women	(587)	(548)	(587)	(548)
Total Norway	665	628		
– of whom women	(259)	(239)		
Total Finland	223	190		
– of whom women	(122)	(78)		
Total UK	191	210		
– of whom women	(99)	(113)		
Total China	48	37		
– of whom women	(30)	(22)		
Total	2,524	2,370	1,397	1,305
– of whom women	1,097	1,000	587	548

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 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 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 interest 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.

	2012/13	2011/12
Net sales per segment (SEK M)		
Sweden	3,028.3	2,928.6
Norway	2,664.5	2,560.8
Finland and UK	826.1	770.6
Group-wide	2,129.1	1,995.7
Elimination of sales to other segments	–2,129.1	–1,995.7
Total	6,518.9	6,260.0

Operating profit per segment (SEK M)

Sweden	91.3	95.6
Norway	107.5	84.1
Finland and UK	19.5	19.6
Group-wide	212.3	361.3
Total	430.6	560.6

Assets per segment (SEK M)

Sweden	588.9	557.1
Norway	521.5	486.7
Finland and UK	399.8	408.4
Group-wide	1,473.4	1,492.5
Total	2,983.6	2,944.7

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

Investments and depreciation per segment (SEK M)

	Investments		Depreciation	
	2012/13	2011/12	2012/13	2011/12
Sweden	29.2	34.2	32.8	30.1
Norway	61.3	48.8	40.6	36.2
Finland and UK	22.1	29.7	32.5	30.0
Groupwide ¹	53.9	93.4	91.8	82.8
Total	166.5	206.1	197.7	179.1

¹ Investments in intangible assets amounts to SEK 36.8 M (55.5). Depreciation regarding intangible assets amounts to SEK 13.2 M (1.6).

Note 33 Events after the end of the period

Sales during May rose 5 per cent to SEK 455 M (434). In local currency, sales increased by 8 per cent. Compared with the same month in the preceding year, 17 stores (20) have been added and the total number of stores at the end of May 2013 totalled 176 stores.

Mail order/internet sales totalled SEK 8 M (15). The lower sales compared with the preceding year were due to significantly higher sales in May 2012/13 when Clas Ohlson's new e-commerce platform was launched in Sweden and Norway with various opening offers.

Sales channels (SEK M)

Countries	Sales channels (SEK M)		Percentage change, local currency	
	May 2013	May 2012	change	change
Sweden	215	207	+ 4	+ 4
Norway	180	172	+ 5	+ 10
Finland	42	36	+ 19	+ 25
UK	17	19	– 8	+ 2
Summa	455	434	+ 5	+ 8

On 8 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 859,000 shares to secure the company's commitment in connection with the introduction of a share-based incentive programme, LTI 2013. The total number of shares required to secure LTI 2013 was estimated at 780,000. Part of the commitment regarding LTI 2013 can be secured through the use of 543,419 shares bought back to secure LTI 2010, which has concluded and in which only matching shares were allocated (26,581 of the 570,000 shares repurchased).

The Board of Directors has decided to use the authorisation of the AGM to buy back the remaining 236,581 shares required to secure the company's obligation in respect of LTI 2013. Acquisition will be conducted via Nasdaq OMX Stockholm, during the period up until the 2013 AGM, at a price within the quoted price interval. The company's holding of Clas Ohlson treasury shares at 30 April 2013 totalled 2,312,192 shares, corresponding to 4 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 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 2013

Anders Moberg
Chairman of the Board

Björn Haid

Sanna Suvanto-Harsaae

Lottie Svedenstedt

Urban Jansson

Cecilia Marlow

Edgar Rosenberger

Klas Balkow
Chief Executive Officer

Johan Åhlberg
Employee representative (Handels)

Henrik Andersson
Employee representative (Unionen)

Our audit report was issued on 5 July 2013

Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised Public Accountant

Lennart Danielsson
Authorised Public Accountant

The balance sheet and income statements are to be adopted at the Annual General Meeting to be held on 7 September 2013.

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 2012 – 30 April 2013. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 48–76.

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 Financial Reporting 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

Our responsibility is to express an opinion on the annual accounts and the consolidated financial statements based on our audit. 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the CEO, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 30 April 2013 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of

the Group as of 30 April 2013 and its financial performance and cash flows for the year in accordance with the International Financing Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Corporate Governance Report has been established. The statutory administration report and the Corporate Governance Report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Reports on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the CEO of Clas Ohlson AB (publ) for the financial year 1 May 2012 – 30 April 2013.

Responsibility of the Board of Directors and CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the CEO are responsible for administration under the Companies Act.

Auditors' responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the CEO is liable to the company. We also examined whether any member of the Board of Directors 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 audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Insjön, 5 July 2013

Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised
Public Accountant

Lennart Danielsson
Authorised
Public Accountant

Board of Directors and auditors



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, Bygghem AB, Bergendahls & Son AB, ZetaDisplay AB, Rezidor AB, ITAB Shop Concept AB. Denmark: Biva A/S. Finland: Ahlstrom OY, Soumen Lähikauppa Oy. Netherlands: HemA B.V. Germany: Amor GmbH.

Number of shares in Clas Ohlson AB: 1,400,000.¹ Independent*

¹ Owned through endowment insurance

Klas Balkow

President and CEO as of the 8th of 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 over a ten-year period.

Other significant directorships: Board member of Inflight Service Group.

Number of shares in Clas Ohlson AB: 24,314

Dependent**



*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.



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***

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. Deputy Chairman of SEB and Svedbergs. Board member of Höganäs and Lindégruppen.

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:

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 Kivra. Board member of Svenska Spel and Nordea Fonder and Forex Bank.

Number of shares in Clas Ohlson AB: 500 Independent*

*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.



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, ITAB Shop Concept 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, Best Friend OY and Sunset Boulevard AS, as well as Board member of SAS AB, Altia OY, 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 significant directorships: Member of Reima OY, as well as member of the German-Swedish Chamber of Commerce.

Number of shares in Clas Ohlson AB: 0 Independent*

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



Henrik Andersson

Board member since 2012.
Born in 1971. Employee representative (Unionen).

Number of shares in Clas Ohlson AB: 0

Johan Åhlberg

Board member since 2009.
Born in 1969. Employee representative (Handels).

Number of shares in Clas Ohlson AB: 100



**Deputy member
Josefin Salminen**

Board member since 2012.
Born in 1980. Employee representative (Handels).

Number of shares in Clas Ohlson AB: 80

**Deputy member
Lars Zwetsloot**

Board member since 2012.
Born in 1976. Employee representative (Handels).

Number of shares in Clas Ohlson AB: 0

Auditors

Öhrlings PricewaterhouseCoopers AB

Annika Wedin

Authorised Public Accountant
Auditor in Charge

Auditor at Clas Ohlson AB since 2006.

Lennart Danielsson

Authorised Public Accountant

Auditor at Clas Ohlson AB since 2009.

Senior Management



Klas Balkow

President and CEO. Employed in 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 over a ten-year period.

Number of shares in Clas Ohlson AB: 24,314



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: 10,225



Karin Svenske-Nyberg

Director of HR. Employed in 2013
Born in 1966.

Professional experience: Director of HR at Stora Enso at business area and land level, 2007-2013. Earlier positions within Stora Enso in the areas of research, development, production and HR since 1989.

Number of shares in Clas Ohlson AB: 1,691



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: 12,414



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: 8,650



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: 8,694



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: 6,158



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: 7,354



Magnus Højman

Director of Supply Chain. Employee since 2011
Born in 1967. MSc in Business and Economics, Lunds Universitet 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 number of major retail companies 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: 3,212

Quarterly results

SEK M	2012/13				2011/12			
	Q 1 1 May 2012 –31 Jul 2012	Q 2 1 Aug 2012 –31 Oct 2012	Q 3 1 Nov 2012 –31 Jan 2013	Q 4 1 Feb 2013 –30 Apr 2013	Q 1 1 May 2011 –31 Jul 2011	Q 2 1 Aug 2011 –31 Oct 2011	Q 3 1 Nov 2011 –31 Jan 2012	Q 4 1 Feb 2012 –30 Apr 2012
Sales	1,462.1	1,614.2	2,169.1	1,273.5	1,387.0	1,552.5	2,048.6	1,271.9
Cost of goods sold	–840.3	–936.8	–1,274.8	–757.6	–795.8	–896.5	–1,179.7	–751.7
Gross profit	621.8	677.4	894.3	515.9	591.2	656.0	868.9	520.2
Selling expenses	–476.3	–530.8	–599.8	–496.5	–427.9	–490.8	–517.2	–470.7
Administrative expenses	–44.7	–44.6	–46.9	–37.7	–43.4	–41.4	–43.8	–39.8
Other operating income/expense	–0.3	0.0	–0.2	–1.0	–0.3	–0.2	–0.7	0.5
Operating profit	100.5	102.0	247.4	–19.3	119.6	123.6	307.2	10.2
Net financial items	–1.2	–1.9	–6.7	–0.9	–3.6	–2.8	–2.6	–0.6
Pre-tax earnings	99.3	100.1	240.7	–20.2	116.0	120.8	304.6	9.6
Income tax	–26.8	–27.7	–36.7	2.8	–31.3	–32.7	–84.2	–2.3
Profit for the period	72.5	72.4	204.0	–17.4	84.7	88.1	220.4	7.3
KEY RATIOS FOR THE PERIOD								
Gross margin, %	42.5	42.0	41.2	40.5	42.6	42.3	42.4	40.9
Operating margin, %	6.9	6.3	11.4	–1.5	8.6	8.0	15.0	0.8
Earnings per share, before dilution, SEK	1.14	1.14	3.22	–0.27	1.33	1.38	3.46	0.11
Earnings per share, after dilution, SEK	1.14	1.14	3.22	–0.27	1.33	1.38	3.46	0.11

Comments to the quarterly results

During the first quarter of 2012/13, five new stores (4) were opened and mail order/Internet sales benefitted from the launch of a new e-commerce platform at the end of April 2012 for Sweden and Norway, as well as the UK in June 2012. During the second quarter, five new stores (6) were opened and e-commerce in Finland, which was launched in September 2012. During the third quarter, five new stores (3) were opened and a mobile adapted version of the e-commerce that was launched in November 2012 in all four markets. During the fourth quarter, two

new stores (5) were opened and the new Club Clas loyalty program, which was launched in March 2013 in Sweden.

Seasonal variations

Clas Ohlson's market and operations have seasonal variations where the third quarter (November – January) is generally the strongest, followed by the first and second quarters and finally the fourth quarter, which is the weakest in terms of sales and results. Refer to the diagram with sales and operating profit per quarter.

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 a 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

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Head office Finland

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Head office UK

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www.clasohlson.co.uk

Mail order/ Internet sales

Sweden

www.clasohlson.se

Norway

www.clasohlson.no

Finland

www.clasohlson.fi

UK

www.clasohlson.co.uk

Sweden

Borås – Knalleland
Eskilstuna – Cityhuset
Falun – Falan Galleria
Gävle – Nian
Gävle – Valbo Shopping Centre
Gothenburg – Bäckebo
Gothenburg – Nordstan
Gothenburg – Partille
Gothenburg – Sisjön Centre
Gothenburg – Västra Frölunda
Halmstad – Combihuset
Halmstad – Flygstaden's Centre
Helsingborg – Kullagatan
Helsingborg – Väla Centre
Hudiksvall – Fyren Galleria
Insjön – Dalarna
Jönköping – City Centre
Jönköping – A6
Kalmar – Baronen
Kalmar – MODE
Karlstad – Mitt i City
Kiruna – City Centre
Kristianstad – Domus-huset
Kungsbacka – Kungsmässan
Lidköping – City Centre
Linköping – City Centre
Luleå – Smedjan
Luleå – Storheden's Centre
Malmö – Burlöv
Malmö – Burlöv
Malmö – Emporia
Motala – City Centre
Norrköping – Domino
Norrköping – Hageby Centre
Norrköping – Flygfältet's Centre
Nyköping – Nyckeln
Piteå – Piteå Galleria
Skellefteå – Citykompaniet
Skövde – City Centre
Stockholm – Bromma Blocks
Stockholm – Drottninggatan
Stockholm – Farsta
Stockholm – Gallerian
Stockholm – Haninge
Stockholm – Häggvik
Stockholm – Kista Galleria
Stockholm – Liljeholmen
Stockholm – Nacka
Stockholm – Sickla
Stockholm – Skärholmen
Stockholm – Solna Centre
Stockholm – Täby
Stockholm – Vällingby Centre
Stockholm – Väsby Centre
Strömstad – Nordby
Sundsvall – Birsta
Sundsvall – Nya hamnen
Södertälje – Lunagallerian
Trelleborg – Valen
Trollhättan – Överby Shopping Centre
Uddevalla – City Centre
Umeå – MVG

Uppsala – Gränby Centre
Uppsala – S:t Per Galleria
Visby – City Centre
Västervik – Ljunghedsvägen
Västerås – Erikslund Shopping Centre
Västerås – Igor Shopping area
Växjö – Tegnér Shopping area
Örebro – Marieberg Shopping Centre
Örebro – Krämaren
Örnsköldsvik – Magasinet
Östersund – Mittpunkten

Norway

Alta – Amfi Alta
Arendal – Amfi Arena
Asker – Trekanten Shopping Centre
Bergen – Bergen Storsenter
Bergen – Laguneparken
Bergen – Sartor
Bergen – Vestkanten Shopping Centre
Bergen – Åsane
Bryne – M44
Bodø – City Centre
Drammen – Buskerud Storsenter
Drammen – Gulsbogen Shopping Centre
Elverum – Kremmertorget
Fredrikstad – Dikeveien
Fredrikstad – Torvbyen Shopping Centre
Førde – Handelshuset
Gjøvik – CC Mart'n
Hamar – Maxi Shopping Centre
Harstad – Sjøkanten Senter
Haugesund – Oasen Storsenter
Horten – Sjøsiden Shopping Centre
Hønefoss – City Centre
Jessheim – Jessheim Storsenter
Kongsberg – Stortorvet senter
Kongsvinger – Kongssenteret Shopping Centre
Kristiansand – City Centre
Kristiansand – Sørlandssenteret
Kristiansund – Amfi Futura
Larvik – City Centre
Lillehammer – Strandtorget Shopping Centre
Lørenskog – Lørenskog Storsenter
Mo i Rana – Søndregate
Molde – Moldegård Storsenter
Moss – Amfi Senter
Narvik – Narvik Storsenter
Oslo – Alna Senter
Oslo – Bogstadsveien
Oslo – Bryn Centre
Oslo – Oslo City Centre
Oslo – Lambertseter Centre
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 South
Trondheim – Lade Arena
Trondheim – Solsiden
Trondheim – Trondheim Torg
Tønsberg – Farmandstredet
Ålesund – Stormoa Shopping Centre
Ørsta – Anti Ørsta

Finland

Espoo – Entresse Shopping Centre
Espoo – Lippulaiva
Espoo – Sello Shopping Centre
Helsinki – Kamppi Shopping Centre
Helsinki – Mannerheimintie
Helsinki – itis
Hyvinkää – Willa
Joensuu – City Centre
Jyväskylä – Palokka
Kokkola – Chydenia Shopping Centre
Kuopio – City Centre
Kuopio – Matkus
Kuovola – Veturi
Lahti – Karisma Shopping Centre
Lappeenranta – Kauppakeskus Galleria
Lempäälä – Idea Park
Mikkeli – Akseli
Oulo – City Centre
Rovaniemi – Rinne Shopping Centre
Seinäjoki – City Centre
Tampere – City Centre
Vaasa – Rewell Centre
Vantaa – Jumbo Shopping Centre
Vantaa – Myyrmanni
Turku – Forum Shopping Centre
Turku – Skanssi

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

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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.

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