

Annual and Sustainability Report 2017/18



100 *more*
YEARS

clas
ohlson

100 *more* YEARS

clas
ohlson

We are very proud of our history at Clas Ohlson and that we have worked for 100 years on helping and inspiring people to improve their everyday life by offering smart, simple and practical solutions at attractive prices.

In May 2018, we presented our *100 more years* growth strategy – our plan for taking problem solving in the home to the next level. We build on our strong position in the Nordic market with a unique customer offering of products, advice and supplementary services. It will all be found on our new digital platform, C/O, to be launched in the 2018/19 financial year.

Read more about our new strategy for sustainable profitable growth on pages 14–17.



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ABOUT THE ANNUAL REPORT Clas Ohlson presents financial and non-financial information integrated in a single report. The report includes standard and specific disclosures based on the GRI guidelines, Standard. The scope of the statutory sustainability report is stated on page 120. The statutory annual report encompasses the Directors' Report and the financial statements on pages 68–116.

Clas Ohlson AB (publ) is a Swedish company and is subject to Swedish law. All values are stated in Swedish kronor (SEK). Values in millions of SEK are abbreviated MSEK and thousands of SEK as SEK 000. Unless otherwise specified, figures in parenthesis pertain to 2016/17. Data regarding markets and competition reflect Clas Ohlson's own assessments if a specific source is not quoted. These assessments are based on the best and most recent factual data from published sources in the public sector and the consumer goods industry.

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.



100 YEARS OF **clas**
ohlson

OUR MISSION

To help and inspire people to improve their everyday life by offering smart, simple and practical solutions at attractive prices.



Read more
about
Clas Ohlson's
new strategic
direction on
pages 14–17.

Clas Ohlson was founded in 1918 as a mail order business based in Insjön, Dalarna, Sweden. As we now celebrate 100 years as a company, Clas Ohlson serves five markets – Sweden, Norway, Finland, the UK and Germany. The Group sales amount to slightly more than 8 billion SEK with just over 5,000 employees.

A lot has happened since the beginning, but one thing has been the same all these years: we want

to help and inspire people to improve their everyday life by offering smart, simple and practical solutions at attractive prices. We also urge our value chain to become more resource-efficient and we respect people and the environment in all parts of our operations.

The Clas Ohlson share has been listed on Nasdaq Stockholm since 1999.

Clas Ohlson turns 100 this year – a century of each day making everyday life a little bit easier for our customers.



100 years of smart solutions



Our history began 100 years ago when Clas Ohlson, a young, enterprising entrepreneur with a keen interest in technology founded a mail order company in Insjön in Dalarna, Sweden. He assumed that there must be other people like him who were living in the countryside and did not have access to the range of items found in the big cities – and there were.

The first catalogue was a rounding success and eventually the very first store was opened in Insjön. The store gradually grew and with 3,200 square metres is our largest Clas Ohlson store today. Over the years, we added new sales channels and expanded into new markets, and today we meet 75 million customers at more than 230 stores in five countries and online.

Naturally, we want to honour our founder, tell our exciting history and celebrate with everyone who has made our 100-year journey as a company possible – all our fantastic employees and all of our customers.

We are celebrating throughout the year with attractive offers, fun events and other surprises.

100 YEARS OF clas ohlson

COME AND VISIT
THE MUSEUM
IN INSJÖN!

THE PODCAST **Beloved gadgets**

was launched in autumn 2017 and over 11 episodes – one for each decade – podcasters Malin and Ulf Åkersten guided us through the world of gadgets and modern history.



The book **BELOVED GADGETS**

offers a real nostalgia trip of pictures from Clas Ohlson catalogues. It not only shows how gadgets have evolved but also society as reflected in DIY, cleaning and storage, cooking, entertainment and gardening, and much more. Read more about Clas Ohlson's history and browse the catalogue at clasohlson100.com.

CELEBRATING with customers

Our birthday celebrations kicked off at the start of March and we are continuing to celebrate with our customers throughout the year. On the big day itself in June, we will have extra special offers and many surprises in store and online in every country.



Anniversary collection **LIMITED EDITION**

The first collection in our anniversary series was launched in June. A carefully selected range of popular products and customer favourites in a brand new design with an exclusive twist. And all in limited edition.

FESTIVAL in Tällberg

All of our employees will meet in Sweden in Tällberg, close to Insjön, in August to celebrate our history together and to look ahead to the next 100 years.





Online sales *increased by 33%*
in the 2017/18 financial year.

We are preparing for the next step

THE 2017/18 FINANCIAL YEAR ended with sales growth of 3 per cent to just over 8.2 billion SEK – a stable performance given the change in the industry that dominated the year. Online sales performed particularly well, increasing 33 per cent during the year.

Sales rose in all markets and all sales channels during the year and totalled 8,211 MSEK. Sales in local currencies increased by 3 per cent, while sales in comparable units and local currency remained unchanged.

Expanding store network and online

We continued to develop our sales channels during the year and net openings amounted to 13 stores (11). Five of these were our Clas Ohlson Compact Stores, our new smaller format store. Online sales increased by 33 per cent to 295 MSEK (222).

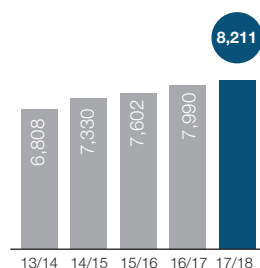
New growth strategy

We began our transition to our new strategy over the past year and we leveraged our financial strength and our underlying earnings to invest in the future. Operating profit for the year amounted to 468 MSEK (610), impacted by non-recurring costs and the allocation of costs of 70 MSEK associated with implementing the strategy. The operating margin amounted to 5.7 per cent and earnings per share to 5.66 SEK.

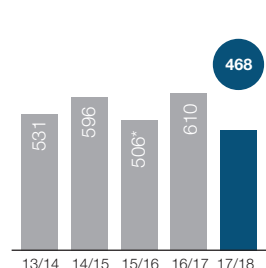
A growing team

Our team was strengthened during the year and the number of employees increased to a total of just over 5,000.

Sales, MSEK

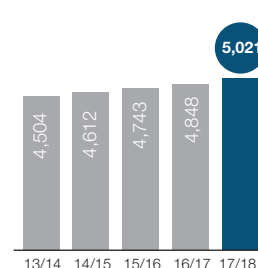


Operating profit, MSEK



* Including non-recurring cost of 107 MSEK.

No. of employees



Significant events

QUARTER

01

- Launched Workwear by Clas Ohlson, a brand new collection of workwear with the right design, quality and fit for all types of DIY projects.
- Announced winner of Clas Ohlson Product Innovation Challenge. The winner, the Altered:Nozzle, is a tap nozzle that reduces water consumption by up to 98%.
- Lotta Lyrå joins Clas Ohlson and took office as the new President and CEO as of 1 August.
- Launched the new knife sharpening and robotic lawnmower installation services.
- Opened a new store in Farsund in Norway and an additional store in Helsinki in Finland, our first Compact Store in the Finnish market.

QUARTER

02

- Clas Ohlson became the launch partner for Nest Labs' home security products in the Nordic market.
- The *100 more years* strategic overview is initiated.
- Launched a new lighting range. Clas Ohlson Premium Classic is the LED light that looks like a classic light bulb.
- 1,400 people attended the Clas Ohlson Annual General Meeting at the distribution centre in Insjön.
- The Clas Ohlson Foundation was formed.
- New stores were opened in Kempele in Finland, Varberg in Sweden and Leira and Askim in Norway.

QUARTER

03

- A strategy partnership was commenced with MatHem and 10% of the shares in this Swedish e-commerce player were acquired.
- Clas Ohlson and Telenor initiated a partnership in selected Swedish stores.
- Won the international award for training programme in supply chain at the Sedex Awards in London.
- Opened three new stores in Norway, in Stjørdal, Stathelle and Bergen, and the fourth store in Hamburg in Germany.

QUARTER

04

- Kicked off the 100th birthday celebrations by launching clasohlson100.com, a website with all our catalogues, stories, images and facts about the history of Clas Ohlson.
- Launched Clas Ohlson Smart Plug – a simple way of remote controlling a power point from a smartphone or tablet using the brand new Clas Ohlson Home app.
- Opened a new store in Bodø, Husnes and Bærum in Norway, Tampere in Finland and Gothenburg and Märsta in Sweden.
- The new growth strategy *100 more years* and the revised financial targets were presented and implementation started.

BEST NEW PROGRAMME at Sedex Awards

China is our largest purchasing market and Clas Ohlson has an in-house sales force in the country in close dialogue with key suppliers. We work closely with training solutions company QuizRR to offer courses on employee rights, health and safety. These training activities, which to date have engaged more than 4,000 employees in 26 factories, won the "Best new programme implemented" at the Sedex Awards in London.

STRATEGIC PARTNERSHIP

with MatHem

A new partnership with e-commerce company MatHem means that we can use MatHem's digital platform to deliver Clas Ohlson products to the customer's door. Following a pilot in the Malmö area, this offering will be gradually rolled out in Stockholm and Gothenburg in summer 2018. The range of products mainly includes consumables, as well as kitchen equipment, cleaning products and other essentials for the home. The partnership also means that customers shopping on our website can opt for home delivery direct to their door by MatHem. Clas Ohlson acquired 10 per cent of the shares in MatHem as part of the collaboration.



CLICK & COLLECT at any store

Many customers shop online and want to decide when and where they collect their purchases themselves. Clas Ohlson Click & Collect is already a massive success in the UK and the service was launched in our Norwegian store network in February. In summer 2018, customers in Sweden, Finland and Germany will be able to shop from the comfort of their homes and collect their purchases in any store they like.

RENTING TOOLS is popular

We are expanding and continuously adding new services to our customer offering. Clas Ohlson has long offered help with repairs and spare parts. Customers can now choose to rent tools for DIY projects instead of buying them. The new service has quickly become popular since it saves space and money and many people see it as a more sustainable alternative. The concept was rolled out in the spring after a successful test period and is now available in about 30 stores in Sweden and in pilot stores in Norway and Finland.



FOURTH STORE opened in Hamburg

Clas Ohlson's fourth store was opened on the centrally located shopping street Spitalerstraße in Hamburg in November. We now have a solid base in the Hamburg region and a loyal customer base that recommends Clas Ohlson to family and friends.

Target fulfilment

Read more about Clas Ohlson's new targets on page 17.

The targets and target fulfilment for the 2017/18 financial year are presented below. The Board of Clas Ohlson has adopted new financial targets for the Group to support the new growth strategy. These new targets apply from the 2018/19 financial year. Sales will increase organically an average of 5 per cent within a five-year period, the operating margin is to amount to 6–8 per cent and net debt/EBITDA is to be below two times. The dividend target is unchanged.

FINANCIAL TARGET 2017/18

TARGET

Annual sales growth in comparable units of at least 2 per cent.

TARGET

Establishment of 10–15 new stores net during the 2017/18 financial year.

TARGET

An operating margin of at least 10 per cent.

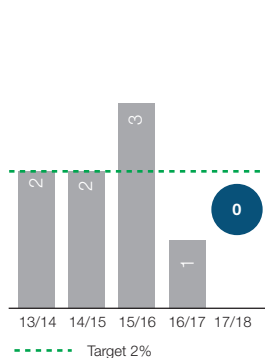
TARGET

The dividend is to comprise at least 50 per cent of earnings per share after tax, with consideration for the company's financial position. This is our dividend policy.

TARGET FULFILMENT

Sales in comparable units in local currency were unchanged year-on-year.

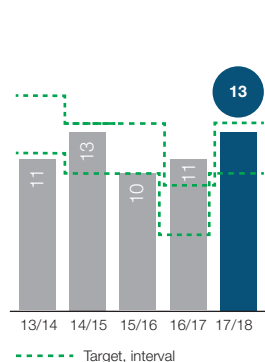
Sales growth in comparable units, %



TARGET FULFILMENT

We opened a net 13 new stores in Sweden, Norway, Finland and Germany during the year.

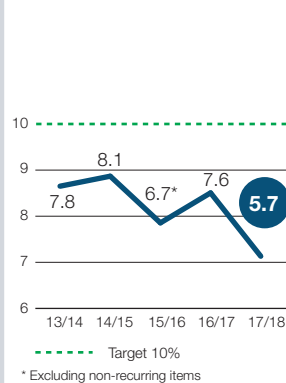
Number of new stores



TARGET FULFILMENT

The operating margin amounted to 5.7 per cent for the financial year.

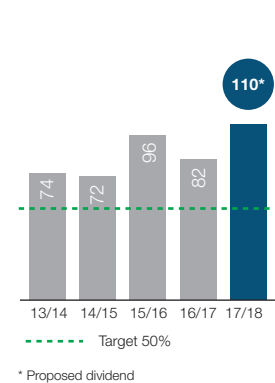
Operating margin, %



TARGET FULFILMENT

The proposed dividend for the financial year of 6.25 SEK per share corresponds to 110 per cent of earnings per share before dilution, which is in line with the dividend policy.

Payout ratio, %





Sales remains at *stable levels.*

SUSTAINABILITY TARGET

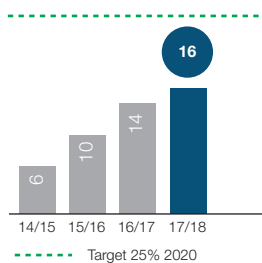
TARGET

The percentage of products for a more sustainable lifestyle is to represent at least 25 per cent of sales by 2020.

TARGET FULFILMENT

The percentage of products for a more sustainable lifestyle amounted to 16 per cent of total sales for the financial year, up 2 percentage points year-on-year.

Sales of products for a more sustainable lifestyle, %



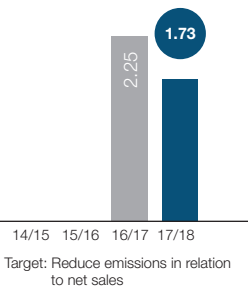
TARGET

Our CO₂ emissions from transportation is to reduce in relation to our net sales.

TARGET FULFILMENT

Our CO₂ emissions from transportation reduced by 23 per cent in relation to our net sales during the financial year. Part of the reduction is attributable to the fact that measurement methods have changed between the years.

CO₂ emissions, grams of CO₂ relative to our sales



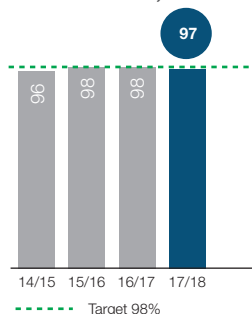
TARGET

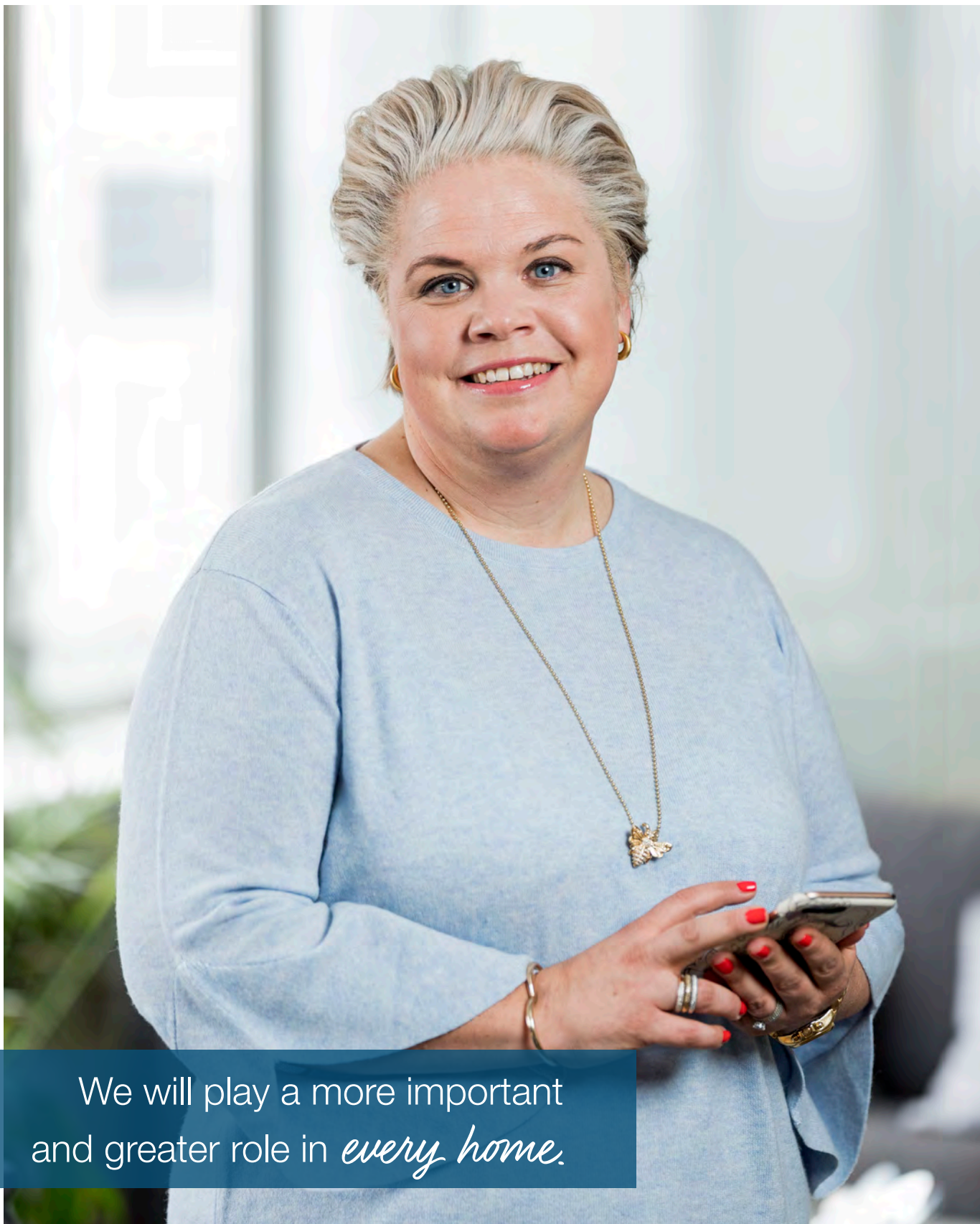
98 per cent of supplier are to comply with the requirements of our Code of Conduct as regards working conditions, human rights and environment, with no serious deviations.

TARGET FULFILMENT

We focus on efficient monitoring processes, training and proactive development activities with strategic suppliers. 97 per cent of suppliers complied with the requirements in 2017/18.

Percentage of suppliers meeting the requirements of the Code of Conduct with no serious deviations, %





We will play a more important
and greater role in *every home.*

We are now taking the next step

Almost all Swedes, Norwegians and Finns are familiar with Clas Ohlson, and many of them have a sentimental connection with the company. We have 75 million visits to our stores and 83 million visits online, and our Club Clas loyalty club has 2.8 million members. The company that entrepreneur Clas Ohlson started in Insjön exactly 100 years ago means something to a great many people and has captured their hearts. We are incredibly pleased and proud of this success.

But why do people like Clas Ohlson? There are of course many answers to that question, yet part of the answer can be found in the self-evident nature of our mission. We help and inspire people to improve their everyday life by offering smart, simple and practical solutions at attractive prices. It was the idea of our founder and is just as relevant today as it was then.

Another important part of the answer lies in our renowned, excellent customer service. We are well-known for being helpful and our willingness to go the extra mile. It makes us unique and is something that I want to keep prioritising going forward.

Demands from new conditions

The conditions for Clas Ohlson and many other retail companies are changing radically – and rapidly. New technology is altering behaviour patterns and how we consume. It ranges from how you as a customer seek out information to the type of delivery you choose. You have access to an enormous range of goods and services in a matter of seconds at the press of just a few buttons on your mobile or computer. It is easy to compare prices and quality and you can quickly change your mind about what you want to buy.

Expectations are constantly mounting about what we as a company can offer in terms of availability, security and convenience, a unique and attractive offering, how we are to provide something extra to our customers and offer a close and open relationship. Something that had the “wow” factor before might be just a hygiene factor only a year later.

This trend is creating tremendous opportunities for companies that have the desire and ability to change, but it also presents huge challenges for what established retail companies need to do to develop and progress.

Fierce competition from both new and established companies means that we need to work smarter and more cost-efficiently across the chain from product development and purchasing to interacting with customers and delivery, in order to provide customers with attractive offerings at good prices. In today's climate, retailers cannot afford inefficiency or unnecessary costs that result in their prices being higher than those of a store just two clicks away.

How will Clas Ohlson remain relevant to customers? How will we grow profitability in a new landscape? This is the question that I have been working on together with the management team and many colleagues since September 2017. This work has engaged many employees at different levels and in all countries where we operate. We have interviewed many customers, analysed customers' baskets and receipts, compiled internal insight and opinions and analysed developments in our business environment. This work has been intense and engaging and has resulted in new and valuable input.

Through the *100 more years* strategy, we are taking the initiative and leveraging the possibilities arising from the ongoing retail changes. The path forward is mainly about having the right attitude and the willingness to try new paths, as well as maintaining a high pace of change.

I have seen great enthusiasm and dedication across the company from employees who have tirelessly answered all of our questions, and posed some new ones. Your willingness to always do things a little better and a little smarter is amazing.

Everything hinges on relationships with customers

Our analyses, our conclusions and the plan ahead were presented at a Capital Markets Day in Stockholm at the start of May together with new financial targets for the company. We present the new strategy in a separate section of the annual report but I would like to highlight a few points here.

One of the conclusions is, not surprisingly, that the most important factor of all is the relationship we have with our customers. Clas Ohlson's position in and confidence from the market and our large, loyal customer base represent a fantastic strength. This gives us the possibility to develop the operations to simplify people's lives in new ways

when their habits, needs and patterns of consumption change. This is an opportunity we will seize. We will play a more important and greater role in all types of homes, primarily in the Nordic region, which is a growing market and where we have a significantly lower market share than what we believe we could capture.

Focus on service and new services

We see a potential in the market for the types of jobs that are too minor for you to hire a builder but too big, difficult or time-consuming to do yourself. This is where Clas Ohlson has a unique opportunity to enhance customer value by adding new services. We have already introduced Hire from Clas and in the autumn we will introduce Clas Fix it, our new home project service.

We also see an opportunity to develop our renowned excellent customer service into a more customary advice service. You will soon be able to consult with Clas Ohlson in store and via your mobile no matter whether you need tips for safely putting up a shelf on a plaster wall or a smarter way of organising your storage.

The stores are a strength

Our stores are a strength for us and the network of slightly more than 230 centrally located stores mean we are easily

accessible to customers. But we can also see that we can develop and strengthen the store network even further, both by using the stores in a new way and by adapting the size and offering to customer demand in that specific location. We have already seen how service and advice are becoming more and more important.

Rapid online growth

It is incredibly important for us to expand our availability and to strengthen our online offering. We are lagging behind in this area but we are concentrating on rapidly catching up.

During the financial year, we invested in online improvements and have already noted very rapid growth. Traffic has increased strongly and sales are up 33 per cent. We now aim to at least double our online sales every second year.

The next stage will be to provide a joint platform called C/O, where we will group together our product and service offering in one place to make it as easy as possible for customers to access Clas Ohlson and our future offering.

Increased sales and strengthened position

Our change in strategy – and I have only highlighted a few elements of it – is crucial for us to meet the changed conditions that we can already see and to leverage the major opportunities that we envisage for Clas Ohlson. We have stable operations coupled with a fantastic customer base, which will allow us to implement rapid and far-reaching change – without delay.

The past year

Sales in the 2017/18 financial year increased by 3 per cent to 8,211 MSEK.

We will develop our availability and convenience online, and double sales every other year.

Operating profit amounted to 468 MSEK. In our fourth quarter, we began the change to this strategy, in which we leverage our financial strength and our underlying earnings to invest in the future.

We have strengthened our position in our home markets and added a net 13 stores to our network, five in our new Clas Ohlson Compact Store format. We can already see how popular these stores are with customers and will test the new format at other locations.

We closed six stores in the UK last year and another store will be closed a few months in to the new financial year. We opened our fourth store in Hamburg, supplementing the first phase of our establishment in the German market, and we are happy to report that our German customers appreciate our offering. It is gratifying that we can report a highly favourable trend in online sales in both the UK and Germany during the year.

The franchise partnership in Dubai was concluded during the year and the two franchise stores were closed.

A major and important step for our development is the new sCORE business system (Systems for Clas Ohlson Retail Efficiency), which we have been working on for many years and which is now being rolled out across the operations. This business system will help us to develop our abilities in several key areas, such as supply chain, production planning and range adjustment.

Closer to customers

The partnership with MatHem that started in spring 2018 is very important to our aim of coming closer to custom-

ers and increasing our availability and convenience for customers. MatHem is Sweden's leading online supermarket and delivers direct to door. We have developed a joint offering whereby MatHem customers can order a specific range of consumables. The first pilot phase of the offering was launched in March and was rolled out to the metropolitan regions of Sweden in June to include about 700 products.

Click & Collect is already a great success in the UK. The service was launched in our Norwegian store network in February and will be available in Sweden, Finland and Germany in summer 2018. Customers can order products online and pick up their entire order at their nearest store.

A more sustainable lifestyle

It is important for us at Clas Ohlson to also contribute to a resource-efficient value chain and a more sustainable lifestyle. It is part of our sustainability agenda that we follow in many different ways.

Looking at the past year, I would like to particularly showcase the Hire from Clas service, where customers can hire high-quality tools at a number of locations. The sharing economy enhances ecothinking and making sensible use of our shared resources. We are also pursuing our work on increasing the percentage of products for a more sustainable lifestyle in our range. The share increased to 16 per cent in the financial year, with the target of 25 per cent by 2020.

100 more years

Stepping into the role of CEO of a company celebrating its 100th birthday engenders great humility and respect.

Many of us have good reason to remember and give special thanks to entrepreneur Clas Ohlson, who with both feet on the ground, great inventiveness and strong values laid the foundation for what is Clas Ohlson today. We follow this heritage and borrow entrepreneurship and courage, and reinterpret it to write the next chapter at the start of a new era for the company.

Finally I would like to sincerely thank all of our employees whose work every day means that customers return to us and who so clearly show a desire to contribute to new ways of thinking and becoming smarter and better in a time that requires rapid change. Many thanks also to all of our customers and owners for your confidence in us.

New times require new solutions. Clas Ohlson will take smart, simple and practical to a new level. We are an eager team, full of drive, and we have already started implementing our new strategy. But of course we will have time to have a great 100th birthday celebration both in stores and online.

Welcome!



Lotta Lyrå
President and CEO
Insjön, Sweden, June 2018

We will play a greater role in every home

CLAS OHLSON WILL GROW on the Nordic market, focusing on simplifying people's everyday lives at home through a combination of products, guidance and supplementary services. A developed online business model, unique offering, outstanding customer service and simplified, streamlined operations are critical parts of our new strategy for growth. Leveraging the strength of our large, loyal customer base, we will now play a greater and more important role in every home.

Strong base for growth

Our new strategy is based on comprehensive work on analysis and strategy that has been ongoing during the autumn and winter. We surveyed our customers and employees, arranged workshops and focus groups, and interviewed experts and representatives from the capital market. We gained new insight into our customers' behaviour patterns and how they view us, as well as sound understanding of what this means for how we need to govern operations as we move forward.

Our work has consolidated the view of Clas Ohlson's unique market position, our strong brand and large, loyal customer base. We have studied what is important to our customers and potential customers, and how they act in a new competitive situation, and the company's opportunities and challenges in a rapidly changing world.

We see that Clas Ohlson has a strong base for growth:

- A loyal customer base with very high brand awareness
- A strong, customer-centric culture
- A financial position that enables offensive initiatives

We see many opportunities for strengthening our position in the growing market for products and services in the home by:

- Streamlining the product range
- Adding guidance and services
- Developing online operations
- Optimising the store network
- Simplifying and enhancing the efficiency of the operations and our way of working



We are *passionate about simplifying* life in all kinds of homes.

Focus on Nordics

Our strategy ahead, as presented at the Capital Markets Day on 3 May 2018, entails new strategic focus areas, particularly concentrated to Clas Ohlson's home market in the Nordic region, while we are continuing to develop our operations in the UK and Germany. The new plan for sustainable, profitable growth is now being rolled out across the organisation. As always, the plan starts with our passion for simplifying our customers' everyday lives.

Our arena is the home

Our unique market position gives us the opportunity to broaden our offering and

to capture a greater share of customers' spending linked to the home – what we call *share of home**. This market generates sales of approximately 90 billion SEK in the Nordic region today, and is expected to continue growing during the coming years. Clas Ohlson's ambition is to grow faster than the market and to increase its market share in this area, by focusing on simplifying people's everyday lives at home with smart, simple, practical solutions at attractive prices.

By developing our offering, we will come closer to our customers in the home and become even more relevant and accessible. It should always be easy

to choose Clas Ohlson. We will also be breaking new ground to show what a traditional retail company like Clas Ohlson can be and do in a new landscape with new consumer patterns and new technology.

In addition, we will be adding new related services to our offering, which means we are entering the market for home services. All in all, Clas Ohlson will operate in a market that currently generates approximately 105 billion SEK in the Nordic region.

* The share of what the Nordic consumer spends on products for the home that Clas Ohlson can offer, or wishes to offer.

Strategic FRAMEWORK

Our strategic plan includes a large number of initiatives that, in the short and long term, will develop our large, loyal customer base and strengthen Clas Ohlson's position in the market.

WE HAVE TWO OVERALL TARGETS FOR OUR OPERATIONS:

- 1 We will be a meaningful and trusted brand and company recognized for being passionate about simplifying life in all kinds of homes.
- 2 We will deliver sustainable profitable growth.

We will achieve this by focusing on three strategic areas:

- A unique customer offering
- Outstanding customer service
- Smartness and simplicity

Smartness and simplicity – we are simplifying and streamlining our operations

We are investing in change, building better systems and streamlining the operations throughout the chain, by focusing on product development, purchasing and distribution to enhance cost efficiency and enable even quicker delivery to customers.

A unique factor in this is the roll-out of our new sCORE business system (Systems for Clas Ohlson Retail Efficiency) that will be fully implemented in the entire organisation at the start of the 2018/19 financial year and that allow us to, for example, steer the range in each store towards what customers are purchasing in that specific area. Read more about sCORE on page 27.

Enhanced availability and outstanding customer service

We are strengthening our customer relationships and increasing added value by offering even better availability and personalised guidance both in stores and online. The store is the hub of our operations and online shoppers will be able to choose to collect their purchases in their local store or have the product delivered home to their door.

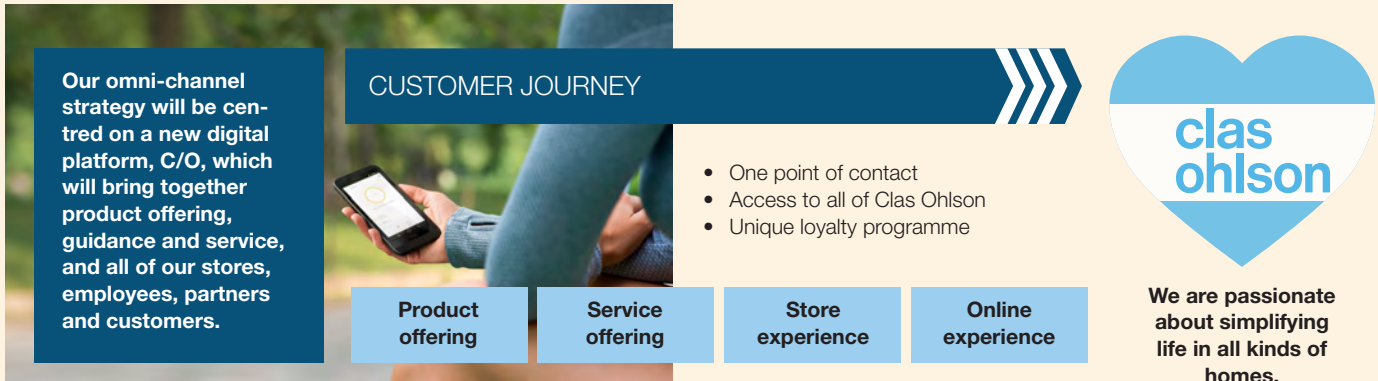
We will optimally leverage our store network and ensure flexible leases so that we can reassess location, size and range when circumstances change. In the financial year, we opened five stores with the new Compact Store format, and more are in the pipeline. Collaboration between stores will increase and some stores have been assigned the role of “feeder store” and will deliver products to other stores and home to customers.

A unique customer offering

We will become even more relevant to the customer by offering a more focused product offering where we clearly define the home as our arena while adding a supplementary range of smart services for practical problem solving.

We will also increase the share of proprietary brands by strengthening design and product development and adding speed, sustainability and uniqueness. Read more about proprietary brands on page 40.





1. Target: A meaningful and TRUSTED BRAND and company

Clas Ohlson has adopted new overall operational targets to support the new growth strategy. The sustainability agenda is a key component in achieving these targets. The targets will be quantified and monitored during the 2018/19 financial year.

Our customers			Our people	
1.	2.	3.	4.	5.
Brand preference The target is that our customers spontaneously prefer and choose Clas Ohlson ahead of other alternatives.	Number of active customers The target is to build a large and loyal customer base in the countries we serve.	Brand position The target is to be perceived as a meaningful and trusted brand and company recognized for being passionate about simplifying life in all kinds of homes.	Skills development The target is for our employees to develop the right skills to realise our new strategy.	Brand position The target is for our employees to perceive that we live up to our position both externally and internally. We will advance in: <ul style="list-style-type: none"> • commitment • efficiency • diversity.

2. Target: Sustainable profitable GROWTH

Clas Ohlson's financial targets and financial framework were revised to support the new growth strategy. These new targets apply from the 2018/19 financial year.

1.	2.	3.	4.
Sales will increase organically an average of 5 per cent annually over a five-year period <ul style="list-style-type: none"> • sales per customer increase • sales per square metre increase • sales online to at least double every other year 	Operating margin will amount to 6-8 per cent within a five-year period <ul style="list-style-type: none"> • proprietary brands will increase as a share of sales • the organisation and retail space will be streamlined • development of product range, purchasing and logistics will be systematised Over the first two years, we expect to invest approximately 1-2 per cent of the underlying operating margin in strategic initiatives.	Net debt in relation to EBITDA to be below two (2) times <ul style="list-style-type: none"> • investments are being planned as regards financial position, cash flow and strategic activities 	The dividend is to comprise at least 50 per cent of earnings per share after tax, considering the company's financial position <ul style="list-style-type: none"> • Over the first two years, the dividend will be maintained at the level for the 2016/17 financial year, in absolute terms.

Rapidly changing business environment

UNDERSTANDING HOW THE BUSINESS ENVIRONMENT CHANGES is fundamental to developing a relevant offering as well as evolving the company in the right way to maintain its competitiveness in the long term. There are numerous drivers that influence society and the retail industry, but we have decided to describe the most important trends for the company at the current time. These are trends that we must approach and use to define our opportunities.

Sustainable WAY OF LIVING

An urban lifestyle with long working days and business travel means it is difficult to find enough time in the day and many people are on the look out for products and services that can simplify everyday life. On top of this, more and more people want solutions that are compatible with a sustainable lifestyle. We see growing demand for green products, a desire to use the planet's resources sparingly and to live a simpler life. More and more people want to hire, borrow or share products with others rather than own them. Products must be recyclable and reusable.

FOR CLAS OHLSON, THIS MEANS we will continue to develop a smart, affordable and attractive offering that solves small practical problems, that helps make our customers' everyday lives easier and that supports a more sustainable lifestyle. For example, our range of more than 10,000 spare parts is very popular.



INFLUENTIAL consumers

Nowadays, it is easy for consumers to find all the information that they want about companies, brands and products, and to influence others via social media. It is increasingly important to stimulate loyalty and commitment by improving the relevance of communication, service and product range. Robust demands are also made by many for transparency and for companies to assume their responsibility across the value chain and to serve as good members of society.

FOR CLAS OHLSON, THIS MEANS being honest and transparent in our communication, and providing relevant smart solutions, inspiration, tips, good advice and clear product information. Both the offering and all communication must be based on our brand and values, while also being customised according to data and insight into what customers want and how they shop.



Demographic CHANGES

The continued population rise in northern Europe is mainly concentrated to the large cities where an urban lifestyle influences purchasing habits and patterns. Population growth is driven by increased immigration and we see a diversity of people with different cultural backgrounds who want a more customised offering. In families where parents are struggling to juggle the different elements of everyday life, children often greatly influence purchases and consumption patterns. The number of single-person households is rising worldwide, many of whom live in small, central apartments. We also see that older consumers are becoming an influential group, setting new demands for service and convenience.

FOR CLAS OHLSON, THIS MEANS we seek to gain deep understanding of the individual customer's circumstances and needs regardless of where they live or the type of home they have. Clas Ohlson's offering is to be relevant and accessible by people in all kinds of homes.

Quick, flexible and DIGITAL

Mobile, digital technology is playing an increasingly important role in the lives of consumers and has revolutionised purchasing and behaviour patterns in the retail sector. Constantly connected consumers want to buy when, where and how they want, and regardless of the sales channel they use, they expect a simple and consistent shopping experience tailored to their needs. Many also take an active role in marketing and product development. The rising trend of online shopping means that the physical store is increasingly becoming a meeting place and an arena for experiences. Customers expect quick, reliable and convenient deliveries, and want to choose the best option for them at that specific time.

FOR CLAS OHLSON, THIS MEANS a continued focus on integrating and developing our various sales channels and delivery options, and on our capacity to interact with our customers through digital channels to further improve our availability and service level. Digitalisation provides us with tools to enhance understanding of customer behaviour, drive sales, build loyalty and easily serve and support customers throughout the entire decision-making and purchasing process. All with respect for customer integrity.



COMPLEX competitive environment

Competition in the retail market is fiercer than ever before. Local, traditional retailers are meeting global e-retailers such as Amazon and Alibaba, while other digital players, such as Google and Facebook, are always expanding their business and challenging existing business models. Many companies have a similar range that competes for the same customers and it is easier than ever before to compare offerings. Price is important, but making a purchase must be easy, secure and inspiring.

FOR CLAS OHLSON, THIS MEANS that we develop the business and test new offers to be more unique in our range. We focus on strengthening our digital platform, and developing our omni-channel strategy, our product range and our service offering. We work together with others and engage our customers to offer relevant and affordable solutions that inspire and help them in their everyday lives.

Battle for TALENT

Attracting and retaining highly skilled employees is a strong competitive advantage, while lacking the right skills is one of the greatest threats to a company's success and growth. The young, digital generation knows exactly what type of workplace environment they want – one that they can contribute to and evolve in without losing their work-life balance.

FOR CLAS OHLSON, THIS MEANS that we strive to increase flexibility and we are clear in what we offer to our employees. Clas Ohlson aims to be an attractive workplace in which to grow and we support our employees on their journey forward. Our leadership, skills development and belief in our employees equips us for the future and cultivates an organisation prepared to shoulder new challenges.



In close dialogue with our stakeholders

A PROFITABLE AND SUSTAINABLE COMPANY in the long term must be one step ahead of stakeholder requirements and expectations. We maintain a close dialogue with our customers, employees, suppliers, owners and various players in society to understand their view of the future, which helps us set our strategy.



CUSTOMERS

Understanding our customers and their needs and expectations is vital to success in an increasingly competitive market. We interact with our customers every day in our stores, through our customer service centre, on our chat function and in social media. The 2.8 million members of our Club Clas loyalty club also provide valuable information and important insight into how we can improve our offering. Our regular customer survey shows that we have very high customer satisfaction in all markets and that customers are very likely to recommend us to their friends and acquaintances.

Over the past year, we carried out an extensive analysis as part of the strategic review and primarily looked at existing customers' perception of Clas Ohlson and our offering, as well as those customers who do not shop with us. We performed both qualitative and quantitative studies, as well as studies in people's homes, put together focus groups and conducted exit interviews. We analysed customer baskets and receipts, and studied purchasing patterns. All in a bid to obtain in-depth know-how about our customers and what is needed to become even more relevant and available.

LOOKING FORWARD, we can see that customers want relevant, innovative products and services with superior environmental performance. We also see that availability is increasingly critical to making a purchase, both in stores and online.

EMPLOYEES

Slightly more than 5,000 employees in six countries work hard to give our customers the very best service and the best offering. Committed and goal-oriented employees are fundamental to our growth and development. We carry out a comprehensive survey every other year and ask employees about their opinion of Clas Ohlson, our strengths and areas for improvement. The most recent employee survey from autumn 2016 also shows a healthy work climate and good leadership. More than 80 per cent of employees are proud of working for Clas Ohlson, and the majority would recommend us to others as an employer. The next employee survey is scheduled to be carried out in autumn 2018. We also perform regular employee surveys on specific matters.

LOOKING FORWARD, values-driven companies will attract the right skills. The importance of leadership, diversity, skills development, flexibility and focus on health and well-being is expected to rise.



Strategy for profitable growth – expanding our role in Nordic homes and gearing up online

- Our 100 year old mission is just as relevant today as ever
- We have gained people's trust to play a bigger part of everyday lives in all kinds of Nordic homes
- Our future territory Home presents big commercial opportunities

clas
ohlson

CAPITAL MARKETS DAY 2018

clas
ohlson

100
YEARS

We shaped *our strategy* on deep understanding of our stakeholders.

Clas Ohlson presented the company's new strategy and revised financial targets to analysts, investors and journalists at a Capital Markets Day held on 3 May 2018 in Stockholm.

SHAREHOLDERS

Clas Ohlson Series B shares have been listed on Nasdaq Stockholm since 1999 and the company now has about 35,000 shareholders. Many shareholders have been with us for many years. Stable, engaged owners are pivotal for long-term profitability and sustainable development. We meet our shareholders at the Annual General Meeting, at shareholders and investor meetings, and at Capital Markets Days. Important information about shareholder value is obtained via the Nomination Committee and the Board.

LOOKING FORWARD, sustainable, profitable growth and shareholder value remain key issues.

SUPPLIERS

We have close and trusting working relationships with about 650 suppliers in Europe and 600 manufacturers in Asia. A strong supplier network is a prerequisite for an affordable, innovative and sustainable offering. We are constantly moving towards products under our proprietary brands and suppliers expect a long-term partnership and scope in return for meeting the robust requirements that we impose. Important issues are discussed during regular contact with suppliers, on various training courses and as part of audits.

LOOKING FORWARD, suppliers want to move away from only supplying goods, and to move towards entering into strategic partnerships based on jointly established targets.

SOCIETY

We influence, and are influenced by players in society at global, national and local levels that encourage companies to assume a broader responsibility. The launch of the UN 17 Sustainable Development Goals gives businesses a more prominent role in solving the challenges faced by society. It increases expectations that we understand our impact along the value chain, manage it accordingly and follow the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption.

LOOKING FORWARD, we will be expected to assume increasing responsibility for the company's indirect impact and make use of innovation to drive a shift towards more sustainable development.

How we create value for our stakeholders

OUR MISSION IS TO HELP AND INSPIRE people to improve their everyday life by offering smart, simple, practical solutions at attractive prices.

RESOURCES

STRUCTURAL CAPITAL

- More than 230 stores and online shopping in five countries
- Distribution centre in Insjön as a hub for efficient distribution

FINANCIAL CAPITAL

- 2,264 MSEK in equity

HUMAN CAPITAL

- A strong corporate culture
- 5,000 competent and passionate employees

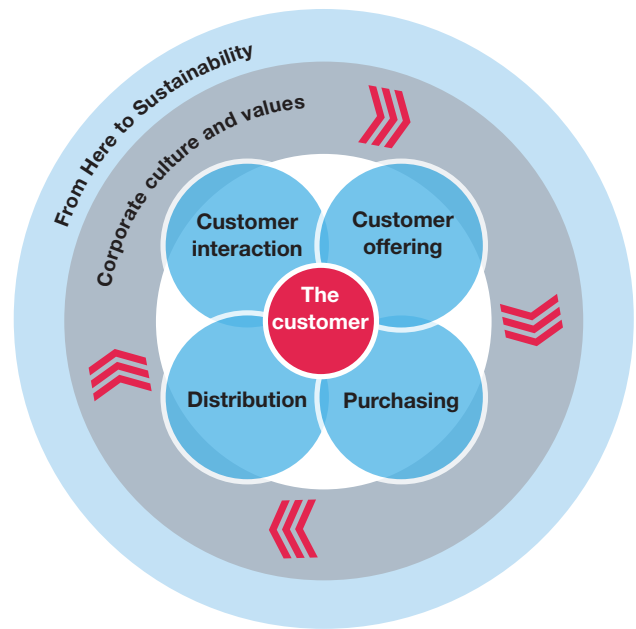
RELATIONSHIP CAPITAL

- A strong brand
- 75 million visitors to our physical stores and 83 million visitors to our online store
- 2.8 million members of our Club Clas loyalty programme
- Close partnership with about 650 suppliers in Europe and 600 manufacturers in Asia

NATURAL RESOURCES

- Efficient use of natural resources for production and distribution

OPERATIONS



THE CUSTOMER IS THE FOCUS of our business model. We base everything on our customers and their needs, and offer smart, simple and practical solutions at attractive prices that help make and inspire a simpler everyday life and a more sustainable lifestyle. Our operations are based on clear and efficient processes for the customer offering, customer interaction, purchasing and distribution, and we work to integrate sustainability aspects throughout our value chain.

Our values and our strong corporate culture feature in all that we do. **FROM HERE TO SUSTAINABILITY** is our concept that describes our sustainability journey and puts the focus on our most sustainable offering. Products for a more sustainable lifestyle are our most important contribution to a long-term sustainable society.



CREATED VALUE

CUSTOMERS

- High availability of an affordable and attractive offering
- Confidence that products purchased meet high quality, safety and environmental requirements
- Products and services for a more sustainable lifestyle

EMPLOYEES

- A reliable and long-term employer who offers a stimulating, developing and safe work environment
- Our recruitment process seeks to increase diversity at every workplace

SUPPLIERS AND BUSINESS PARTNERS

- Long-term and beneficial business relationships
- Training in responsible business

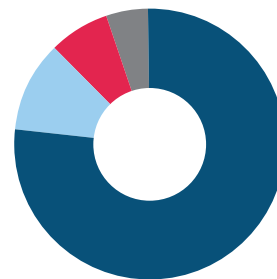
SOCIETY

- Contribution to economic development
- Job opportunities
- Involvement in the local community
- Contribution to higher resource efficiency
- Contribution to reducing environmental and climate impact

SHAREHOLDERS

- A long-term, sustainable investment that yields solid returns and value growth

Economic value by stakeholder group 2017/18



We create value for our customers, but also for other stakeholders such as employees in the form of salaries, suppliers for purchases of products and services, owners in the form of dividends and society in general by taxes and fees.



Effective governance of operations

ROBUST CORPORATE GOVERNANCE AND A VALUES-DRIVEN CORPORATE CULTURE help us to optimise the efficiency of our processes and integrate ethics, the environment and social issues in our strategic decisions and our way of working.

Clas Ohlson will continue to grow and develop and add value for our customers, employees and other stakeholders, and make positive contributions to the communities in which we operate. Our culture and our values define our way of working. We often talk about the Clas Ohlson spirit. For us, this is an approach based on salesmanship and its cornerstones: drive, warmth, innovation and commitment. These values have existed since our start in 1918 and have always been fundamental to all work undertaken in the company.

Strong governance

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, Nasdaq Stockholm's Rule Book and the Swedish Corporate Governance Code. All business activities are to be conducted in accordance with the applicable legislation of the countries in which we operate.

Read more about the governance of Clas Ohlson in the Corporate Governance Report on pages 79-87.

An ethical approach

Our Code of Conduct and Code of Business Ethics describe Clas Ohlson's commitment to maintaining a high standard of ethics when we do business and our expectations of each employee and partner. We have a zero tolerance policy regarding corruption and bribery. Our Code of

Business Ethics and our Code of Conduct are included in all purchase agreements and we strive to include them in all major contracts. We are clear that violation of the Code of Business Ethics could, in addition to the termination of the partnership, lead to consequences under labour law and criminal law.

Our most significant risk of corruption exist in the purchasing process and when entering into larger contracts. Therefore, we conduct regular training for all employees who work with purchasing and high-value contracts and for our agents in Asia.

Three violations of the Code of Conduct were reported during the year. One case involved business connections with closely related parties and resulted in termination of employment. Two cases involved attempted bribery in conjunction with factory audits of potential supplier and these resulted in a partnership not being established.

Reporting DEVIATIONS

Any suspected deviations from the Code of Business Ethics and Code of Conduct can be reported by e-mail, to an immediate superior or to an immediate manager, Head of Sustainability or General Counsel. Such reports can be made anonymously.

LONG-TERM AMBITION

We enhance efficiency and simplify our way of working by: implementing new business systems, developing processes and organisation, and ensuring the integration of sustainability issues.

PRIORITIES FOR 2017/18

- Implementing sCORE and related processes
- Adapting and developing the organisation based on legislation and rules
- Ensuing focus on sustainability in the strategic planning

Employee INTERVIEW

Hello!

Transparent,
reliable and
secure

Chief Security Officer
LINUS SANDGREN



The new EU General Data Protection Regulation (GDPR), places entirely new demands on the processing of personal data by companies. We have conducted comprehensive work to adapt our processing and live up to the new legislation. GDPR represents, for example, increased transparency, reliability and security, and applies in all EU countries as of May 2018.

How have we worked with this over the past year?

We continued the work we started already two years ago by adapting our entire business to GDPR. This has entailed comprehensive work to clarify responsibility, introduce new work procedures, training, systems development, signing contracts and so on for everyone that processes personal data.

What does this mean for our customers?

Customers who visit us and shop as usual will probably not notice any difference. But for customers who hand in something for repair or a refund, and for those who are members of our loyalty clubs, it means in practical terms that we will inform them more clearly and in accordance with GDPR about how we process their personal data. It also means that existing members of Club Clas will need

to provide their consent again to remain as members based on the new membership terms.

GDPR also involves extended rights for customers. For example, they are entitled to be informed about all of the data we saved in relation to them, and to have their data corrected, erased, digitally transferred to another party or to “pause” processing. Our employees have received new digital tools to be able to assist customers with this in a simple and effective manner.

How does GDPR correspond to Clas Ohlson’s view of integrity and customer relations?

GDPR represents, for example, transparency, reliability and security for the customer’s personal data, which is entirely in line with how we view relations with our customers and the extensive confidence they already have in us. Understanding how and knowing why personal data are processed as they are and knowing that this processing is correct is becoming increasingly important to our customers. Our customers should feel confident in submitting their data to us and that they can trust that we will process their personal data in accordance with applicable legislation.

POLICIES AND GUIDELINES approved by our Board

- Code of Conduct
- Code of Business Ethics
- Financial policy
- Information policy
- Information Security policy
- Insider policy
- IT policy
- Diversity policy
- Security policy

Our most important policies, guidelines, instructions and manuals are regularly updated and communicated. General guidelines and instructions are published on our intranet and policies that include partners are available on the website.

CODE OF CONDUCT

Clas Ohlson's Code of Conduct applies to all parts of our operations and contains guidelines for employees, suppliers and business partners with regard to human rights, labour standards, health and safety, the environment and anti-corruption.

The Code is based on international conventions and national legislation and regulations, including the UN Declaration on Human Rights, the UN's Children's Rights and Business Principles, the ILO core conventions and the OECD guidelines.

CODE OF BUSINESS ETHICS

Our Code of Business Ethics describes Clas Ohlson's commitment to maintaining a high standard of ethics, making sound business decisions without consideration for personal or third party gains, not accepting, offering or paying bribes, and complying with applicable laws and regulations.

Clas Ohlson also follows the Swedish Anti-corruption Institute's (IMM) Code on Gifts, Rewards and Other Benefits (the "Code of Business Conduct").

Governance for sustainability

We integrate key sustainability issues into our strategy, business model and governance. It is the responsibility of each function to drive and pursue this work based on our values, our Code of Conduct and our sustainability targets. We believe this is the way to achieve the best results, a business that is sustainable in all areas and strong commitment from our employees.

The responsibility for overall strategies, targets and follow-up rests with Group Management and the head of sustainability. The Board of Directors is updated regularly regarding sustainability work being conducted in the company and the sustainability risks are reported not less than twice a year within the framework of risk reviews.

Supplier audits

We have in-house audit teams stationed in China, our largest purchasing market, and perform regular audits to ensure compliance with our high expectations regarding working conditions, human rights and the environment as defined in the Code of Conduct. There was 97 per cent supplier compliance with our requirements, with no serious deviations, during the financial year. Read more about the requirements we place on suppliers on pages 50-53.

Focus on risk management

Risk management is a high priority and we are continuing to develop our tools for identifying and managing risks. When handled correctly, risks may lead to opportunities and add value to the business. We continuously update the Group's risk situation by conducting a documented process in which risks are identified, measured, managed and reported to Group Management and the Board twice a year, or more frequently if required.

The risks are compiled in risk charts that provide a clear overview of the total risk exposure and priority action to take. Each

function is responsible for monitoring and managing existing risks and identifies new risks. The Group's Risk Committee compiles, coordinates and develops risk management, and reports to Group Management and the Board.

Strategic risks primarily comprise risks associated with changes in the business environment and increased competition, shifts in technology and in customers' purchasing habits, as well as market positioning, product range and offering. Operational risks are associated with product sourcing, sustainability, IT systems, logistics, key employees and leases. Risks of a financial nature consist primarily of changes in the economy, currency exposure, transport costs, raw material prices and wage inflation.

Read more about risks and uncertainties in the Directors' Report on pages 74-77. Read more about sustainability risks on pages 130-131.

LONGSTANDING PARTNERSHIP

with Save the Children

Clas Ohlson has been working with Save the Children in China for many years to improve conditions for migrant workers and their children. "Better business for children and migrant parents" is a three-year initiative to engage our suppliers in China in improving the rights and well-being of migrant workers and their children. Read more about Clas Ohlson's prioritised sustainability areas on pages 124-127.



Employee INTERVIEW

Future- proof business system

Hello!

**Head of Business
Development**
ÅSA HAMBERG



How has sCORE been steered?

We have a clear and well-defined structure to steer the programme in the right direction. The steering group comprises members of Group Management and we have a programme management team that ensures that the various projects are coordinated efficiently.

Additionally, we have project managers and sub-project managers who focus on their respective deliveries. We have also worked with a number of reference groups from various areas of the business to ensure that decisions and solutions are well-established in the operations.

What has been most difficult?

Managing the complexity of the project, in all dimensions. We take an interdisciplinary approach to all business flows at Clas Ohlson, while we also have a large number of suppliers to be coordinated. In addition, there is a high level of technical complexity because we work with so many areas of the operation simultaneously.

How have we worked to ensure a high level of energy in the project team?

We have succeeded in assembling a wonderfully competent team with highly motivated and goal-oriented employees. Together, we have created conditions for high energy, including through joint meetings and activities,

and through positive dialogue and dissemination of information within the projects. Each month, we have presented the "High sCORE award" to the employee or employees who have made the most extraordinary contributions.

What will the largest change be for Clas Ohlson as a result of sCORE?

The greatest change is that we have enhanced our ability to adapt and optimise our range based on demand, geography, demography and a number of other parameters.

sCORE has also helped us to become better at working in an interdisciplinary manner in a more efficient way and at a very high pace of development. This is a prerequisite for us to succeed in developing as a company and addressing the rapid changes that will occur in the retail sector in the next few years. Accordingly, the programme has contributed in many different ways to making us well-equipped to tackle the opportunities and challenges of the future.

sCORE – contributes to DEVELOPING OUR RESOURCES

sCORE, Systems for Clas Ohlson Retail Efficiency, is our new business system. We have invested approximately 500 MSEK in sCORE to create the preconditions for better forecasts and planning, and to simplify and enhance the efficiency of processes and working methods. We are gaining a modern, scalable and flexible business system.

sCORE contributes to further developing our resources in several areas, including:

- Enhanced efficiency in supply chain
- Enhanced possibilities of adapting the range to demand in various areas and sales channels
- Better forecasts, which ensures efficient production planning and optimised staffing of the distribution centre in Insjön and in stores
- More efficient processes in our central functions, such as for transport documentation, invoice management and supplier management
- Opportunity to open new distribution centres
- A modern technical platform, that enables Clas Ohlson to develop its operations efficiently over time

A total of 100-130 persons, both internal and external, have worked together to achieve the targets we have set for sCORE.

A strong team

COMMITTED AND GOAL-ORIENTED EMPLOYEES who share our values and want to grow with us are fundamental to our continued expansion and development. Together, we will find new, smart solutions to practical everyday problems. Today, Clas Ohlson employs more than 5,000 employees in six countries.

Clas Ohlson is to be an attractive employer that can develop and retain competent and committed employees, while attracting new skills. This is the key to continued successful growth. We offer a stimulating work environment with many opportunities for personal and professional development.

Passion for business

Our strong core values are the foundation for all work conducted in the company and how we approach each other, our customers, suppliers and society at large. The core of our corporate culture is salesmanship. We understand customers' needs and we have a passion for doing business that is good for us and our customers.

Employees who want to grow with us

In the recruitment process, we seek employees who want to grow and develop with Clas Ohlson and who share our values. We strive for increased diversity and we are sure that a variety of competencies and backgrounds are needed for continued successful growth.

Having a service mindset, commitment and a business-oriented approach are important prerequisites to enjoy working with us.

Skills development and career paths

Our induction programme ensures that all new employees receive a broad understanding of Clas Ohlson's history and corporate culture, our mis-

OUR VALUES

Salesmanship is the core of the Clas Ohlson spirit and rests on four cornerstones:

Drive, warmth,
innovation and commitment.

LONG-TERM AMBITION

Clas Ohlson will ensure a high-performance and impassioned organisation that will facilitate our customers' everyday lives.

PRIORITIES FOR 2017/18

- Strengthening leadership
- Skills development of employees
- Developing our ability to attract and retain key talents
- Increasing diversity among our employees



We will *attract, develop and retain* the right competence for the development of Clas Ohlson moving forward.

78

engagement index

Engagement is high among Clas Ohlson's employees and the index increased from 77 to 78 in the most recent employee survey, which was conducted in autumn 2016.

sion and our sustainability work to carry with them when dealing with customers and other stakeholders.

We need to change as conditions change. Each employee receives continuous skills development and individualised further training, separately or in groups. The Clas Ohlson Academy coordinates and offers training at all levels and in all markets.

Skills are mainly learnt in daily work duties. New work assignments are a path to new challenges within the Group and there are major opportunities to advance skills or change direction.

We primarily recruit internally, and more than 50 per cent of our store managers held a different position at the company in the past.

We use career planning and internal development to ensure that the Clas Ohlson spirit will live on.

Diversity helps us to develop

We endeavour to ensure that every workplace has employees with different backgrounds, skills and experience. Greater diversity boosts creativity and innovation. This helps us to understand and interact with our customers in the best possible way.



COYAT is the guide into the future

What's hot and what's not? What are the trends? How will Clas Ohlson address the customers of the future? The members of COYAT, Clas Ohlson Youth Advisory Team, which was formed in January 2018, hail from different countries and positions within Clas Ohlson. They all have an enormous passion for retail, service and smart solutions. The members are already engaged in many different projects and initiatives, which include such subjects as corporate culture, sustainability and new store solutions. COYAT will also be a reference group for some of the strategic initiatives to be promoted in the next few years.

Clas Ohlson is to be an inclusive workplace, where we respect each other and follow Clas Ohlson's core values. We have a zero tolerance policy for all forms of discrimination and harassment. All employees have the same rights, opportunities and obligations regardless of gender, age, religion, ethnic background, disability or sexual orientation.

We work to increase diversity through recruitment and focused skills development. We work on the basis of our Group-wide diversity policy and follow up on how we develop in relation to targets and key ratios in this area.

The focus during the financial year was to increase awareness of how diversity can contribute to the development of Clas Ohlson, and we have prepared development plans for the next few years in consultation with our management teams.

Focus on well-being

It is important to us to be able to offer a stimulating and healthy work environment, where employees enjoy physical and mental well-being, and feel a sense of confidence, security and belonging. Clas Ohlson works actively and preventively to improve the company's employee attendance, through initiatives such as leadership, work environment and preventive healthcare.

Employees who are contented and happy are committed, stay longer and are important ambassadors for Clas Ohlson.

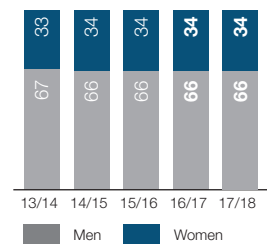
Our goal is for employee attendance to exceed 96 per cent on an annual basis. Employee attendance for the 2017/18 financial year was 95 per cent.

FOCUS on diversity

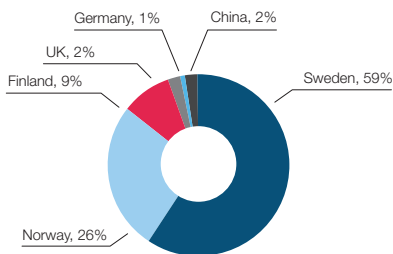
The gender division in the entire Group is 43 per cent women and 57 per cent men. 34 per cent of managers were women during the year, unchanged compared with the preceding year. The target is that neither men nor women will account for less than 40 per cent of each individual professional category.

We also strive for increasing the balance of ages and recruiting older employees to the company.

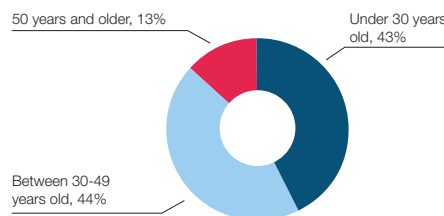
Managers, proportion of women/men, %



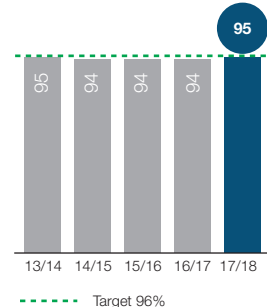
Employees by country, %



Age distribution, %



Employee attendance, %





TRAINEESHIPS provide experience and work

Together with the Swedish Public Employment Service, we work to help young people who are excluded from the labour market to gain important practical work experience. The programme also includes long-term unemployed persons over the age of 50. In 2017/18, we accepted 64 new trainees. Of those who participated during the financial year, about a third were offered employment at the end of the traineeship.

Within the framework of the cooperation with the Public Employment Service, we also participate in the “Sweden Together” programme, in which we as a major employer take a stance to help improve integration. At a local level, partnerships are now also in progress with municipalities and other players to be able to offer traineeships for persons with disabilities and others.

Leading at Clas

Excellent leadership creates personal and corporate growth. At Clas Ohlson, leadership involves utilising and developing our employees to generate good business with a constant focus on the customer. Our internal leadership programs aim to support our employees and managers in their development and to make well-founded decisions that will take the company forward. This also ensures shared leadership within Clas Ohlson.

Our team leaders in stores and at the distribution centre in Insjön are a key target group, who all attend our programme with a focus on the first step.

Another key task has been to develop and strengthen the competence of the approximately 100 managers who will lead our employees in addressing the challenges of the future and realising Clas Ohlson’s new strategy. Continuous involvement meetings ensure understanding of, participation in and

commitment to our strategic work. In January, we gathered 160 of our most influential leaders and specialists for an interactive strategy meeting, which was followed up by several virtual meetings during the spring.

Our new strategy entails that many employees will work in various strategic projects in the years ahead and we have developed a programme for training more people in our new project model.

We continuously review the content of our leadership programme and during the year, we also tested various digital solutions to facilitate learning and enhance the efficiency of the training programme. We want to make our leadership programmes available to a broader target group within Clas Ohlson and in the next few years, we will develop more shorter training modules that support learning in everyday work and disseminate the competence that already exists within Clas Ohlson.

Employee INTERVIEW

Positive
customer
interaction
generates
energy

Hello!

**Store manager,
Drottninggatan Stockholm**
PETRA MALMSTEN



Tell us about your job as store manager!

If you like working with people, then this is job is tremendous fun! In the store on Drottninggatan, we have more than 60 employees, all full of commitment, innovativeness, drive and warmth.

Much of the work involves getting people to feel confident in themselves and their roles, as well as planning, following up, enhancing efficiency and driving results. Regardless of whether you work three or 40 hours a week, you should feel that you are important and that you are a link in a well-functioning team.

How important is diversity in your store?

Naturally, it is of great importance. We are all different in some way and have been shaped by different things in our lives. Together with a large amount of humility and respect, this creates a wonderful sense of community and a better work environment.

Our customers are very varied in many different ways and if we employees are the same, customer interaction becomes better and closer.

What is most fun?

Watching your employees grow and naturally, seeing the result on the bottom line! As the manager of Clas Ohlson's largest store, I am unfortunately not among our customers very often, but I try to be present when we open every morning, and then I try to interact with one or more customers who I have the opportunity to help before my agenda as store manager commences for the day.

How do you create energy in your customer interaction?

I think it is important to talk about positive customer interaction and I try to do so at morning meetings and also in the weekly newsletter.

And positive customer interaction generates energy – listening to the customer and exceeding their expectations is something we actually all want to do!

You are testing many new concepts in the store. What is your most important success factor?

Both customer benefits and our targets must be clear. A good plan is then needed to implement these as efficiently as possible. And naturally, we follow up and evaluate whether it really turned out as well as we intended from the start.

One example is when we redesigned our check-out queues in September last year. The response from our customers afterwards was only positive, which is really wonderful. The fact that the personnel also gained a better work environment is a fantastic win-win situation.



Adding extra services for
practical problem solving.

Unique products and smart services

CLAS OHLSON OFFERS SMART, simple, practical and affordable solutions focused on the home. Our offering is intended to simplify everyday life and provide inspiration. The product range should be attractive as well as distinctive and competitive in all of the markets we serve.

Clas Ohlson has a broad offering in the categories of Hardware, Electrical, Multimedia, Home and Leisure. The product range includes both proprietary brands and other well-known brands. In addition, we offer spare parts and accessories that prolong the service life of products. Our customers receive assistance, advice and tips from our employees in stores, by telephone or online.

A constantly changing offering

We work continuously to improve our customer offering. New products are added, existing products are developed and altered and others are phased out. Services are added for practical problem solving. We carefully monitor trends and consumption patterns and adapt our offering to local markets.

About 15 per cent of our product range is replaced every year, and our customers see new products every week in our stores and in our online store. It should be easy to find the right product for your needs, but we also want to inspire customers to discover new solutions and a more sustainable lifestyle.

Products for a sustainable lifestyle

Our broad range of products and millions of customer relationships give us both a responsibility and an opportunity to make a contribution to the sustainable development of society. Actively striving to offer more products that contribute to a more sustainable lifestyle is therefore a priority as we develop our product range. This is also something that we know our customers are requesting, and we are convinced that it will have an increasingly significant impact on purchase decisions in the future.

STRICT REQUIREMENTS and continuous evaluation

For a product to be included in our product range, we test to see if they meet our strict requirements on proper function, price, quality, safety and chemical content. Of course, they must be produced under appropriate working conditions.

Products that we already sell are routinely evaluated on the basis of demand, customer satisfaction and profitability.

LONG-TERM AMBITION

A product and service offering based on customers' needs, prevailing trends and that inspires people to adopt a more sustainable lifestyle is key to being best at solving everyday practical problems.

PRIORITIES FOR 2017/18

- Optimise category and product mix
- Ensure an affordable and sustainable offering
- Strengthen our proprietary brands
- Increase sales of products for a more sustainable lifestyle

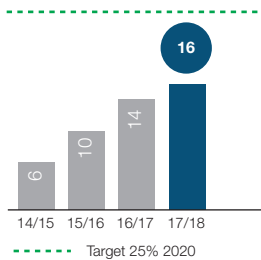
CRITERIA for products for a more sustainable lifestyle

Products for a more sustainable lifestyle must meet our general requirements and at least one of the following:

- More sustainable material
- Fewer hazardous substances
- Energy- and water-efficient
- Reuse and recycling

Our criteria for a more sustainable lifestyle were further developed during spring 2018, and reflect the impact of our products throughout the entire value chain.

Share of products for a more sustainable lifestyle, %



We increased the percentage of products for a more sustainable lifestyle during the 2017/18 financial year to 16 per cent of sales. Our objective is that the percentage of products for a more sustainable lifestyle will amount to 25 per cent of sales by 2020.

Spare parts prolong service life

Our range of spare parts is good business for both us and our customers, while it helps us to save resources and extend the service life of a product. Our online store offers a simple search system covering over 10,000 spare parts, including products that are no longer stocked.

The range of spare parts is available in all markets, although with local variations in the product ranges in the UK and Germany. A number of spare parts are also available in our physical stores, which manage stock levels based on local demand.

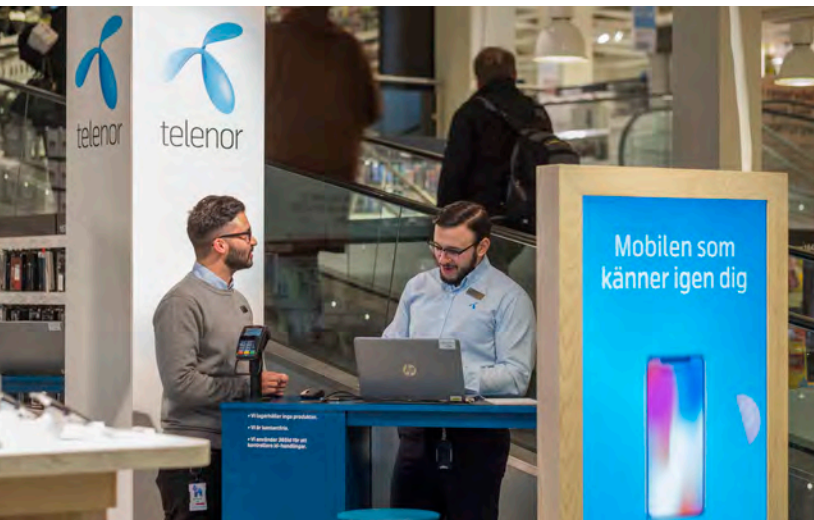
Our range of spare parts is very popular and sales during the financial year increased by 13 per cent.

Everything for the office. And more besides.

Clas Office is our offering for small and mid-size companies. B2B sales are nothing new, but Clas Office enables us to provide even more relevant offerings and discounts, along with easier options for registration and invoicing. Our availability through the store network and online store, our broad product range and our expanded range of office products all help to make it easier for companies to consolidate all of their office purchases to a single supplier – regardless of their industry and their needs. Clas Office is currently available in the Swedish and Norwegian markets.

Strict quality, safety and health requirements

Quality is important to us and our customers. We are particularly diligent with products that carry our proprietary brands and these undergo numerous tests before being approved. The first inspection takes place when our engineers conduct advanced tests for quality, function, safety and durability on the sample products brought home by buyers from trade fairs or purchasing trips.



TELENOR moves in

Our customers now have access to Telenor products and services right in our stores. Through this partnership, we can offer a complete range of telephony, broadband and accessories. Telenor is on site, with its own sales assistants, adjacent to the multimedia department.

The pilot project, started in March 2018 and planned to run for six months, initially covers six stores in the Swedish market.

Remote control with SMART PLUG

Clas Ohlson's Smart Plug makes it easy to control everything from lamps to coffee machines and heat pumps remotely, from a smart phone or tablet. Smart Plug fits ordinary power points. Installation and an advanced built-in timer are easily controlled with the new Clas Ohlson Home app, which is free to download from Google Play or the Apple app store.



New items for a CLEANER HOME



We are launching several new smart items for a cleaner home. One example is Blue Pure 411, a small but efficient air filter that removes substances such as pollen, dust and animal allergens from the air.



The Dustzero dust collector is the perfect product for avoiding dust when drilling into walls.



And why not let a robot clean the windows? Ecovac's Winbot 950 is a new item in our product range that is perfect for large panes or other glass partitions.

Nest Labs for SAFER HOMES

In autumn 2017, we introduced Nest Labs' popular safety products for a safer home to the Nordic market. Fine little smart cameras for indoor or outdoor use. The customer controls the installation from the Nest app, which alerts them to smouldering fires or unwelcome visitors.



NEW TECHNOLOGY means better lighting

Lighting products are rapidly becoming more energy-efficient, and better adapted to consumers' demands and wishes. Our product range now contains several dimmable lighting sources, and our new Premium Classic LED bulbs look like the classic incandescent bulbs — something many customers have demanded — with perfect light quality and colour reproduction. Compared with the old bulbs, energy consumption is approximately 80 per cent lower and the service life 15–25 times longer.



New services for GREATER CUSTOMER VALUE

Clas Ohlson has long offered help with repairs and spare parts, which extends the service life of products and promotes reduced environmental impact. We are now expanding, adding new services to our customer offering.

Hire from Clas Customers can now choose to hire tools for DIY projects instead of buying them. The new “Hire from Clas” service, already available in some 30 stores in Sweden and a smaller number of pilot stores in Norway and Finland, has quickly become popular. Customers save on space and money and many people see it as an alternative for a more sustainable lifestyle.

Complete mower This soundless robot lawnmower works in an environmentally friendly manner, keeping the lawn in perfect condition all summer. We offer mowers for all properties, complete with installation, maintenance and winter storage across Sweden.

Sharpened knives Dull knives can be both troublesome and dangerous – keeping them sharp is important. Knife sharpening services are offered in all Swedish stores. Kitchen, hunting and fishing knives are received in-store and wet-sharpened at our workshop in Insjön.

We only place an order when the engineers have deemed the product to be up to standard and the supplier is in compliance with our Code of Conduct. Read more about the requirements we place on suppliers on pages 49–53.

Continuous monitoring is an important part of our quality work and we consistently monitor claims statistics and customer assessments to continue developing and improving the entire product range.

We also work to minimise the use of hazardous chemicals in the company’s product range, and we have imposed stricter requirements than those set by legislation for products used by children and products that come into contact with skin or food. Testing is carried out in our own workshops and laboratories, and we also cooperate with several independent test institutions such as Inter-

tek, Semko and SP Technical Research Institute of Sweden.

Smart packaging

We routinely update the packaging requirements that we impose on our suppliers. These requirements include the selection of materials and design, where we strive to avoid unnecessary packaging materials, particularly for products that we sell in high volumes.

In partnership with our suppliers, we also develop new packaging solutions and select materials we deem to be more sustainable. Through a new digital function, our store employees provide us with tips for improvement and contribute numerous valuable insights.

During the year, plastic packaging for lighting sources was replaced with cardboard packaging bearing a clear Clas Ohlson profile.

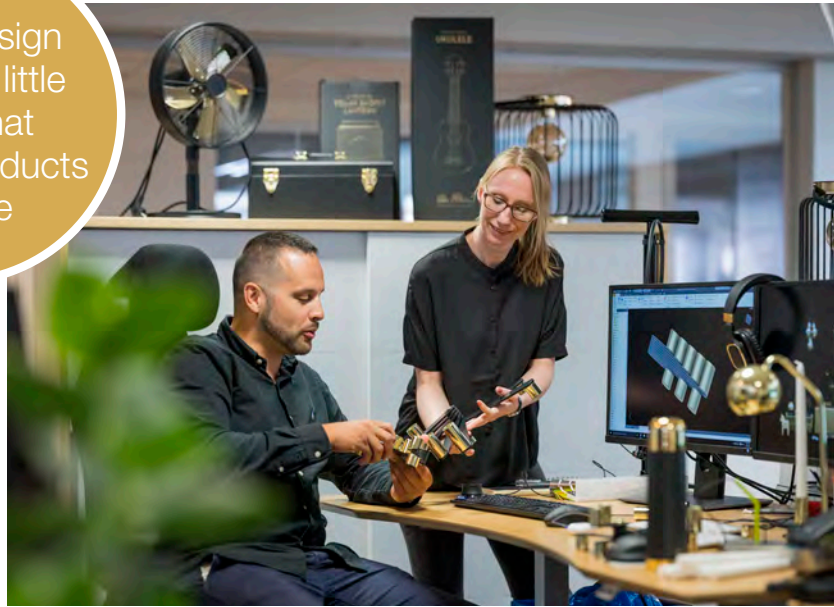


Employee INTERVIEW

Hello!

Good design adds the little extra that makes products unique

Product development specialist
PATRIK-PATRICIO AZÓCAR
NORDEMAN and
Designer
SARAH EINARSSON



Design is an important component in making our proprietary brands more distinguished and more attractive. Patrik and Sarah are in charge of designs including our Limited Edition anniversary products, which were launched in June and consist of products for everyday living that have long been in our range but have been given a new design.

What is most important in the design process?

S: Without a doubt, it's looking at things from the customer's perspective and trying to understand what they'll be asking for in a year and what will be trending by then.

P: We are trying to attain breadth, and in that breadth we want to bring out details that give a little extra and make our products unique. The price is important, as well as being as cost-efficient as possible.

How do you work with sustainability?

P: This is something we work on all the time, bringing it into the design process. One way of seeing it is that a high level of quality in the

products and the material yields a longer service life, thereby making the products better from a sustainability perspective.

S: Yes, we discuss that a lot. Of course, the selection of materials in itself is the be-all and end-all. Origin and working with smart, eco-labelled materials is important. Right now, for example, we're working a lot with bamboo because it's a good material from a sustainability viewpoint, but also because it's quite trendy right now.

What are your personal favourites in the new Limited Edition anniversary products?

S: Together with the responsible product managers, we have prepared numerous unique products that we became very attached to during the process. But what stands out for me, is when we take an everyday object such as a screwdriver and make it glamorous.

P: It's impossible to choose just one product! It's much like your children; you like them in

different ways, and there are individual things to like about all of our products.

Can you talk briefly about your backgrounds? Why did you apply to work at Clas Ohlson?

S: I have been at Clas Ohlson since 2007, when I joined as a temp doing layouts for instruction manuals. For several years, I then worked as a packaging designer and as a designer for the Home category, before I started with product range development. My academic background is in media and advertising, marketing and graphic design. Moreover, my work fascinates me and I have learned a lot on the job.

P: I've always been interested in design and colour, and I studied media in upper secondary school. I worked as a sales assistant and store manager at Apple for a while until I trained as an engineer in technical design. I then completed my degree project here at Clas Ohlson — a project in solar cell lighting — and stayed!

Daily life looks a little better with LIMITED EDITION

We are celebrating our 100th anniversary with a limited run of carefully selected range of everyday products with an exclusive twist. The Limited Edition products have been designed by our design team in Insjön, and were selected to represent the big sellers and favourites over the years. Everything from design and selection of material to packaging should make everyday life a little less ordinary. The first products — including a folding bike, an elegant table fan, a solar cell basket lantern, a stylish suitcase and an exclusive tool box — became available for sale in stores and online on 2 June 2018.





Our proprietary brands offer *a wider selection.*

Increased share of own brands

Our proprietary brands complement the range in all product categories and offer customers a wider selection and more opportunities to choose the price and product features that best suit their needs.

We place strict requirements on quality, functionality and sustainability. All of our proprietary products undergo numerous tests before being approved, both in Insjön, and out at the manufacturing plants before we place the first order.

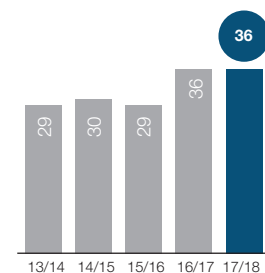
Our proprietary brands accounted for 36 per cent of sales during the 2017/18 financial year, and our objective is to increase this percentage further.

We are reviewing and improving our offering in order to be even more relevant and add value through design, functionality and sustainability.

One of the Nordic region's **BEST-KNOWN** brands with very high brandrecognition

Sweden 99 %
 Norway 100 %
 Finland 96 %

Share of proprietary brands, %



Our five PRODUCT CATEGORIES



Hardware

In the Hardware category, we sell tools, fittings and materials that make it easier and more enjoyable to renovate, build, paint and repair. We focus on smaller projects. Clas Ohlson has the tools to get the job done, the paint to paint with and everything else needed to renovate and make home repairs.



Electrical

Clas Ohlson has many smart, safe and energy-efficient solutions for an electrical-smart home or office. The degree of innovation is high and the design of the products has been given an increasingly important role. Clas Ohlson offers products to transmit, charge, monitor, measure, light, heat, link, install, drive and ventilate.



Multimedia

Our Multimedia range uses simple and smart solutions to connect networks, music, films, printouts and much more. Large parts of the range are replaced frequently due to new needs and the rapid pace of technological development, but we also supply products from older generations of technology.



Home

We have thousands of affordable products that make everyday life easier and more enjoyable. The product range includes products for the living room, kitchen, broom cupboard, wardrobe, laundry room and bathroom. Large parts of the range are changed each year to follow prevailing trends.

Services that SIMPLIFY DAILY LIFE

Service is becoming an increasingly central part of Clas Ohlson's customer offering. Even now, our customers can get help with hiring tools, finding spare parts, turning in knives for sharpening and buying robot lawn mowers complete with installation, maintenance and winter storage.

Now we are taking the next step in simplifying daily life in all kinds of homes. In autumn 2018, we will be launching Clas Fix it in the Swedish market. Clas Fix it helps our customers with tasks they do not have time for, or that are a little too difficult to fix on their own.



Leisure

The Leisure category contains products for outdoor living, the garden, sports and exercise, travel and games. Carefully selected products contribute to active leisure for children and adults, both outdoor and indoor, all year round.



It should be *simple, affordable
and inspiring.*

Best service in stores and online

SHOPPING AT CLAS OHLSON SHOULD BE SIMPLE AND FLEXIBLE, as well as inspiring and affordable. We offer accessibility and service through a combination of various sales channels. Clas Ohlson's service concept is based on the passion and skills of our employees.

We want to be proactive, meeting our customers with commitment. Our co-workers in stores, customer service or chat rooms, who encounter customers every day, are important brand bearers and brand builders.

We meet customers via many channels

We work continuously to develop our various sales channels and offer customers a flexible and inspiring shopping experience. Our aim is to manage all sales channels as one whole, minimising differences between physical and digital stores. To an ever increasing extent, we are also meeting our customers via social media.

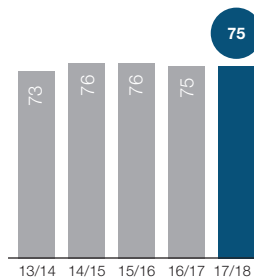
Our large store network is an asset, and stores remain our most important sales channel. Our store concept is continually changing and evolving, with new solutions and ideas. It should be easy for customers to find their way around, and we place great importance on product display and navigation to save time for both customers and employees. Clas Ohlson also has different store formats, in which the size and product offering is adapted according to the location and level of local competition to better serve customers and drive sales.

40

million customers in our stores

The number of visitors to our stores totalled 75 million during the year. The conversion rate increased and the number of customers totalled 40 million.

Number of visitors in stores, millions



LONG-TERM AMBITION

Good service and an easy shopping experience are both key to increasing loyalty among existing customers as well as attracting new customers.

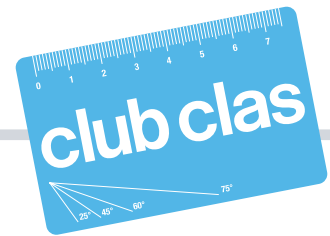
PRIORITIES FOR 2017/18

- Strengthen our excellent customer meeting
- Evaluate and further develop new store formats
- Develop and enhance the Club Clas loyalty club
- Take the next steps in terms of customer communication regarding our range of more sustainable products

The store formats vary in size, and the breadth of the range varies among different stores. Products not found in the stores can be ordered for home delivery or to be collected in-store.

Our online store is becoming an increasingly important sales channel. Many customers search for information on the internet, and both traffic and conversions in our online store are rising sharply. Online sales increased by 33 per cent during the 2017/18 financial year. Visits to the website also contribute to increased visits and sales in our stores.

Our new business system, sCORE, will enable us to take the next step in the development of our omni-channel offering. We will be able to further raise service levels for our customers by offering relevant products in the right sales channel at the right time, in an even more efficient manner. Read more about sCORE on page 27.



Club Clas FOR LOYAL CUSTOMERS

Club Clas is our loyalty club for everyone who appreciates useful and practical solutions to everyday problems. Membership includes discounts, special offers and invitations to various store events. Purchase histories are saved and customers appreciate receiving more relevant offerings. Stores with many club members have a higher average ticket value and a higher conversion rate. Club Clas is currently available in Sweden and Finland, but we are planning to launch it in other markets.



Clas Ohlson COMPACT STORE

We want to be where our customers are as they go about their day, and supplement our store network with a smaller format. After having tested a smaller format store in London, we were able to open our first Clas Ohlson Compact Store in Hornstull, Stockholm in autumn 2016. A further five stores opened their doors during the 2017/18 financial year.

We fill these stores with smart products and practical solutions. Orders from our online store can be placed here, and the tools needed for home DIY projects can be hired.



Satisfied customers **RECOMMEND US**

Clas Ohlson routinely conducts surveys, both in-store and online, to capture customers' views on how well we perform in customer interactions. The latest results for our markets in the Nordics, from March 2018, indicate a customer satisfaction index of 88 per cent. Our customers appreciate our staff in their customer interactions, and also say that they would gladly recommend us to friends or colleagues.

We are continually working on improving our service through our follow-up programme for customer satisfaction.

SUSTAINABLE STORE CHAIN OF THE YEAR **at Retail Awards**

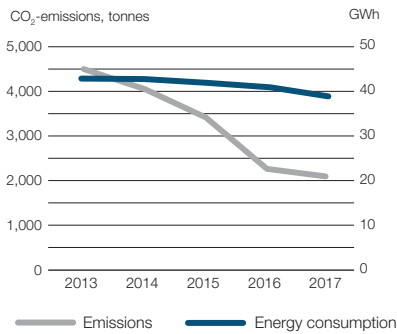
Clas Ohlson received the "Sustainable Store Chain of the Year" at the Retail Awards, arranged by the Swedish Trade Federation and the trade newspaper Market to highlight successful businesses, people, and initiatives in commerce. An extract from the jury's citation: "In addition to reducing its own environmental impact, the company helps its customers to lead a more sustainable lifestyle."



36%
have LED lighting

At the end of the financial year, 36 per cent of our stores had installed energy-saving LED lighting.

Energy use and related CO₂ emissions from indirect and direct energy consumption



Stores account for 84% of total energy consumption and 97% of CO₂ emissions.

Sustainable stores

We strive to improve sustainability in the stores and reduce their environmental impact through enhancements to energy efficiency and by increasing the use of renewable energy sources.

More cost- and energy-efficient LED lighting reduces electricity consumption in converted stores by an average of 38 per cent, and the energy savings is 35 kWh per square metre. At the end of the financial year, 36 per cent of our

stores had been converted and new stores, when established, are fitted exclusively with LED lighting.

During the financial year, electricity consumption in our stores decreased from 117 to 109 kWh/m².



We want to inspire a more SUSTAINABLE LIFESTYLE

We showcase products that promote a more sustainable lifestyle in all our sales channels. All our indoor lighting, solar cell lighting and spare parts are here, as are a large number of eco-labelled products. In 2018, we also included tool hire, an example of Clas Ohlson offering sustainable services with improved environmental performance.



Closer to customers with POP-UP STORE

The Clas Ohlson Pop-up Store is a shop that is even more accessible. We want to be closer to our customers, helping to solve practical projects and small problems in their everyday lives.

The new concept was tested in Sweden in 2017. There were a total of eight stops: among vacationers at popular tourist destinations, incoming students at Lund University, at the Annual General Meeting in Insjön and among Christmas shoppers in Tyresö Centrum.

In the summer of 2018, a Clas Ohlson Pop-up Store will open in Norway: a shop in Oslo focusing on interior design and kitchen and cleaning products. Finland's Pop-up Store will premiere at the Midsummer festival in Himos, and will visit music festivals around the country with a customised product range.

Employee INTERVIEW

Hello!

**Head of Marketing
Communications, UK**
MELISSA TITSHALL

We have
a strong digital
agenda



The UK has a firm lead in online shopping, and Clas Ohlson UK is focusing particularly on sales online.

Which trends in online shopping impact Clas Ohlson the most?

In the UK, online shopping via mobile units, convenience and speed, personalisation and voice-activated shopping are the biggest trends. More than 55 per cent of traffic and 40 per cent of all sales in online shopping is from mobile units, so this is an area we are focusing on at the same time as we are working to meet customer demands as regards logistics and the possibility of same-day or next-day delivery. The ability to communicate with the customer in a more personal and relevant manner is also tremendously important.

How can we best interact with our customers?

The customer always comes first, regardless of whether it's an issue of how we package the delivery — with a thank-you card, for example — or how we can improve our online offering even more. A simple and inspiring customer journey and the right product, service or price in combination with a clear communications strategy are important tools for improving the customer experience. A deep understanding of our customers is the priority, and forms part of the work in line with our new strategy.

How has online shopping developed over the year?

The development has been a strong one. This is due to several different factors, for example a restructured media strategy and increased focus on the web, a new

digital partner and a stronger digital agenda. The UK is at the forefront in retail development, especially in online shopping, so it is exciting to see our positive development and the opportunities moving forward.

What's in the works right now?

Here in the UK, we will continue to focus on the digital world and the web. We are going in even more for digital marketing, search engine optimisation, social media, various partnerships and having a high level of service in our offering online.

The move from an external warehouse to our proprietary "Omni-channel Warehouse" in Reading is an important step in ensuring the level of service, and we are recruiting new talent both internally and externally.

What do you see as most important, going forward?

Remaining relevant and keeping ourselves up to date on what's happening in the market. But also, of course, focusing on our customers and asking ourselves where they are, what they need, what they expect and how we can deliver, at the same time as we develop relationships with our customers and differentiate ourselves on the market.

Having an open mind is important — digital and technological advances are so rapid that it is nearly impossible to be an expert. We're always learning. Keeping up with the trends and continually improving ourselves is what is needed to stay successful.

We collaborate closely with our most important suppliers.



High requirements for suppliers

CLAS OHLSON DOES NOT OWN ANY MANUFACTURING PLANTS. Products that carry our proprietary brands, or which are unbranded, are bought directly from the manufacturer or through agents in Europe and Asia. We and our customers place strict demands on function and quality as well as price and respect for people and the environment throughout the supply chain.

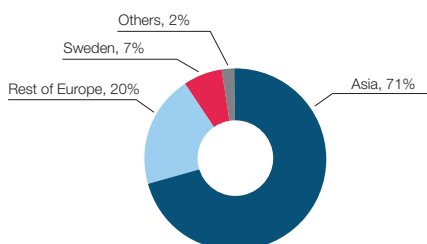
Clas Ohlson buys products from approximately 650 suppliers in Europe and 600 manufacturers in Asia. Close to 71 per cent of all our products are manufactured in Asia – primarily in China, our largest purchasing market, where we also have our own purchasers.

We continually review our existing purchasing markets and evaluate new ones.

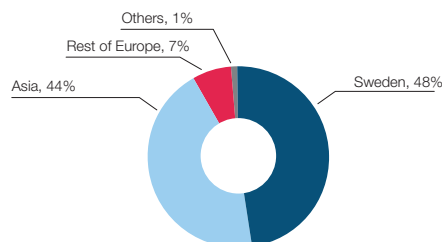
71%
manufactured in Asia

Approximately 71 per cent of our products are manufactured in Asia.

Regions of origin



Regions of purchase



LONG-TERM AMBITION

A close relationship with our suppliers is vital to us in terms of ensuring excellent working conditions along the supply chain and quality in our offering.

PRIORITIES FOR 2017/18

- Strengthen collaboration with prioritised suppliers
- Develop new purchasing markets
- Increase transparency and efficiency in our supplier programme through collaboration with other companies within the Sedex framework



Better control OF CHEMICALS

Chemicals can impact both health and the environment. With clear requirements for suppliers, on-site audits and spot checks of finished products, we can identify and phase out hazardous substances.

We have defined a process for how we annually update our requirements regarding chemicals products. In the financial year, we also took such measures as tightening requirements on soft plastics that come in contact with the skin, and substances that can cause odours. On 1 July 2017, Sweden introduced a chemical tax on home electronics for the purpose of reducing the amount of hazardous flame retardants, and we have focused a great deal on ensuring environmental performance for electric and electronic products.

We are conducting internal training to increase knowledge and to improve the dialogue with our suppliers, and we participate actively in networks where we exchange experiences with other players in the industry.

Close partnership

We invest in close, long-term relationships with our suppliers and have built a strong supplier network over time. This enables us to reduce our purchasing costs and allows us to exert more influence over product design, quality and price, but also leads to greater delivery reliability and speed. All suppliers must adhere to our Code of Conduct. We carry out both announced and unannounced audits to ensure that our suppliers are complying with the Code of Conduct. A total of 249 audits were conducted during the financial year. We can state that over the last two years, 97 per cent of our suppliers met the requirements. The target is 98 per cent. Read more on page 52.

Before we enter into a partnership, we conduct a technical review at the manufacturing plant in question of the supplier's conditions and ability to deliver in line with our quality requirements. We are also on site before each delivery to conduct quality checks in line with an established procedure.

Long-term relations with prioritised suppliers are crucial, as we get to know them and they get to know us and our standards.

Employee INTERVIEW

Our
requirements
often surpass
the law

Hello!

**Technical & Quality Manager,
Assortment Development
Department**
HENRIK ALFREDSSON



Quality control is becoming more important for ensuring safety, function, performance and sustainability. Increased demand puts new requirements on our processes and routines.

What quality requirements do we place on our products?

The requirements differ widely, depending on the product area in question. In specifying requirements, we naturally base them on existing legislation, but also on such factors as how great a risk the product carries for the user, or how complex it is. Our requirements often surpass the law.

For our proprietary brands, we are not satisfied just with receiving reports and documentation, we also test all our products before they go into the product range and sales begin. We have our own testing labs in Insjön and Shanghai, and a number of partnerships with external laboratories.

As a final check before the products are shipped to us, we send our own personnel to the site and conduct spot checks on all deliveries.

How has the work on quality changed?

We are continually developing our requirements and our quality activities. The biggest change now is that we are working more proactively on assessing our suppliers more systematically. We conduct technical audits, in which specialists together with the suppliers go through extensive inquiry forms. Based on that, we then conduct a risk assessment depending on the level of the suppliers' safety and quality work.

We are also doing more towards working on proprietary designs and customised products. This means we are more involved in production, and can better control the level of quality.

Which products are particularly important to keep a check on?

One high-risk area is all products that are connected to the electricity network, or have some type of power supply unit between it and the power point. We pay particular attention to this area.

Another important area is products containing lithium batteries — Bluetooth headsets, for example — that customers wear close to their ears. If there is something wrong with a battery of this type, it can cause serious injuries. Here, we work only with certain suppliers who have proper control of safety circuits, discharging currents and so on.

All these areas are important to keep an eye on, of course, but we focus a great deal on textiles, toys, products that come in contact with food and product areas we sell in high volumes, such as lighting sources.

Transparency

Before we do business with a new supplier in a high-risk country, we conduct an audit to check that the supplier meets the requirements on working conditions, human rights and the environment in our Code of Conduct. This is applicable for all new suppliers.

We have internal auditors in China who undertake comprehensive reviews to ensure that requirements are being observed.

We see positive effects from the audit work and the follow-ups that we carry out. During the financial year, we focused on integrating Sedex, a partnership for increased transparency regarding responsible purchasing, into Clas Ohlson's supplier programme. The Sedex

partnership enables improved efficiency and increased transparency in the supply chain, while we can simultaneously concentrate our resources on high-risk areas.

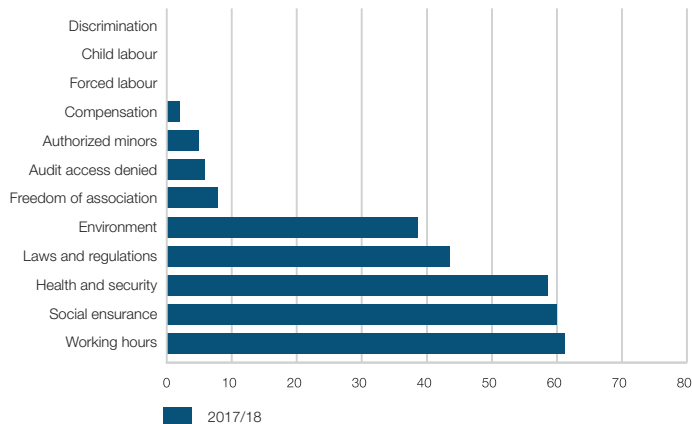
All our suppliers have been assessed based on their observance of the Code of Conduct, and 15 supplier partnerships have been terminated due to serious deviations. In total, 249 announced and unannounced audits were conducted, compared with 346 audits the year before.

By building up strong relationships with strategic suppliers – for example, through various training courses – we improve Clas Ohlson's opportunities for long-term profitability while contributing to positive change and improved working conditions in the supply chain.

97% fulfil THE REQUIREMENTS in the Code of Conduct

During the financial year, we conducted 249 audits, both announced and unannounced. Of these audits, 79 were of new suppliers. Over the past 24-month period, 100 per cent of our suppliers in high-risk countries were audited against the Code of Conduct requirements, and 97 per cent fulfilled the requirements without any serious deviations. The target is 98 per cent.

Deviations from the Code of Conduct when audited, %



Employee INTERVIEW

Hello!

**Responsible sourcing
manager, China**
MANDY LIU

Commitment
and trans-
parency are
most
important



Since the beginning of 2017, Clas Ohlson has collaborated with Sedex, a global organisation that works for responsible purchasing and supplier chains and gives its members access to various kinds of data to improve the rights, health, and safety of workers as well as the environment and business ethics.

Why did we choose to join Sedex?

The partnership means we can reduce the number of audits we conduct on our own, which saves time and money. And if Sedex conducts the audits in accordance with the forms we have in common, they can share the results with numerous customers. This is naturally more efficient for the suppliers as well.

Another reason is that we can collaborate with others to motivate manufacturers to correct shortcomings that are discovered. Through Sedex, we are many customers pulling in the same direction and imposing the same requirements, which leads to increased awareness in the plants and thus a greater desire to correct the shortcomings.

In addition, Sedex — in contrast to many other similar organisations — provides us with the opportunity to use our internal skills and previous experiences to integrate Clas Ohlson's standards with Sedex regulations.

How has the partnership developed over the year?

We invested a great deal of time in learning their standards and templates in order to integrate our own compliance programme with theirs. We have also had a great deal of contact with other companies who are members of Sedex, in order to understand how they use the platform in their operations.

At the Sedex Awards, Clas Ohlson won the international "Best New Programme 2017" award with our training tool, QuizRR. This is a confirmation that we are doing the right thing.

How does this supplement our own audits?

The Sedex joint standard provides us with insights into which risk factors are of immediate interest. It helps us focus on the right things. And since Sedex shares the results from the

audits on a shared platform, we can see which reports are relevant to us. If we find one, we don't need to conduct our own audit; we can refer to their report.

What is most important for ensuring a responsible supply chain?

I would say commitment and transparency. Commitment throughout Clas Ohlson, all the way up to executive management, means we can tell our suppliers that this is a priority, which gives it a great deal of weight.

Transparency is important, since we need to know exactly how well the plants in the supply chain comply with our requirements. Regardless of how well or poorly a supplier complies with the requirements, the starting point for Clas Ohlson is always obtaining a correct picture in order to identify the risks and offer support.

How do you view developments, moving forward?

As regards compliance control, we will continue to conduct our own audits while using Sedex.

We work closely with larger, important suppliers to help them and to work proactively. Simply put, we want to help our suppliers in the areas where shortcomings exist in order to meet the compliance requirements over the long term.

TRAINING INITIATIVE wins prize at Sedex Awards

In partnership with QuizRR, we train directors and workers in employee rights, health and safety. The initiatives were nominated for "Best New Programme Implemented" at the Sedex Awards in April, 2018. Since its start in 2017, Clas Ohlson has introduced QuizRR into 26 plants in China and so far, 4,000 workers have participated in the digital training programme.



The distribution centre in Insjön
is the *spider at the heart of the web.*

Efficient, all the way home

ALL OUR PRODUCTS PASS THROUGH THE DISTRIBUTION CENTRE in Insjön to be repackaged and distributed to stores or directly to customers. We maintain an excellent level of availability on store shelves and online, while working to reduce our lead times and our CO₂ emissions in relation to our sales through selection of modes of transport, increased freight consolidation and a higher fill rate.

The products from suppliers in about 30 countries and close to 60 countries of origin pass through our major distribution centre in Insjön, Sweden, where products are repackaged and dispatched to our more than 230 stores in five countries or directly to customers who shopped in our online store.

Logistics are at the heart of Clas Ohlson, and an efficient flow of goods that keeps CO₂ emissions to a minimum is one of our most important factors for success.

Availability and efficiency

Our distribution centre in Insjön is the hub that provides the conditions for efficient distribution and logistics. Our focus is on supplying stores

and on-line customers with the products they need, in the right quantities and at the right time. Our availability in stores is 97 per cent. Orders from stores are processed automatically when an article reaches its re-order point, and products reach the stores in one to three days.

97%
availability

Orders from stores are processed automatically and products reach the stores in one to three days.

LONG-TERM AMBITION

A well-developed and sustainable distribution system with short lead times and a high level of service is important in terms of satisfying the needs of customers.

PRIORITIES FOR 2017/18

- Increase productivity at the distribution centre
- Consolidate transportation in China
- Increase the fill rate in containers
- Reduce CO₂ emissions relative to our sales

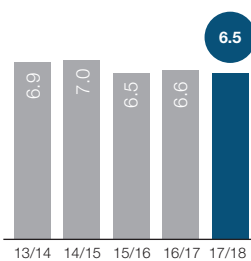


Each working day, an average of approximately 1,100 pallets are delivered to stores and approximately 1,600 deliveries are made directly to customers.

During the year, we continued to develop our distribution centre to meet the capacity requirements for approximately 250 stores. LEAN, a more resource-efficient working method, is now a natural part of our operations. We have further centralised inventory control and enhanced the efficiency of our operations through such measures as investments in driverless forklifts and a new packaging machine for online shopping, which reduce lead times to customers. Transport packaging has been changed to better suit both delivery depots and stores.

We are also working on the stock turnover rate at our distribution centre. Following a certain level of stock build-up and changes to the purchasing and product mix, we remain relatively constant.

Stock turnover rate



THE DISTRIBUTION CENTRE in Insjön

- 77,000 square metres
- **3,700 containers** unloaded per year
- Delivers 285,000 pallets to stores each year
- Delivers **440,000 mail dispatches** per year
- 400 000 pallet and storage spaces

Employee INTERVIEW

New
packaging
machine with
many
advantages

Hello!

**Operating Manager,
Distribution centre, Insjön**
ROBERT LINDELL



In May 2018, a new packaging machine for online shopping was put into operation and tuned up at the distribution centre in Insjön.

There was a rush to get the new packaging machine into place. How did that go?

We wanted to have the packaging machine in place before sCORE was implemented at the main office. This meant that the inauguration itself and start-up actually took place before everything had been run in properly. But the supplier was with us for two weeks after we put it into operation, and saw to it that everything was working as it should. During the run-in, the employees who work with the machine on a daily basis also provided a great deal of valuable input.

How was capacity affected?

Capacity had previously been a little out of sync, and the picking of products had managed larger volumes than packaging. With this new machine, the bottleneck in the packaging process was removed at the same time as we were given better opportunities to adjust staff levels accordingly.

Ultimately, this will of course also reduce delivery times for the customer.

How does the new packaging machine enable increased sustainability?

From a sustainability perspective, there are at least two concrete advantages. One is that we send “less air” in our dispatches, since the new packaging machine customises and cuts down box heights according to how much is contained in them. Transportation from the distribution centre are also optimised, since the size of the cartons is reduced and there is room for more dispatches on every pallet.

Previously, we included enormous amounts of plastic cushions to protect the products, but this is disappearing now that we can adapt the size of the cartons.

In addition, it's a lot nicer for the customer to open the package and to avoid having to deal with unnecessary packaging waste!

Read more about sCORE on page 27.

All the way home with MATHEM

Following an initial pilot phase in April 2018, customers shopping on MatHem's website can order a select product range of Clas Ohlson products to be delivered right to their door. The offering is being gradually rolled out in the Malmö, Stockholm and Gothenburg regions.

MatHem is Sweden's leading online supermarket.



Efficient transportation

We work continually on our transportation to ensure higher security of delivery, lower costs and a reduced environmental impact. During the previous financial year we met our environmental goals for 2020, which entailed reducing emissions of CO₂ by 50 per cent between 2007 and 2020, to 16 grams per tonne kilometre of freight. We reduced emissions to 11 grams during the year. We are continuing to work on the reduction of our transportation's environmental impact, with the goal of reducing CO₂ emissions relative to our sales over time. In the financial year, emissions relative to our sales decreased by 23 per cent. Part of the reduction is attributable to the fact that measurement methods have changed between the years.

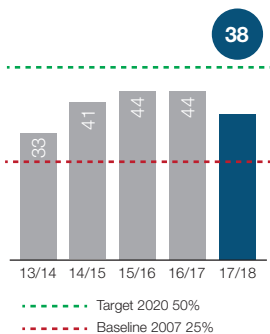
We also have a target for shipping, which means that the fill rate in our goods containers from Asia is to increase from 80 per cent today to 85 per cent by 2020.

We are shifting to ships and rail

Almost all goods arriving from Asia to Gothenburg or Gävle, Sweden, come by sea and are transported from there by rail to Insjön. The target is to have at least 50 per cent of our overland freight shipments carried by rail by 2020 at the latest. During the financial year, the proportion of overland freight by rail decreased to 38 per cent (44). A strike in the Port of Gothenburg means that initially we had to reload onto trucks, and when freight was moved over to the port in Gävle – with a much shorter distance to Insjön – this also contributed to the decrease in the proportion of rail in overland freight.

The majority of goods arriving from Europe are consolidated and transported by rail from Helsingborg to Insjön. We ship 80 per cent of our Norwegian flow by rail from Insjön to Oslo.

Percentage of total overland freight carried by rail, %



Employee INTERVIEW

Hello!

The store plays a greater role in our new infrastructure

Country Manager Sweden FREDRIK UHRBOM



Clas Ohlson is collaborating with MatHem to provide customers with the option of easy product deliveries right to their door. After a test period, the partnership will begin full-scale operations in the summer of 2018.

Could you talk about the partnership with MatHem — the offering and the timetable?

This presents another sales channel for Clas Ohlson. A product range of around 700 products will be sold and distributed directly from MatHem's warehouse. The focus will be on our proprietary brands, and the products are primarily consumer-oriented products with a high frequency of sale — batteries, lighting and freezer bags, for example.

In the initial phase, our products will be available at MatHem's central warehouses in Stockholm, Gothenburg and Malmö. They will be sent there much like a normal store delivery from the distribution centre in Insjön.

The next phase, which will be initiated in August, means we will expand our collaboration and introduce less frequently purchased goods and capital goods on MatHem's website.

At the end of 2018, we hope to be able to offer doorstep delivery service for our entire product range on our own online shopping site by using MatHem's infrastructure. This offering will be geographically limited to the areas where MatHem delivers.

What role will the stores play in distribution, in the future?

The stores will have a very important role, especially when we expand our product range at MatHem to encompass products that they don't keep in stock. The stores closest to MatHem's warehouse will then serve as what we call "feeder stores," and pick products that will then be delivered to the customer's home together with their food package. This gives us the opportunity to easily expand our product range, and we can work with more seasonal products.

Of course, the stores also have an important role in promoting the collaboration with MatHem, as well as in handling questions about returns and technical questions about products, just as they do today.

What are the most important advantages — for us as well as the customers?

One major advantage, of course, is that we gain access to an excellent infrastructure. MatHem is also a good sales channel, through which we can reach new customer segments. MatHem is also a strong presence in digital marketing, and we see we can learn a great deal from them.

Of course, this will mean great advantages for the customer as well. The most important ones are that we are providing increased accessibility to our product range, and make it easier for the customer through fast, simple deliveries.

But MatHem is only one of several paths to the customer's door, which is why we are also looking at several different types of partnerships also in our markets outside Sweden.

We are convinced that 1+1 is much more than 2, and strategic partnerships to supplement our offering is the way forward for Clas Ohlson.

New store format and focus on online

CLAS OHLSON IS CONTINUOUSLY EXPANDING with new stores, new channels and new offerings. We have a large, loyal customer base and a high degree of store density in the Nordic region, which is our home market. Our strong brand, our unique and relevant customer offering and the focus on online activity drives our continued growth.

In the 2017/18 financial year, sales rose 3 per cent. We are opening more stores in both new and existing markets, and expanded our store network during the financial year by a net of 13 new stores. We are also growing by strengthening our digital sales channels, traffic in our online shopping channels experienced a strong increase and online sales increased by 33 per cent.

Availability is crucial

Our stores are attractively located in city centres or popular shopping centres. As new stores are opened in prime locations in both established and new markets, the existing store network is continuously being updated to always offer customers an inspiring experience. A Clas Ohlson store is attractive and popular, and the addition of one of our stores often significantly increases floor traffic in a shopping centre.

Store network optimised

We strive for a high degree of flexibility in our store network, and at the expiration of every store contract we review the location of the store and the floor area or transform the store into another, more suitable format. Approximately 50 store contracts will be up for renegotiation during the coming two-year period.

During the financial year, we continued developing our store network, in particular the new Clas Ohlson Compact Store format. In total, we established five stores in this smaller format during the year.

In the 2017/18 financial year we ended the franchise partnership with SYH Retail, a part of the Al Homaizi Group of Companies, which Clas Ohlson entered into in 2013. As a consequence, The two franchise stores in Dubai closed in December 2017.

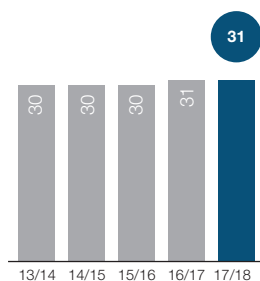
LONG-TERM AMBITION

We will develop, optimise and enhance the efficiency of our sales channels in existing markets.

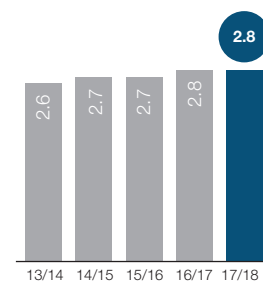
PRIORITIES FOR 2017/18

- Strengthen Clas Ohlson's position in the German market
- Expand presence in the London region
- Strengthen store network in the Nordic region

Sales, store/m², SEK 000s



Sales per average employee, MSEK



Employee INTERVIEW

Stores will
have a new
role as service
centres

Hello!

Expansion Manager, Clas Ohlson Sweden
THOMAS ARVIDSSON



What are we doing to optimise our store network?

We have carefully analysed our entire existing store network in all our markets in the Nordic region, and based on that we now have a plan for how we want the store network to look in five to seven years. We will move a few stores to better locations, a few will have less — or more — floor space, and a few will be closed. We will take the opportunity to make changes when lease contracts are up for renegotiation. A few completely new stores are also being planned, primarily in the smaller format.

Could you talk about the stores' new role?

The stores will be our most important saleschannel, just as they are today. But they will also be a service centre where our customers can find guidance or book various services. Many stores will serve as a pick-up point for Click & Collect when the customer orders online and then collects the order in the store. This places a number of new demands on the store, both in being able to meet customers in the best way and in managing distribution and stock. In addition, we will be adapting the traditional service desks to a more modern and simpler

way of providing service. Simply put, we are going to make it as easy as possible for our customers.

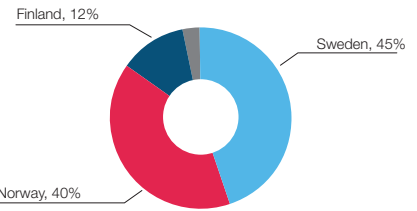
How is it going with our new Compact Stores?

There is a great deal of appreciation for the concept from customers, and sales remain healthy and stable. This is a new way of interacting with customers for us, so both employees and customers will need a little time to get used to it. We strongly believe in the format, and will be testing several locations going forward.

How will the store format be developed from here on?

In general, the format will be smaller, which means that even a "normal" store will have a smaller retail space. To meet customers in the best way, we will need several completely new formats. We also see a need for both smaller and larger formats than we have today. We need to adapt even more according to who our customers are and where we're located.

Market segment



NORDIC REGION Percentage of total sales

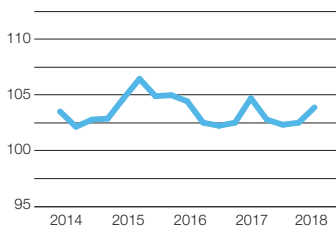
SWEDEN

Start year: 1918
90 stores
3 new stores, net, 2017/18

Market trends

Inflation under the inflationary target continues to keep interest rates low, which enabled retail to display a positive trend during 2017/18. Retail sales increased by 2.1 per cent at current prices and the year ended again with record-breaking sales in Christmas shopping. Retail sales online increased 16 per cent during 2017 and stood for 8.7 per cent of total sales.

Retail trend index



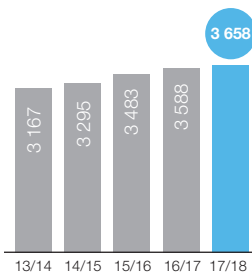
Market players

Elgiganten, IKEA, Netonnet and Jula, as well as several global online players.

Clas Ohlson's position

In Sweden, Clas Ohlson is a well-known and established brand ranked second after IKEA. We are focused on further strengthening the loyalty that our broad customer base has shown us by developing our excellent customer service and enhancing the relevance of our offering. Clas Ohlson has a positive sales trend in Sweden and we will continue to develop our sales channels in the 2018/19 financial year.

Sales, MSEK



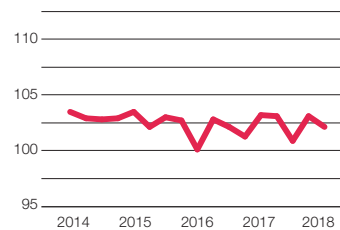
NORWAY

Start year: 1985
89 stores
9 new stores, net, 2017/18

Market trends

The Norwegian economy experienced a turbulent year. The major crisis in the oil industry has created unemployment and led to a slowdown in the economy. Retail increased by 2.5 per cent at current prices. Christmas shopping in Norway decreased 1 per cent compared with the preceding year. Online sales for Norwegian retail increased 13.5 per cent and now account for almost 4 per cent of total retail sales.

Retail trend index



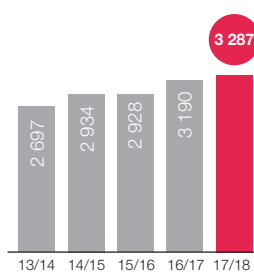
Market players

Elkjøp, Coop, Rusta, Jernia, Power, komplett.no, Biltema and Jula.

Clas Ohlson's position

The Clas Ohlson brand enjoys a high level of recognition in the Norwegian market, and interest in our offering is great. Our new stores were positively received and the sales trend is positive. We will continue to develop our sales channels in Norway in the 2018/19 financial year.

Sales, MSEK



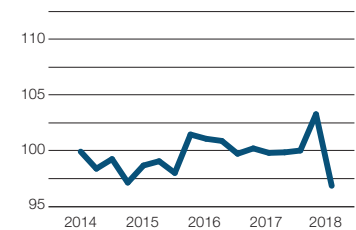
FINLAND

Start year: 2002
39 stores
2 new stores, net, 2017/18

Market trends

The Finnish economy is strong, and growth is expected to continue during 2018. Retail sales were unchanged at current prices during the financial year. Online sales for Finnish retail increased 8 per cent and now account for more than 11 per cent of total retail sales. Consumer confidence in the spring of 2018 is the highest measured in 30 years.

Retail trend index



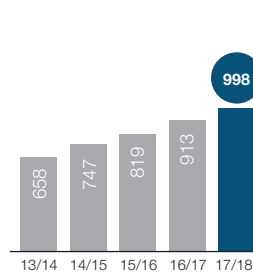
Market players

Prisma, Motonet, Tokmanni, Gigantti.

Clas Ohlson's position

We are strengthening our position in Finland, and greater consumer confidence is leading to growth. We have higher annual growth than the market, which is a result of a strong focus on customer care and seasonal offerings. We have also opened new stores and rebuilt older stores. In the 2018/19 financial year we will continue to grow in the Finnish market.

Sales, MSEK



Outside Nordic countries, 3%



OUTSIDE NORDIC COUNTRIES Percentage of total sales

UK

Start year: 2008
7 stores
No new stores in 2017/18

Market trends

The UK economy grew faster than expected toward the end of 2017, but for the full year, growth was at its lowest level since 2012. Unemployment was 4.3 per cent, compared with 4.8 per cent a year earlier. The consumer price index has increased steadily and is now at 104.3, compared with 101.4 the preceding year. Consumer confidence is at negative levels while retail sales increased steadily throughout 2017. Online shopping increased by 14 per cent and now accounts for 16 per cent of UK retail sales, a trend that is largely driven by increased shopping via mobile devices, which now accounts for 43 per cent of online shopping.

Market players

Amazon, John Lewis and Currys.

Clas Ohlson's position

During the 2017/18 financial year, we continued to invest in focusing on the London region, improving brand recognition, increasing online sales and providing a high level of service in stores. In 2018/19, we plan to close one additional store and, thereafter our store network will mainly be concentrated to the London region.

GERMANY

Start year: 2016
4 stores
1 new store 2017/18

Market trends

Germany is one of Europe's largest retail markets. Unemployment has been around 3.5 per cent for the past six months, which is the lowest level since 1980. Inflation has increased and is expected to reach 2.2 per cent in 2018. The retail trend index was unchanged compared with last financial year and consumer confidence amounted to 10.9 in April 2018. Online shopping increased by nearly 11 per cent, representing 12.5 per cent of total sales. More and more people are making purchases via their mobile telephones, representing 39 per cent of online shopping.

Market players

Bauhaus, Obi, Saturn Mediamarkt, Ikea and Amazon.

Clas Ohlson's position

We continued to receive positive feedback from our customers during the financial year and can see a positive trend in key indicators such as conversion and average receipts. We will continue to attract consumers in the Hamburg region in the 2018/19 financial year by way of regular market activities and relevant offerings, in stores as well as online.

DRASTICALLY INCREASED expansion online

Customers are increasingly choosing to shop in our online store. In the 2017/18 financial year, online sales increased 33 per cent to 295 MSEK, which constitutes 3.6 per cent of total sales.

The investment in an easy, safe and inspiring shopping experience is an important part of our *100 more years* growth strategy. The goal is for online sales to at least double every other year.

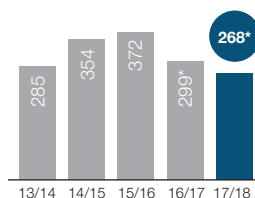


Outside Nordic countries in one segment

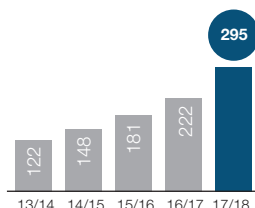
Clas Ohlson reports operations in the UK and Germany in one segment: "Outside Nordic countries." The segment also included the franchise operations in Dubai that were closed in December 2017. Sales during the year were affected by store optimisation in the UK.

*Affected by store optimisation in the UK.

Sales, MSEK



Online sales, MSEK



Sustainability is a prerequisite for
achieving our strategic goals.



Our eight prioritised areas

1. Products for a sustainable lifestyle

We have an important role to play in helping customers live more sustainably through an offering with excellent environmental performance.

2. Resource-efficient business models

We are developing more resource-efficient business models and enabling a more circular approach to manufacturing, use and waste.

3. An attractive employer

We will be a modern, inclusive workplace in order to attract and retain strategically important competence.

4. Energy efficiency

The goal is to reduce CO₂ emissions in relation to our sales.

5. Materials and chemicals

We impose clear requirements in relation to suppliers, have good control and work for increased transparency in our work with chemicals.

6. Human rights, children's rights and employment conditions

Our target is 98 per cent supplier compliance with our requirements, with no serious deviations from our Code of Conduct.

7. Business ethics

We will train employees and partners in and more clearly relate business ethics to human rights.

8. Our role in society

We work to be a positive force where we conduct operations.

Read more about our eight prioritised areas on pages 124-127.

from here
to
sustainability

JOIN OUR JOURNEY AT
SUSTAINABILITY.CLASOHLSON.COM

Sustainability strengthens our offering

OUR VIEW OF SUSTAINABILITY covers all parts of the value chain. We are sharpening the criteria for our product offering and are working to create an inclusive workplace as well as to promote human rights and environmental considerations in our supply chain. We are making continual progress towards our sustainability targets for 2020.

We integrate key sustainability issues into our strategy, business model and governance. It is the responsibility of each function to drive and pursue this work. Our sustainability initiatives are described under the respective sections on operations. For more information about the governance of our sustainability efforts, refer to pages 24 and 26.

From Here to Sustainability

For us, sustainability is a journey we call “From Here to Sustainability.” It covers the most important issues, grouped into eight prioritised areas, and represents the level of our ambition. The green speech bubble draws attention to products and services with better environmental performance than comparable products and services, and provides information on how they promote a more sustainable lifestyle.

Increased precision and relevance

One of the most prioritised areas in the sustainability agenda is increasing the

percentage of products for a more sustainable lifestyle as a share of total sales. In the 2017/18 financial year, this share totalled 16 per cent. We are thus on the way towards achieving our goal of a 25 per cent share of sales by 2020.

During the year, we worked on developing selection criteria for increasing the precision and relevance in our offering. We also worked on developing the new “Hire from Clas” service that provides customers with the opportunity to hire tools instead of purchasing them. The service is already found in some 30 stores in Sweden and in a smaller number of pilot stores in Norway and Finland.

A transparent supply chain

We have also raised the level of our ambition for the supply chain. Through collaboration with Sedex, we have gained better insight into our suppliers’ working conditions and how they

Towards a resource-efficient VALUE CHAIN

Our long-term ambition is to contribute to a more resource-efficient value chain. We have identified three important priorities in the *100 more years* strategy that will bring us closer to this ambition:

- Develop the sustainability aspect of our product offering.
- Develop and market resource-efficient service offerings that promote a circular economy.
- Create opportunities to reduce the impact of carbon emissions from online shopping and homedeliveries.

fulfil environmental requirements. This collaboration will also increase the efficiency of audits and allow us to allocate resources to strategic initiatives for long-term change among suppliers, for example, through training.

The next step in our sustainability agenda

Our materiality analysis was updated in connection with the strategic review that has been carried out in the company during the year. Read more about Clas Ohlson’s updated materiality analysis on pages 128–129.

In the 2018/19 financial year, we will work further on integrating our goals for 2020 into the new strategy.

More information on our sustainability efforts can be found on pages 121–135.

Annual report 2017/18



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Director's report

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, Sweden, hereby present the annual accounts for the financial year 1 May 2017 to 30 April 2018. Unless otherwise stated, the figures relate to the Group. Figures in parenthesis pertain to the preceding year. All figures are stated in millions of Swedish kronor (MSEK) unless otherwise stated.

Operations

Clas Ohlson works to help and inspire people to improve their everyday life by offering smart, simple, practical solutions at attractive prices. Our customer offering comprises a base of hardware, electrical, multimedia, home and leisure products as well as a supplementary offering of services that simplify customers' daily lives at home. Operations are conducted in Sweden, Norway, Finland, the UK and Germany via stores and online shopping and via purchasing offices in China.

The product range includes approximately 15,000 articles that are purchased from a large number of suppliers in some 30 countries. The products are delivered to the distribution centre in Insjön, Sweden, and from there distributed via stores, or via mail order/Internet directly to the customers. The number of stores at the end of the year was 229, of which 90 were in Sweden, 89 in Norway, 39 in Finland, seven in the UK and four in Germany.

Significant events during the financial year

In August 2017, Lotta Lyrå took over as new President and CEO.

During the fiscal year, the store network has been expanded with 13 new stores net compared to the same period last year (11), three in Sweden, nine in Norway and two in Finland. In addition our fourth store in Germany opened in November 2017, on Spitalerstraße in central Hamburg, which complements our first phase of the company's establishment in Germany. The franchise partnership in Dubai was discontinued during the financial year and two franchise stores were closed.

The 2017 AGM resolved to make a 5 MSEK non-recurring donation to the Clas Ohlson Foundation, which was charged to net profit for the year.

The company initiated its *100 more years* strategy in September. The work on strategy will result in a new strategic plan for the company's continued development and growth. In conjunction with the above, Group Management was changed and expanded to lead strategy efforts and the company moving forward.

The company signed a strategic partnership agreement with MatHem i Sverige AB in December. Customers can order a wide range of Clas Ohlson's products via MatHem.se and have the products delivered right to their door. For Clas Ohlson, this partnership entails opportunities to reach new customers via MatHem's digital platform and to offer better service to existing customers with convenient and quick deliveries home to their door. Clas Ohlson acquired all of the newly issued shares corresponding to 10 per cent of MatHem i Sverige AB. The total investment in MatHem amounted to 224 MSEK.

During the year, the company continued to strengthen its customer offering, for example, by launching Click & Collect across the entire Norwegian store network. In Sweden, a partnership was entered into with Telenor in selected stores to broaden the customer offering.

Clas Ohlson's implementation of the new IT platform is a strategically important initiative and a programme that will run from the 2013/14 financial year until 2018/19. Our new business system – modern, scalable and flexible – creates the preconditions for better forecasts and planning, and simplifies and enhances the efficiency of processes and working methods.

As a consequence of this strategic plan, online sales will be moved from the ongoing implementation of the IT platform sCORE, and will instead be included in the development of a new digital platform whose financing is included in the financial plan linked to the strategy. With this change, the investment linked to sCORE will amount to the previously communicated 500 MSEK over the five-year period from 2013/14 to 2018/19.

Sales and profit

Sales increased to 8,211 MSEK, up 3 per cent compared with 7,990 MSEK in the year-earlier period. Measured in local currencies, sales increased by 3 per cent. Sales in comparable units and local currency were unchanged.

Online sales for the financial year increased by 33 per cent to 295 MSEK (222).

Sales were distributed as follows:

Sales area, MSEK

Countries	2017/18	2016/17	Percentage change	Percentage change, local curr.
Sweden	3,658	3,588	2	2
Norway	3,287	3,190	3	5
Finland	998	913	9	7
Outside Nordic countries	268	299	-10	-10
Total	8,211	7,990	3	3

*Effected by store optimization in the UK.

**Of which 295 MSEK (222) for the fiscal year comprises online sales.

The sales increase of 3 per cent from stores was distributed as follows:

Distribution of sales increase

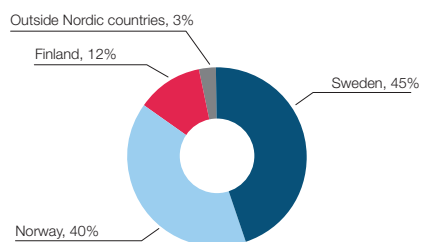
Comparable units in local currency	0 per cent
New stores	3 per cent
Exchange-rate effects	0 per cent
Total	3 per cent

The gross margin was 40.0 per cent, down 1.2 percentage points compared with the year-earlier period (41.2). During the financial year, the gross margin was negatively impacted by the stronger USD, increased commercial investments, the weaker NOK and higher sourcing costs, which were offset by both currency hedges (NOK) and exchange-rate effects related to the delays in inventory.

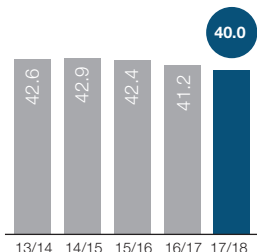
The share of selling expenses increased by 0.3 percentage points to 31.4 per cent (31.1). The share of selling expenses increased as a result of the strategic initiatives begun during the financial year totalling approximately 25 MSEK, which is an allocation of costs as part of the strategic plan that has now been brought forward a quarter. In addition, the share has decreased as a result of decreased costs in the UK, which were offset by unchanged sales in comparable units.

Administrative expenses increased approximately 30 MSEK as a result of the ongoing strategic review and the 5 MSEK donation to the Clas Ohlson Foundation decided by the 2017 AGM.

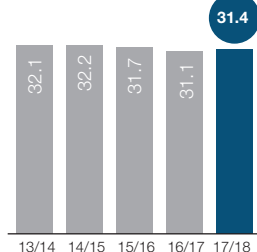
Distribution of sales, %



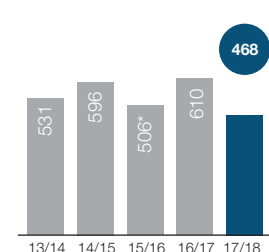
Gross margin, %



Share of selling expenses, %



Operating profit, MSEK



*Including a non-recurring cost of 107 MSEK.

Operating profit amounted to 468 MSEK (610). Operating profit, in addition to the above costs for strategic review and strategic initiatives, was impacted by non-recurring costs totalling approximately 10 MSEK, consisting of costs in connection with implementing a new business system and future costs associated with optimisation of the store network in the UK.

The operating margin was 5.7 per cent (7.6). Profit after financial items totalled 467 MSEK (609). Depreciation for the financial year amounted to 226 MSEK (230).

Spot exchange rates for key currencies averaged 1.03 for NOK and 8.31 for USD, compared with 1.05 and 8.74, respectively, in the year-earlier period. Currency hedging was undertaken in USD and NOK. The company's policy is to hedge 50 per cent of the expected flow in each currency every month, with six-month maturities.

Prospects for the next financial year

Clas Ohlson's new *100 more years* strategy was presented at a Capital Markets Day on 3 May – a strategy that will develop the company for future profitable growth, with the important component of developing online operations. Clas Ohlson will also become even more relevant to the customer by offering a more focused product offering while adding a supplementary range of services.

Clas Ohlson also announced new financial targets and frameworks for the company over the forthcoming five-year period:

- Sales will increase organically an average of 5 per cent annually over a five-year period
- Operating margin will amount to 6–8 per cent within a five-year period
- Net debt in relation to EBITDA to be below two (2) times
- The dividend policy remains unchanged from previous policy. The dividend is to comprise at least 50 per cent of earnings per share after tax, considering the company's financial position.

For more information about Clas Ohlson's new strategy and financial targets see pages 14-17.

1–2 percentage points of the underlying operating margin are expected to be invested annually in strategic initiatives during the first two years. The fourth quarter 2017/18 should be regarded as the first quarter of our change in accordance with the new strategy. In connection with the internal launch of the strategy, we will gather together all our employees in Tällberg in August 2018, where we will also take the opportunity to celebrate Clas Ohlson's 100th anniversary.

As part of optimising the UK store network, initiated during the 2015/16 financial year, one further store (Croydon) remains to be closed, which will take place at the end of August 2018.

Financing and liquidity

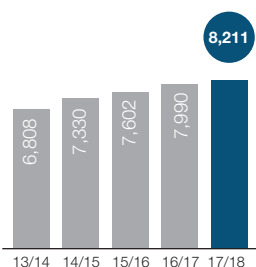
Cash flow from operating activities during the financial year totalled 373 MSEK (699). Cash flow for the financial year, after investing and financing activities, totalled -514 MSEK (17). An investment of 224 MSEK was made in MatHem i Sverige AB in December 2017. The cash dividend paid to Clas Ohlson's shareholders in September 2017 totalled 395 MSEK (362).

The average 12-month value of inventories was 1,869 MSEK (1,739). Over a rolling 12-month period, the stock turnover rate at the distribution centre was 6.5 times (6.6).

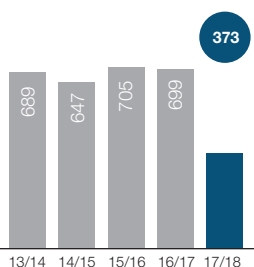
At the end of the financial year, the value of inventories was 2,038 MSEK (1,631). To ensure the continuity of the supply chain, an inventory expansion has been planned ahead of implementing the inventory module in the new sCORE IT platform. Compared with the preceding year, 13 stores, net, were added.

During the period, buy-backs of the company's own shares to secure the Long Term Incentive Plan 2017 (LTI 2017) amounted to 21 MSEK (76).

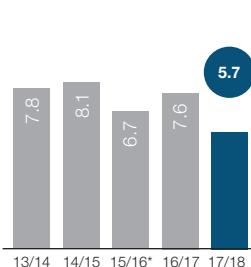
Sales, MSEK



Cash flow from operating activities, MSEK



Operating margin, %



*Including a non-recurring cost of 107 MSEK.

At the end of the financial year, the Group's net cash holdings, meaning cash and cash equivalents less interest-bearing liabilities, amounted to 116 MSEK (625). The equity/assets ratio was 54 per cent (58).

Investments

During the financial year, cash flow from operating activities amounted to 497 MSEK (264). Of this amount, 224 MSEK referred to acquisitions of shares, including transaction expenses, corresponding to 10 per cent of MatHem i Sverige AB. In addition, 82 MSEK (128) pertains to investments in new or refurbished stores. Other investments were primarily IT and replacement investments. During the financial year, investments in IT systems amounted to 124 MSEK (106).

The share and share capital

Clas Ohlson B shares are listed on the Nasdaq Stockholm. The share capital totals 82 MSEK, comprising 5,760,000 series A shares and 59,840,000 series B shares, each with a quotient value of 1.25. Each series A share carries ten votes, while each series B share carries one vote. All shares carry equal rights to payment of dividends. Holders of series A shares can request that their A shares be converted to series B shares. The share capital is unchanged compared with the preceding year.

On 30 April 2018, the company had a total of 34,717 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 33,316 on 30 April 2017. The ten largest shareholders at that time held 56 per cent of the capital and 75 per cent of the votes. For the summary see page 139.

The Articles of Association contains no post-sale purchase rights clause or other restrictions for the transferability of series B shares. Apart from authorisation pertaining to the repurchase of shares stated on page 115, 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 is 65,600,000 unchanged compared with the preceding year. On 30 April 2018, the company held 2,391,865 shares (2,516,562), corresponding to 4 per cent of the total number of registered shares (3 per cent). The number of shares outstanding, net after repurchase, was 63,208,135 (63,083,438) at the end of the financial year. To secure the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2017, Clas Ohlson bought back shares during the first quarter of 2017/18 for a total of 21 MSEK (76).

Employees

The number of employees in the Group amounted to more than 5,000 which converted to full time employees averaged 2,951 (2,835). The increase is mainly related to new stores. Further information about employees is found in Notes 6 and 32 in the Annual Report.

Social responsibility

Continuous work is conducted at Clas Ohlson with respect to sustainability including follow-up activities relating to our Code of Conduct. This work is mainly described on pages 24 and 26.

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 Elretur AS and Grøn Punkt Norway. In Finland, there is equivalent cooperation with Serty, in the UK with Valpak and in Germany with Der Grüne Punkt.

Environmental impact related to transportation of products is one of Clas Ohlson's most important environmental aspects. For this reason, enhanced transportation efficiency is a focus area throughout the Group. During the financial year, both relative and absolute CO₂ emissions declined year on year. Environmental impact from the store network and own operations is significantly lower than from the transportation of products. Another activity to reduce environmental impact is the company following an energy efficiency program that aims to convert existing lighting to more energy effective LED lighting.

Sustainability work covers all areas of activity and is described under the pages 34-65, as well as in the sustainability section on pages 64-65. For more information, see the company's sustainability report on page 120. See also supplementary sustainability information on pages 121-135.

Guidelines for remuneration of senior executives

The following principles were adopted at the most recent Annual General Meeting ("AGM") and are proposed to remain unchanged until the next AGM. The general principles of remuneration for senior executives 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 executives 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 multi-year performance, 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 the total remuneration. The aim is for basic remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

Basic salary

The fixed salary shall constitute the basis for total remuneration. The salary is to be related to the relevant market and reflect the extent of the responsibilities included in the position. The development of basic salary is to depend on how well work is performed and how well the employee develops his/her expertise to assume future work assignments involving 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 executives are to qualify for STI for performance that exceeds 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 to be 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 held 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 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 objective of LTI programs is to generate conditions for retaining and recruiting competent employees to the Group. The

programs 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 programs that entitle employees to acquire share are subject to AGM approval. The qualification period for LTI 2015, LTI 2016 and LTI 2017 were in effect during the financial year. The qualification period for LTI 2015 was concluded after the close of the financial year and LTI 2018 was launched. All incentive programs are share matching and profit-based employee stock option plans.

Pension

Pension agreements will, if possible, be defined-contribution and formulated in accordance with levels and practices applicable in the country in which the senior executive is employed.

Other benefits

Other benefits may occur in accordance with the terms applicable in the country in which the senior executive is employed. However, such benefits may not constitute a major portion of the combined remuneration.

Period of notice and severance pay

Senior executives will be offered terms in accordance with the legislation and practices applicable to the country in which the person concerned is employed. A senior executive 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 AGM. For more information about remuneration see Note 6.

Parent Company

During the financial year, Parent Company sales amounted to 6,444 MSEK (6,384) and profit after financial items totalled 298 MSEK (604).

Investments during the financial year totalled 403 MSEK (169). An investment of 224 MSEK was made in MatHem i Sverige AB in December 2017. Contingent liabilities for the Parent Company amounted to 273 MSEK (252).

Events after the end of the year

The qualification and performance periods for the LTI 2015 long-term incentive plan ran from 1 May 2015 until 30 April 2018. After the end of the reporting period, a total of 9,659 shares were allotted on 2 May 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 established performance criteria regarding average sales growth and increased earnings per share for the period 2015–2018 were not achieved, meaning that no options were allotted to the participants and, accordingly, the LTI 2015 has been concluded.

In May 2018, the long-term incentive plan LTI 2018 was introduced under the same structure as LTI 2017. Senior management will purchase shares in LTI 2018 in mid-June. The exercise price for the conditional employee stock options has been set at SEK 93.80 per share, with exercise possible, following the three-year qualification period between June 2021 and April 2025.

On 9 September 2017, the Annual General Meeting of Clas Ohlson AB authorised the Board of Directors to acquire a maximum of 860,000 shares during the period until the next Annual General Meeting to secure the company's commitment in connection with the introduction of a share-based incentive programme, LTI 2018. The total number of shares required to secure the undertaking for LTI 2018 is estimated at 850,000. The entire LTI 2018 undertaking can be secured by using shares that were bought back to secure previous LTI plans where the need has been recalculated.

As per 30 April 2018, the company's holding of Clas Ohlson treasury shares amounted to 2,391,865 shares, corresponding to 4 per cent of the total number of registered shares.

Dividend

Clas Ohlson's dividend policy is that the dividend is to comprise at least 50 per cent of earnings per share after tax, taking into account the company's financial position.

The Board of Directors proposes that a dividend of 6.25 SEK per share (6.25) be paid for the 2017/18 financial year. The proposed dividend amounts to a total of 410 MSEK (410), which corresponds to 115 per cent (86) of the financial year's profit after tax.

Proposed allocation of earnings

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

Profit brought forward	415,569
Profit for the year	265,086
Total	680,655

The Board and Chief Executive Officer propose:

Dividend payable to shareholders 6.25 SEK per share	410,000 ¹
Carried forward to new account	270,655
Total	680,655

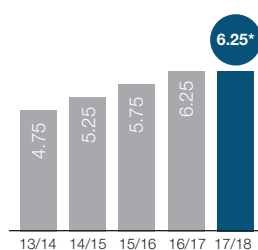
¹Dividends are based on the number of shares outstanding on the record date.

The record date for payment of the dividend is proposed as 11 September 2018. It is anticipated that the dividend decided upon by the AGM will be despatched on 14 September 2018.

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 54 per cent before payment of dividend and 44 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the strategy implementation 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.

Dividend per share, SEK



*Proposed dividend

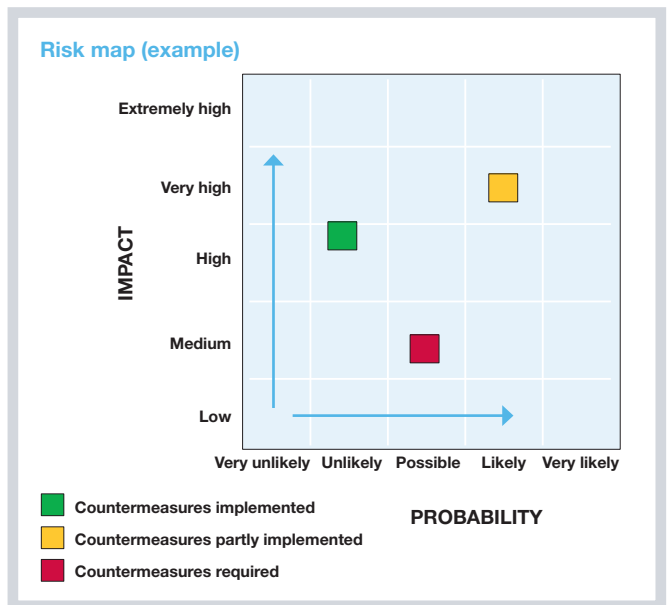
Risks and uncertainties

To develop an attractive and relevant customer offering and to ensure our future competitiveness, we must understand how our business environment is changing. The operations that Clas Ohlson carries on entail risks that could negatively impact the Group to varying extents. These risks can be divided into strategic, operational and financial risks. The Group's risk scenario can change quickly, and we work continually to update the risk situation and to ensure quick, efficient risk management.

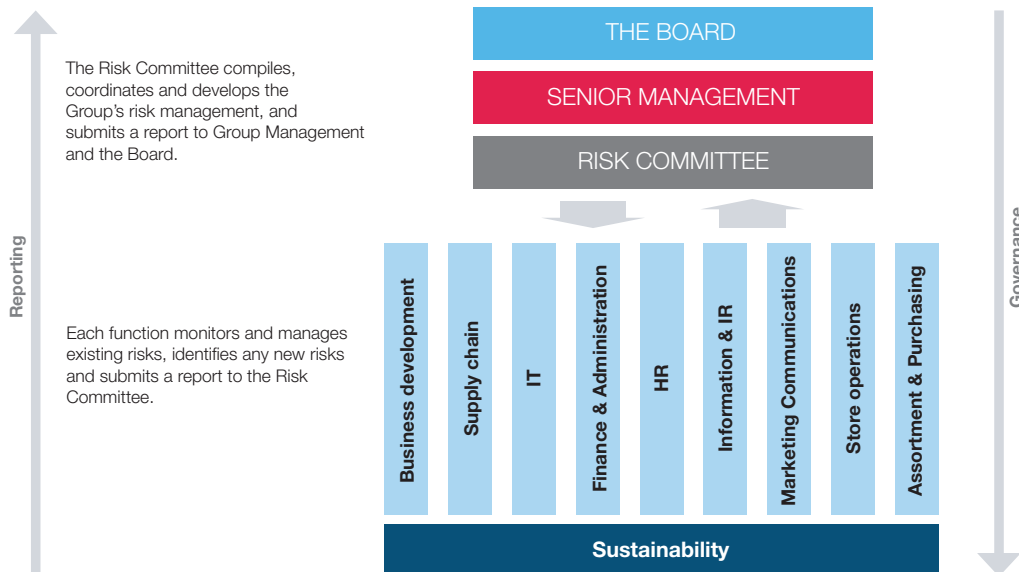
Strategic, operational and financial risks impact our opportunities for achieving our strategic and business-related goals. Creating awareness of the risks in the operations means they can be controlled, limited and managed. When handled correctly, risks may lead to opportunities and add value to the business.

Risk management process

Clas Ohlson works continuously to update the Group's risk situation through a systematic process in which risks are identified, evaluated, managed and reported. Priority is assigned to the risks assessed as having the greatest negative impact in terms of likelihood and conceivable effects on operations. Classification is also made on the basis of how well the implemented countermeasures correspond with the desired level. This work is performed in each function based on the composition of Group Management. Internal reports on measures implemented and changes in risk assessments are issued twice a year and on a continuous basis when necessary.



RISK MANAGEMENT



The risks are compiled in risk maps to clarify overall exposure and where measures should be prioritised. Maps are compiled at Group level and are a key component of the company management's and the Board's strategic and operational governance.

Clas Ohlson's Risk Committee performs the work involved in compiling, coordinating and developing risk management. Our operations are impacted by rapid changes, and these efforts remain a high priority as the company continues to grow and develop.

Strategic risks

The purpose of strategic risks is to ensure that the company's business model is properly adapted in both the short and the long term to our customers and the needs of the various markets. In addition, strategic risks are intended to indicate changes in the business environment with potentially significant effects on Clas Ohlson's operations and business goals. Risks of a strategic character primarily comprise risks associated with changes in the business environment and increased competition, shifts in technology and in customers' purchasing habits, market positioning, and product range and offering as well as growth.

Operational risks

Operational risks are directly attributable to business operations with a potential impact on earnings and the financial position. Operational risks can normally be influenced and are often linked to the organisation's processes, working methods and skills. Operational risks are mainly risks associated with purchasing of products, sustainability, IT systems, logistics, key employees, leases, shrinkage and regulatory risks.

Financial risks

Financial risks are risks with a potential impact on earnings and the financial position. Risks of a financial nature consist primarily of risks associated with changes in the economy, currency exposure, transport costs, raw material prices and wage inflation.

Currencies, currency hedging and currency fluctuations

The company's currency exposure is high, primarily due to sales in Norway and the Group's purchasing. About 50 per cent of the company's purchases are made in currencies other than SEK. The table to the right shows how earnings are impacted by changes in currencies, excluding hedging.

Futures hedging is performed monthly in USD and NOK, with a maturity of six months, against half of the expected flow in each currency. In this way, the company is guaranteed the forward rate on a major proportion of its currency exchanges, but also has the opportunity/risk of making the remaining payments at the prevailing rate.

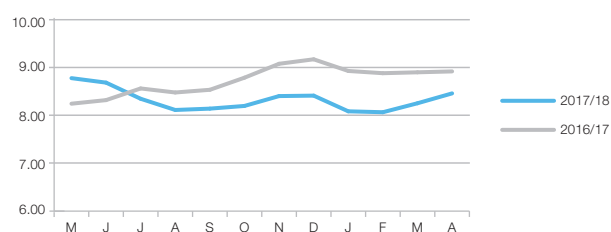
Sensitivity analysis

Currency effects excluding hedging

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 88
USD	+/- 5	-/+ 69
HKD	+/- 5	-/+ 4
EUR	+/- 5	+/- 3
GBP	+/- 5	+/- 3

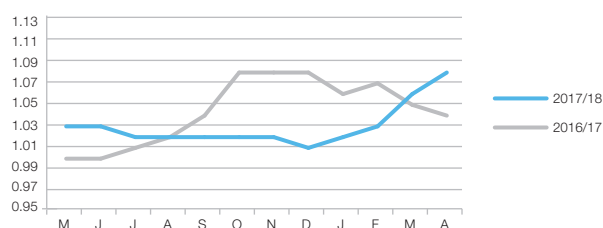
The two diagrams below show the SEK trend against the Group's principal currency for purchasing (USD) and the Group's principal currency for sales (NOK).

Monthly average, SEK/USD



USD is our most important purchasing currency. At the beginning of the financial year, on 2 May 2017, the exchange rate for USD was 8.84. Overall, the exchange rate was stable, peaking in November and December. It was noted at 8.68 SEK on 30 April 2018, a decline of about 2 per cent. The highest exchange rate was 8.89 SEK noted in May 2017, while the lowest exchange rate was 7.84 SEK noted in January 2018.

Monthly average, SEK/NOK



The graph shows the trend for the SEK/NOK currency pair. At the beginning of the financial year, on 2 May 2017, the exchange rate for NOK was 1.03 versus SEK. The NOK has increased during the financial year versus the Swedish krona. It was noted at 1.09 SEK on 30 April 2018, up 6 per cent. The highest exchange rate was SEK 1.09 noted in April 2018, while the lowest exchange rate was 1.00 SEK noted in December 2017.

Source: Riksbanken

Strategic risks

RISK	DESCRIPTION	RISK MANAGEMENT
CHANGES IN THE BUSINESS ENVIRONMENT AND COMPETITION	<p>The retail landscape is changing at an increasingly rapid pace owing to changes in, for example, consumer behaviour, purchasing patterns and technology. Online traffic is increasing at an ever greater rate, at the cost of foot traffic in physical stores.</p> <p>We are also seeing increased competition from both new and existing players. Global e-retailers and other digital players are always expanding their business and challenging existing business models. Many are competing for the same customers with similar offerings, and it is easier than ever to make comparisons.</p>	<p>The purpose of Clas Ohlson's new strategy for long-term, profitable growth is to develop operations online, to offer a more unique and focused product offering and simultaneously to add a supplementary service offering to meet increased competition.</p> <p>This means continued work on strengthening our digital platform and on developing our product range and our service offering. We also enter into partnerships with others to develop a relevant and competitive customer offering that inspires and helps our customers in their everyday lives.</p>
CUSTOMERS' PURCHASING PATTERNS AND MARKET POSITION	<p>Constantly connected consumers want to buy when, where and how they want, and regardless of the sales channel they use, they expect a simple and consistent shopping experience tailored to their needs.</p> <p>The rising trend of online shopping means that the physical store is increasingly becoming a meeting place and an arena for experiences. Customers expect quick, reliable and convenient deliveries, and want to choose the best option for them at that specific time.</p>	<p>Clas Ohlson continues to focus on integrating and developing various sales channels and delivery options, and on our capacity to interact with customers through digital channels to further improve our availability and service level.</p> <p>Digitalisation provides us with tools to enhance understanding of customer behaviour, drive sales, build loyalty and easily serve customers throughout the entire decision-making and purchasing process, with respect for their privacy (GDPR).</p>
PRODUCT RANGE, OFFERING AND COMMUNICATION	<p>The company's most important task is to offer customers a relevant, attractive and affordable product range. If Clas Ohlson were to misjudge new trends in both products and communication, this could entail lower growth and profitability.</p>	<p>Clas Ohlson works on detailed market and competitor assessments in order to create good conditions for designing an attractive and affordable product range.</p> <p>Clas Ohlson works continually to maintain a clear and inspiring store and online concept, the right pricing and world-class service.</p>
GROWTH	<p>Clas Ohlson will grow its operations and strengthen its brand in markets where we conduct operations. In addition, our customer offering, our sales channels and a supplementary service offering are being developed. The risk is that these investments in growth will not generate the intended results.</p>	<p>Clas Ohlson conducts detailed market and competitor analyses before decisions on strategic investments in our customer offering and sales channels, and capitalises on the experiences gained from previous ventures.</p>

Operational risks

RISK	DESCRIPTION	RISK MANAGEMENT
PURCHASING OF PRODUCTS	<p>Clas Ohlson currently purchases just over 40 per cent of the company's products in Asia, the majority from China. The proportion of purchasing from Asia will increase through the company's own purchasing company in China. This will boost the company's competitiveness. There is a risk of bribes and corruption in the purchasing process, and suppliers in low-wage countries entail increased risk of shortcomings in working conditions and respect for human rights. Increased single-country exposure entails greater risk (political risk, transport risk, currency risk and so forth).</p>	<p>Clas Ohlson's Code of Conduct and ethical guidelines apply to all our suppliers and contracts. We have our own audit teams in China that conduct inspections and monitor compliance with the requirements of our Code of Conduct. Since the start of 2017, Clas Ohlson has been part of Sedex in order to further increase transparency regarding responsible purchasing. Clas Ohlson works continuously on evaluating new potential purchasing markets in both Europe and Asia.</p>
SUSTAINABILITY RISKS	<p>Our business model constitutes a potential negative impact on people, the environment and society.</p> <p>Even if these risks lie outside our direct operations, the consequences of not addressing them could impact Clas Ohlson's reputation as a meaningful, trustworthy brand. They can also impact the confidence employees have in us as an employer and our market position, disrupt production and deliveries, incur unforeseen costs and cause violations of the law.</p>	<p>Sustainability is an integral part of our business model and governance. The foundation of this work is our Code of Conduct and our ethical guidelines.</p> <p>For a further description of the company's risk in the field of sustainability, refer to pages 130–131.</p>
IT SYSTEMS	<p>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 maintain a high level of reliability. It is also important to ensure efficiency and provide support in the decision-making process.</p> <p>Infringements or deficiencies in processing customer information, employee information or business-critical data can lead to decreased confidence and entail a negative impact on the Group's earnings.</p>	<p>Implementation of a new business system is in progress. For more information on sCORE, Systems for Clas Ohlson Retail Efficiency, refer to page 27.</p> <p>Clas Ohlson has an IT policy and an information security policy. In the event of new legislation or new regulations, the actions to be taken will be decided well in advance. There are standardised processes for implementing new systems, for changing existing systems and for daily operations.</p> <p>Clas Ohlson works actively to ensure that personal data is processed securely pursuant to the applicable regulations and comprehensive work was carried out during the year in accordance with the GDPR, the new European data protection legislation.</p>

RISK	DESCRIPTION	RISK MANAGEMENT
LOGISTICS	<p>Clas Ohlson's distribution centre in Insjön is the hub of the Group's distribution chain. Goods from suppliers in Europe and manufacturers in Asia come here to be distributed to all our shops and our online customers. Collecting the logistics in one location carries certain risks, for example, disruptions to communications and infrastructure, as well as fire and strikes.</p> <p>A large proportion of the company's carbon dioxide emissions are associated with transportation of products.</p>	<p>Clas Ohlson invests continually in further enhancing the efficiency of its logistics and the work in the distribution centre.</p> <p>We are working on maintenance and inspection of systems, fire protection and security systems, etc.</p> <p>The Group also works continuously with inspection of the distribution chain to ensure efficiency.</p>
EMPLOYEES	<p>Clas Ohlson must have motivated and skilled employees in order to achieve the set goals and strategies. The geographic location of the main office and large parts of our operations at Insjön could result in difficulties in recruiting employees with the right expertise. Our growth also places great demands on recruitment, skills development and internal mobility.</p> <p>Clas Ohlson's new strategic orientation entails a certain adaptation of competence, which could impact our employees and our ability to attract new employees with the right skills.</p>	<p>Clas Ohlson works for diversity and increased flexibility. Clas Ohlson is a workplace where employees can develop and grow with the company. Leadership, skills development and the company's belief in individual employees equips the company for the future and cultivates an organisation prepared to shoulder new challenges.</p> <p>We have a zero tolerance policy for all forms of discrimination and harassment.</p>
LEASES	<p>Clas Ohlson leases the premises where shops have their operations. Contract periods vary, depending on the market.</p>	<p>Clas Ohlson endeavours to have flexible leases with the opportunity for re-negotiation during the lifetime of the contract.</p>
SHRINKAGE	<p>Clas Ohlson is exposed to shrinkage — shoplifting, for example — on a daily basis.</p>	<p>The Group implements long-term preventive measures to reduce shrinkage, using such methods as training initiatives and technical equipment. In addition, security efforts are continually monitored, evaluated and adapted.</p>
REGULATORY RISKS	<p>The company operates in a context where laws and regulations undergo continual change, becoming more complex. Deficiencies in interpretation or compliance can damage the company's reputation and result in fines or other sanctions.</p>	<p>Clas Ohlson has an ethical approach and well-functioning internal controls. In the event of new legislation or regulations, the actions to be taken will be decided well in advance of the regulations being implemented.</p>

Financial risks

RISK	DESCRIPTION	RISK MANAGEMENT
ECONOMIC CLIMATE	<p>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 sales.</p>	<p>Our broad and affordable product range is less sensitive to cyclical fluctuations than that of many other competitors.</p>
CURRENCIES	<p>The company's currency exposure is high, primarily due to sales in Norway and the Group's purchasing. About 50 per cent of the company's purchases are made in currencies other than SEK. The principal currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). Movement 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 brings in currency through sales in the Finnish and German markets.</p> <p>The Group is also exposed to the pound sterling (GBP) via sales in the UK.</p> <p>The table on page 75 shows how profit is affected by changes in principal currencies, excluding hedging.</p>	<p>More than 80 per cent of our products are priced at less than SEK 300. Clas Ohlson's broad product range, with five different product categories, entails lower risk since demand in one product category could increase while demand in another category falls.</p> <p>Futures hedging is performed monthly in NOK and USD, with a maturity of six months, against half of the expected flow in each currency.</p> <p>In this way, the company is guaranteed the forward rate on a major proportion of its purchases, but also acquires the opportunity/risk of paying for the remaining purchases at the current rate.</p>
TRANSPORTATION COSTS	<p>Freight shipping prices can vary considerably depending on the global market price, and currency fluctuations.</p>	<p>Clas Ohlson handles changes in freight shipping prices by actively monitoring and assessing the market.</p>
RAW MATERIAL PRICES	<p>Purchase prices for the company's products are largely determined by the price of individual raw materials in global 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 products concerned is affected by the price trend for raw materials.</p>	<p>Clas Ohlson has a broad portfolio of products and is therefore less impacted by changes to a specific raw material.</p> <p>Some of Clas Ohlson's suppliers purchase commodities/materials at fixed contract prices, which entails some indirect hedging.</p>
WAGE INFLATION	<p>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.</p>	<p>Clas Ohlson works continuously to find new purchasing markets, both in Europe and Asia.</p>

Chairman of the Board KENNETH BENGTSSON



Time to change up gear

As everyone knows, the conditions in retail are changing at a furious pace; when Lotta Lyrå took office as the new President and CEO, the Board tasked her explicitly with putting things into a higher gear in order to develop the company going forward. It was time for a company celebrating its 100th anniversary to identify offensive approaches to meet a new business environment and to leverage the opportunities opening up for Clas Ohlson in our part of the world and in our market.

Changes are always challenging and difficult for the player who sits passively and does not set its own agenda, but are opportunities for companies that can and will take the lead and drive development. Now that I am closing the books on the work of the Board in the 2017/18 financial year, I can state that it has been an incredibly intense year. The Board has utilised its various skills and experience to spar with, challenge and support the work of management.

The work has been very stimulating and engaging, and we have had rewarding dialogue that advanced our strategic work without losing focus on daily operations and short-term issues.

The result? My perspective is that the strategy presented at the company's Capital Market Day in early May can take Clas Ohlson to the front lines of what a retailer can be and represent. The strategy is innovative and, through its simplicity, updates the grand idea our founder built the company on one century ago. The work on implementing the new strategy has already begun, and Clas Ohlson has the opportunity to grow by taking a much greater role in Nordic homes than it plays today based on the unique strong confidence our customers have in us.

The overall goal of the work of the Board is to utilise the opportunities Clas Ohlson has while ensuring that the strategic, operational, financial and legal risks are minimised in accordance with our corporate governance, which together with our policies and our guidelines, are based on international norms and the ten principles of the UN Global Compact.

On behalf of the Board, I would like to thank everyone for their high level of commitment — and the tremendous will to identify new solutions and develop the company for a new era — that permeates the entire organisation. The company is imbued with the entrepreneurial spirit and fundamental values of our founder, Clas Ohlson. This is one reason that the company has continued for 100 years. I am convinced that this is an important part of the reason why Clas Ohlson is entering its second century in a strong position to meet and leverage its challenges and opportunities.

Kenneth Bengtsson
Chairman of the Board
Insjön, Sweden, June 2018



Corporate governance

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

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, the listing agreement with Nasdaq 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 Nasdaq 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. During the financial year it has not been any deviations versus the code within Clas Ohlson.

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 AGM is the ultimate decision-making body and since the initial public offering in 1999, has always been held in Insjön, Sweden, on a Saturday in early September. The Notification, which is normally prepared about four weeks prior to the AGM, is published in Post- och Inrikes Tidningar, 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. Registration can be made by telephone, e-mail, letter or the company's website.

Each year, the AGM appoints the Board, the Chairman of the Board and the auditors for Clas Ohlson. In addition, the AGM decides how profits are to be allocated. Other issues that arise are mandatory items under the Companies Act and Clas Ohlson's Articles of Association (available at about.clasohlson.com). Clas Ohlson's AGM is very well attended, the latest with about 1,400 participants, making it one of the largest in Sweden.

On 30 April 2018, the company's largest shareholders, each representing at least 10 per cent of the votes, were Helena Ek Tidstrand (16.9 per cent), Björn Haid (12.6 per cent), Johan Tidstrand (12.4 per cent), Peter Haid (11.8 per cent) and Claus-Toni Haid (11.5 per cent).

Nomination Committee

The Nomination Committee's task is to submit proposals for Board members and auditors, as well as fees to Board members (including committee work) and to auditors, to the next AGM at which the Board and auditors are due to be elected. The Nomination Committee also proposes 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 representatives for the four largest registered shareholders or 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 Code, shall not be the Chairman of the Board or another Board member.

During the year, an internal evaluation of the Board's work and Board composition was carried out. The evaluation was performed as an internal written evaluation. The results of the evaluation were presented verbally and in writing by the Board Chairman Kenneth Bengtsson. The assessment is that the Board worked well during the year. Reporting took place in order to enable the Nomination Committee to make as thorough an assessment as possible of the Board's combined expertise and experience.

The Nomination Committee fulfills the guidelines pertaining to independence as stated in the Code. The Nomination Committee represents broad experience of work in boards of directors and nominating procedures.

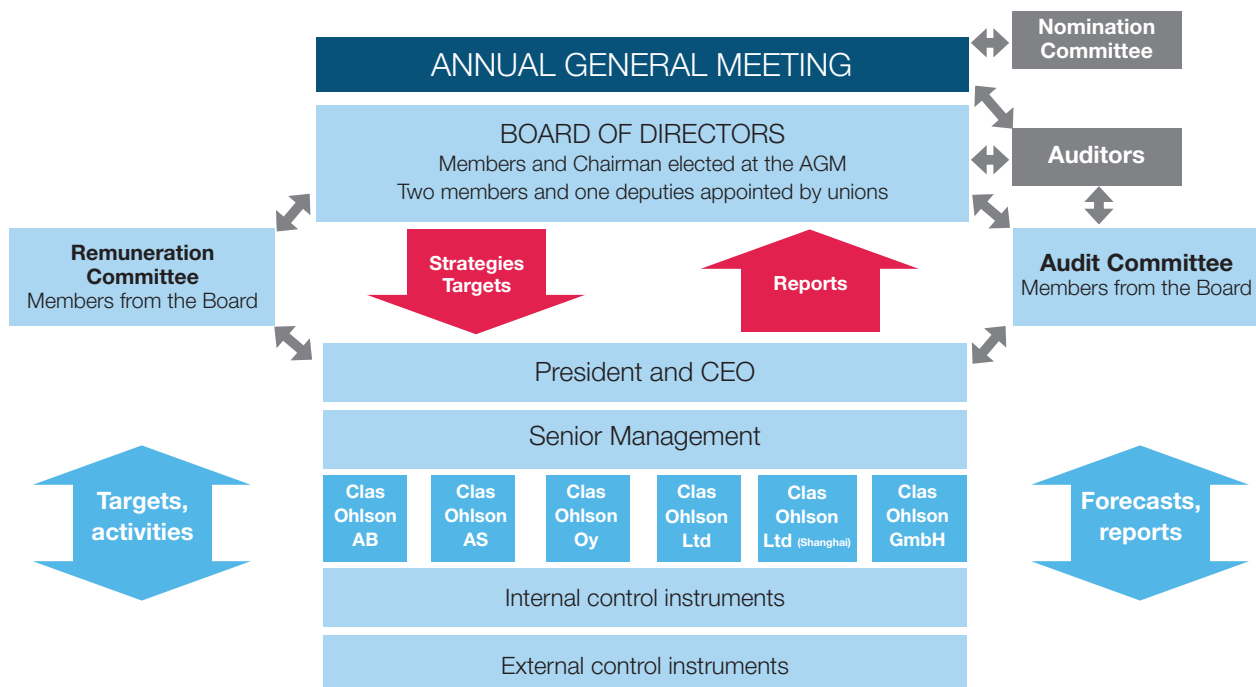
Nomination Committee prior to the 2018 AGM

Prior to the AGM held on 8 September 2018, a Nomination Committee was elected comprising Jonas Bergh, Chairman of the Nomination Committee representing the owner-family Haid, Göran Sundström representing the owner-family Tidstrand, Ricard Wennerklint representing If Skadeförsäkring AB, Erik Durhan representing Nordea Investment Funds and Kenneth Bengtsson, Chairman of the Board of Clas Ohlson.

The composition of the Nomination Committee is based on the owner relationship at 30 September 2017. The Nomination Committee represents slightly more than 70 per cent of the total number of company shares (votes). The above Nomination Committee will serve until a new Nomination Committee has been elected.

The basis of the Nomination Committee's work is that the Board is to have the expertise, experience and background required by the assignment. The degree of diversity in the Board was also taken into account and efforts are made to achieve an even gender balance. Factors including the company's diversity policy were considered by the Nomination Committee in its work.

CORPORATE GOVERNANCE IN CLAS OHLSON



Particular emphasis was 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 also discussed the Board's long-term composition on the basis of future competency requirements, diversity and succession.

The committee worked on the nominating procedure for Clas Ohlson's AGM 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:

- 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 independence of Board members and candidates
- 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 proposals are presented at the latest in connection with the publication of the Notification of the AGM.

Auditors

The AGM appoints auditors for the Parent Company each year. The AGM held on 9 September 2017 appointed Deloitte the auditors of the company, with Kent Åkerlund as Auditor in Charge. Kent Åkerlund is an Authorised Public Accountant at Deloitte. Deloitte was elected up to the 2018 AGM.

Payment for audit engagements in the Group in the past three years totalled 2.2 MSEK, 2.1 MSEK and 2.1 MSEK, respectively. Remuneration for other assignments in the past three years totalled 0.6 MSEK, 0.4 MSEK and 0.2 MSEK, 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 AGM. The Board comprises eight members, who are elected by the AGM. In addition to these members, the Board includes two representatives and one deputy 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 Mathias Haid and Göran Sundström, are deemed independent in relation to the company, executive management and major shareholders. Clas Ohlson strives towards diversity, comprising to over time have an equal distribution of men and women in the Board. Gender distribution in the Board among the members elected by the AGM in the past financial year was four men (50.0 per cent) and four women (50.0 per cent). In the preceding year, the corresponding distribution was four men (57.1 per cent) and three women (42.9 per cent). Charlotte Strömberg and Anne Thorstvedt was elected to the Board of Directors at the 2017 AGM.

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 financial year. These are held quarterly in conjunction with the publication of the company's financial reports and once in June prior to concluding the Annual Report, once in connection with the AGM 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 targets 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 three of the Board meetings to report on what has emerged during the audit. The Board meets the auditors once annually without the presence of senior management. The Board held twelve 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 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

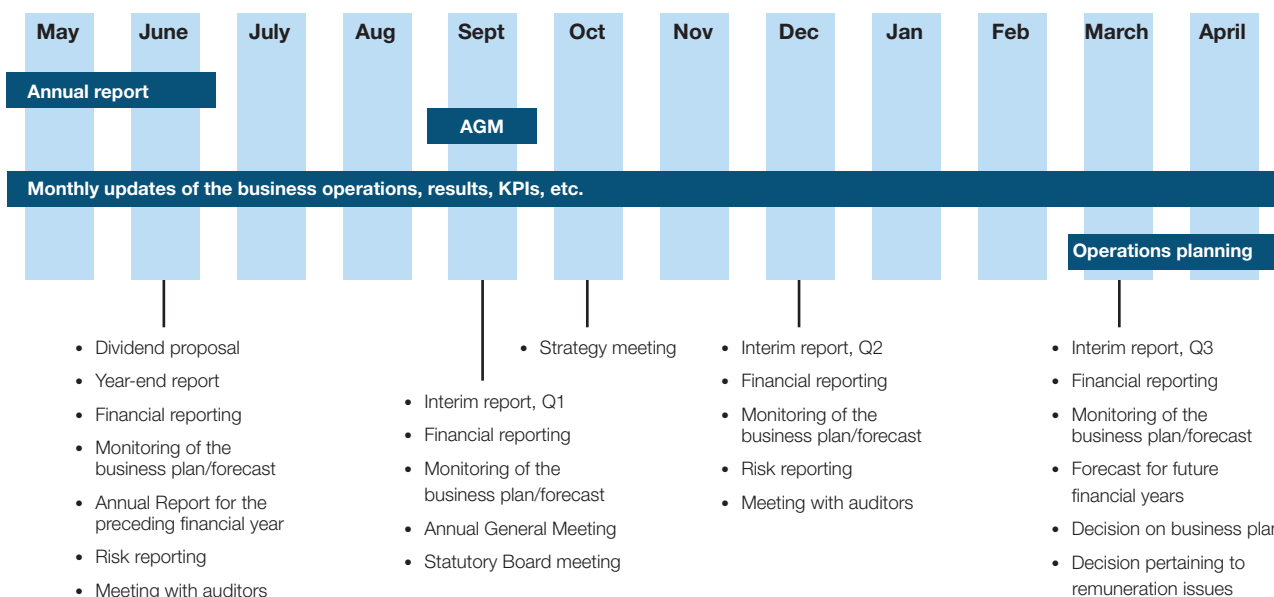
At its first meeting following the AGM, the Board established an Audit Committee comprising Cecilia Marlow, Chairman, Göran Sundström and Charlotte Strömberg. The Board has issued instructions for the committee work.

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 of the financial reporting.

The members of the Audit Committee met the auditors on two occasions during the financial year to be informed 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 auditing 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. Attendance is shown in the table on page 83. The meetings are minuted and reported at the next Board meeting. Representatives of the company's management attended the committee's meetings as co-opted members. The meetings

THE BOARD'S WORKING SCHEDULE



addressed issues aimed at quality assuring risk management and internal control of 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

In accordance with the Swedish Annual Accounts Act, the AGM of a limited liability company whose shares are listed for trading on a regulated marketplace is to decide on guidelines for remuneration of senior executives. The Code also stipulates that the Board is to establish a Remuneration Committee.

The Clas Ohlson Board decided in September that the Remuneration Committee was to comprise Kenneth Bengtsson (Chairman), Göran Näsholm and Mathias Haid. The Board has issued instructions for the committee work.

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 six times during the financial year. Attendance is shown in the table below. The meetings are minuted and reported at the next Board meeting. The Remuneration Committee addressed such issues as fixed and variable remuneration and prepared the suggestions to long-term incentive program (LTI).

Distribution of work between the Board and CEO

The Board appoints the 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 governance of subsidiaries, as well as the election of Board members and the CEO. The Board is also responsible for the quality of the financial reporting.

The CEO in turn is responsible for ensuring that the company is managed in accordance with Board's guidelines and instructions. In addition, the CEO is responsible for forecasting and planning the company's operations so that specified targets 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 Senior Management

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

Composition of the Board and attendance during the financial year¹

Member ^{2,3}	Elected	Independent ⁴	Independent ⁵	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee ⁹
Kenneth Bengtsson	2013	Yes	Yes	12/12 ⁶		6/6 ⁶	5/5
Ros-Marie Grusén	2016	Yes	Yes	11/12			
Mathias Haid	2015	Yes	No ⁸	11/12		6/6	
Cecilia Marlow	2007	Yes	Yes	12/12	7/7 ⁶		
Göran Näsholm	2015	Yes	Yes	11/12		6/6	
Charlotte Strömberg	2017	Yes	Yes	7/7 ⁷	4/4 ⁷		
Göran Sundström	2014	Yes	No ⁸	12/12	7/7		5/5
Sanna Suvanto-Harsaae	2010	Yes	Yes	3/5 ⁷		3/3 ⁷	
Anne Thorstvedt Sjöberg	2017	Yes	Yes	6/7 ⁷			

¹ The trade-union organisations have had three representatives on the Board, two board members and one deputies.

For further information on Board members, see pages 88-89. The work of the Board and its committees is described on pages 81-83.

² For information on date of birth, work experience, assignments and shareholdings, see pages 88-89.

³ Remuneration of Board members is stated in Note 6, see page 103.

⁴ Independent in relation to the company and executive management according to the Swedish Corporate Governance Code.

⁵ Independent in relation to major shareholders of the company according to the Swedish Corporate Governance Code.

⁶ Chairman.

⁷ At the 2017 Annual General Meeting, Charlotte Strömberg and Anne Thorstvedt Sjöberg were elected to the Board as Board members. Sanna Suvanto-Harsaae declined re-election. The composition of the committees were changed in connection with the 2017 annual general meeting.

⁸ Are, or represent, major shareholders. Refer to page 139 for information about major shareholders.

⁹ For the Nomination Committee, only those members who are also Board members are presented.

Governance of subsidiaries

The five wholly owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson Oy in Finland, Clas Ohlson Ltd in the UK, Clas Ohlson GmbH in Germany 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 CEO'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, such as Nasdaq Stockholm's rules and regulations, the Swedish Companies Act and the Swedish Annual Accounts Act.

Furthermore, there are internal control instruments consisting of the Articles of Association, the Board's rules of procedure, instructions for the CEO, policies, guidelines, as well as Clas Ohlson's values and corporate culture.

Clas Ohlson's corporate culture

The core of Clas Ohlson's corporate culture is salesmanship. The company's corporate culture is based on drive, warmth, innovation and commitment. These common values permeate the daily work.

Remuneration

Fees paid to the Board during the financial year totalled 3.4 MSEK, in accordance with the resolution by the AGM. Of the fees paid, 0.5 MSEK pertained to remuneration for work on the Board's Remuneration and Audit Committees. Of the Board's total fee, 0.8 MSEK was paid to the Chairman of the Board. No remuneration is paid to members of the Nomination Committee.

Peter Jelkeby held the role of Acting President and CEO between 1 May and 31 July 2017. Remuneration as acting CEO amounted to 6.2 MSEK, of which 0.1 MSEK amounted to variable remuneration (STI). Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive programs (LTI 2015, LTI 2016 and LTI 2017) was a cost reduction of 0.7 MSEK for the acting CEO. Last year the corresponding figure was a total cost of 0.2 MSEK. Lotta Lyrå took over as President and CEO on 1 August 2017. Remuneration as CEO amounted to 5.3 MSEK, of which 0.2 MSEK amounted to variable remuneration (STI). Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive program (LTI 2017) was calculated at 0.7 MSEK for the CEO.



Remuneration to the other eleven senior executives totalled 15.7 MSEK, of which 1.2 MSEK was in the form of variable remuneration. Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive programs was a cost reduction of 0.2 MSEK. Last year the corresponding figure was a total cost of 1.9 MSEK. Remuneration, in addition to variable remuneration (STI), amounting to a total of 0.9 MSEK was paid in cash to a number of senior executives in accordance with the opportunities stipulated in the guidelines on remuneration of senior executives, as approved by the 2017 AGM, to deviate from these guidelines where warranted by specific reasons. Such specific reasons were the extraordinary efforts resulting from the work on the company's new strategy in the autumn, winter and spring (2017–2018) and that was adopted by the Board in May 2018. The review of the new strategy commenced after the 2017 AGM. The work associated with the review was thus not encompassed by the targets established for the variable remuneration programme (STI) and was not taken into account in the guidelines on remuneration of senior executives approved by the 2017 AGM. Another special reason for the cash payment was the need to ensure that the company can retain key senior executives. All twelve of senior management receive the additional benefit of a company car. The 2017 AGM decided on guidelines for remuneration to senior management pertaining to the 2017/18 financial year.

Severance pay

Under the contract of employment with the CEO, the mutual period of notice is six months. Six 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.

Pension

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 1.7 MSEK (Lotta Lyrå) and 0.7 MSEK (Peter Jelkeby) was paid during the financial 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 executives 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 executives 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 multi-year performance, pension and other benefits. The principles also regulate the terms and conditions for termination of employment and for severance pay.

Clas Ohlson strives 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 the total remuneration. The aim is for basic remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

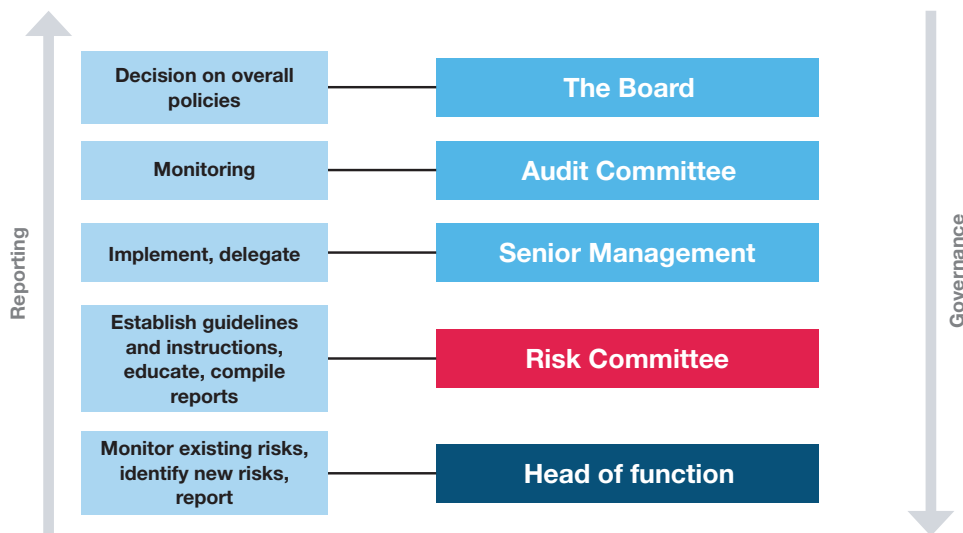
Risk management

The Board has overall responsibility for the Group's risk effort. The risk situation in Clas Ohlson is updated and analysed regularly. This is done by means of a systematic process in which risks are identified, valued and 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 senior management. By means of risk mapping, the focus can be aimed at reducing the company's risk exposure and reducing the consequences of any risks emerging. The Risk Committee pursues the work involved in compiling, monitoring and developing the risk management process. Reporting of the Group's overall risk status is made internally to the Audit Committee and the Board twice annually.

Sustainability

For Clas Ohlson, it is important to protect and assume responsibility for people and the environment impacted by our operation. Our sustainability agenda is an integrated part of Clas Ohlson's operation and is reported on pages 34-36. Clas Ohlson's sustainability report is defined on page 120. Refer also to pages 121-135 for supplementary sustainability information.

RISK MANAGEMENT



Internal control of 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 of 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.

Control environment

The control environment comprises the organisational structure and the values, guidelines, policies, instructions and so on, according to which the organisation works. Effective Board work forms the basis of good internal control and the Board of Clas Ohlson has established rules of procedure and clear instructions for its work. This also includes the Board's Remuneration and Audit Committees.

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

The Group has regulations governing decision-making and 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 agreements 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 is done in order to maintain a good corporate governance and awareness at the various levels in the organisation. The regulations governing decision-making and authorisation constitute the basis for decision-making at Clas Ohlson.

The senior 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 senior 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 preparation of financial information where the risk of errors is judged to be elevated.

The Group's income consists of sales in stores and online shopping where payment is principally made by credit card or in cash. 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, freights, salaries and social security contributions, rental expenses and marketing. Income and expenses are forecasted for each store and department. The outcome is checked monthly against both the forecast and the preceding year.

About 89 per cent of Clas Ohlson's assets consist 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 documented.

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 complete. In addition, they ensure that legislation is observed and that financial reporting is completed within the time frames to senior management and to the Group accounting function. Moreover, there are controllers at major Group functions and on the Group finance function with equivalent working tasks.

The Group finance function 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 basis for 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 available on the company's intranet.



There are both formal and informal information channels to the senior 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

Senior management and the Audit Committee regularly report to the Board on the basis of established procedures. The Board 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 commu-

nicating material issues to the senior management, Board and auditors. An important aspect is to ensure that any viewpoints from the auditors are rectified.

Three times 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 audit

Following evaluations in the financial year 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 regarding internal control. The question of whether to establish a separate internal audit function is re-examined annually. Furthermore, the company has a Risk Committee that continuously evaluates material risks and control activities.

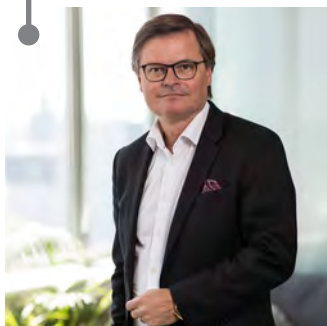
Board of Directors

Kenneth Bengtsson

Born 1961.
 Chairman of the Board since 2014.
 Member of the Board since 2013.
Professional experience: CEO and various executive positions in ICA for more than 30 years.
Other significant directorships: Chairman of the Board in Ahlsell AB, Ersta diakoni, Systembolaget and World Childhood Foundation. Board Member of Synsam and Herenco.

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

Shareholding*: 8,000 series B share own holding and 37,000 series B via a legal entity



Ros-Marie Grusén

Born 1971.
 Member of the Board since 2016.
 B.Sc. Social Science/Behavioural Science.
Professional experience: CEO of Norsk Medisinaldepot AS and Region Manager for the Scandinavian area Celesio AG, CEO of Admenta Sweden AB/LloydsApotek, CEO of Plantagen AB and senior positions at Ikea.
Other significant directorship: Board member of Besqab AB and Granngården AB.

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

Shareholding*: 0



Mathias Haid

Born in 1970.
 Member of the Board since 2015.
Professional experience: Pilot at Lufthansa Cargo AG, training officer at Lufthansa's airline operations and several senior positions in Lufthansa's airline operations in 1998-2015. Member of the Board of Clas Ohlson AS and Clas Ohlson Oy 2002-2005. Member of the Board of Clas Ohlson Foundation.

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

Shareholding*: 11,610 series B



Cecilia Marlow

Born in 1960.
 Member of the Board since 2007.
 Master of Business Administration, Stockholm School of Economics.
Professional experience: CEO of Kronans Droghandel, CEO of JC and CEO of Polarn O. Pyret.
Other significant directorships: Chairman of the Board of Kivra. Board member of Fazer Group, MatHem, Nordea Fonder and Internationella Engelska skolan.

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

Shareholding*: 1,500 series B via a legal entity



Göran Näsholm

Born in 1955.
 Member of the Board since 2015.
 Mechanical engineer and Master of Business Administration.
Professional experience: CEO of Ahlsell AB 1999-2015. Executive Vice President of Ahlsell AB, Division Manager of Ahlsell AB, President of Jirva AB, Purchasing Director of Calor Celsius AB and various purchasing-related positions in Alfa Laval.
Other significant directorships: Chairman of the Board of Fresks Holding AB and LW AB. Board member of Martin & Servera AB.

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

Shareholding*: 38,642 series B

Göran Sundström

Born in 1962.
Member of the Board since 2014.
Master of Business Administration, Lund University.
Professional experience: Founder and CEO of Sundström & Partners, various senior positions in Corporate Finance at Alfred Berg Fondkommission AB, Aros Securities AB and Nordea Securities.

Other significant directorships: Chairman of the Board of Logitall AB and Board member of Parks & Resorts Scandinavia AB and Sundström & Partners AB. Member of the Board of Clas Ohlson Foundation.

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

Shareholding*: 2,400 series B share own holding and 1,600 series B via a legal entity



Charlotte Strömberg

Born in 1959.
Member of the Board since 2017.
MSc in Business and Economics, Stockholm School of Economics.

Professional experience: Former CEO of Jones Lang LaSalle Nordic region, a number of senior positions at Carnegie Investment Bank and worked at Alfred Berg/ABN Amro, Consensus and Robur Kapitalförvaltning.

Other significant directorships: Chairman of Castellum AB, Board member of Kinnevik AB, Sofina S.A., Skanska AB and a member of the Swedish Securities Council.

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

Shareholding*: 2,500 series B shares



Anne Thorstedt Sjöberg

Born in 1965.
Member of the Board since 2017.
MSc in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

Professional experience: Global Vice President Marketing Effectiveness and Insights, Electrolux. Various executive positions at Procter & Gamble, Kraft Freia Marabou, Kraft Foods and Mondelez International.

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

Shareholding*: 0



Henrik Andersson

Born in 1971.
Member of the Board since 2012.
Employee representative (Unionen).
Shareholding*: 0



Joe Erikson

Born in 1987.
Member of the Board since 2017.
Employee representative (Handels).
Shareholding*: 0



Lasse Zwetsloot

Born in 1976.
Deputy Member of the Board since 2012.
Employee representative (Handels).
Shareholding*: 410 series B

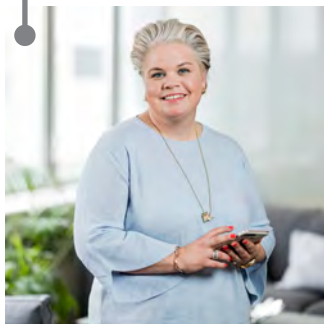


* Own and related parties' shares as of 15 June 2017.

Senior management

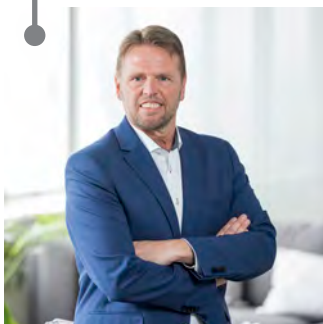
Lotta Lyrå

President and CEO
Employed in 2017
Born in 1975
Master of Business Administration, Stockholm School of Economics
Professional experience: Head of Development and Expansion for the Ikea Group, and other executive positions in the Ikea Group. Various positions in Södra Skogsägarna and McKinsey & Co.
Shareholding*: 8,778 series B shares



Tony Dahlström

Director of Purchasing
Employed 1982 to 2007, and 2009
Born in 1964
Professional experience: Category Manager at Clas Ohlson, CEO of OS Technology Nordic, Product Manager and various positions in stores, at distribution centre and customer service at Clas Ohlson.
Shareholding*: 15,503 series B shares



Magnus Højman**

Director of Supply Chain
Employed in 2011
Born in 1967
Master of Business Administration, Lund University and University of California
Professional experience: Consultant at Accenture, Venture Manager at Real Venture Group and various positions in sales and management at Procter & Gamble Scandinavia.
Shareholding*: 5,920 series B shares



Tina Englyst

General Counsel
Employed in 2011
Born in 1976
LLB, Uppsala University and University of Cambridge (LLM)
Professional experience: Associate at Mannheimer Swartling Advokatbyrå, Senior Legal Counsel at MTV Networks AB and Head of Legal at MTV Networks AB.
Shareholding*: 6,598 series B shares



Göran Melin**

CFO
Employed in 2010
Born in 1962
Master of Business Administration, School of Business, Economics and Law at the University of Gothenburg
Professional experience: Authorized Public Accountant and Partner at PwC.
Shareholding*: 11,570 series B shares



Sara Kraft Westrell**

Director of Information and IR
Employed in 2013
Born in 1974
Master of Business Administration, Lund University and National University of Singapore
Professional experience: Director of Information at Hexagon AB, Director of Market and Communication at JB Education and Communications Advisor at Kreab.
Shareholding*: 4,269 series B shares



* Own and related parties' shares as of 31 May 2018

** Göran Melin will be leaving his position on 30 June 2018. Magnus Højman will be leaving Group Management on 30 June 2018. Sara Kraft Westrell will be leaving her position in September 2018.



Pär Christiansen

Pär Christiansen has been recruited as the new CFO, and will take office on 1 July 2018. He comes most recently from his role as CFO of Gant, and has previously held executive positions at Transcom, MTR and SAS.
Shareholding*: 11,920 series B-shares

Fredrik Uhrbom

Country Manager, Clas Ohlson Sweden
 Employed in 2017
 Born in 1971
 MSc in Business and Economics, Stockholm University, Regensburg FH and Dalarna University
Professional experience: Director Market Operations at Hultafors Group, part of Investment AB Latour, Trade Commissioner/ Country Manager at Exporrådet.
Shareholding*: 9,931 series B-shares



Geir Hoff

Director of New Markets and Expansion
 Employed in 1994
 Born in 1972
 MSc in Law, Political Science and National Economy, University of Oslo
Professional experience: Country Manager, Clas Ohlson Norway; Head of Marketing, Clas Ohlson Norway and various other positions at Clas Ohlson Norway.
Shareholding*: 14,487 series B-shares



Sampo Päälysaaho

Country Manager, Clas Ohlson Finland
 Employed in 2011
 Born in 1972
 MSc in Business and Economics, Helsinki School of Economics
Professional experience: Trading Director, Marketing Director and Regional Director at Kesko Group in Finland and the Baltic region, European Trade Director at AMS Sourcing BV, the Netherlands.
Shareholding*: 5,351 series B-shares



Jacob Sten

Chief Growth Officer
 Employed in 2018
 Born in 1967
 Business Administration, Lund University.
Professional experience: CEO of Inspiranda, and a number of executive roles at Sony Mobile, Ericsson Mobile and Orkla Foods.
Shareholding*: 1,634 series B-shares



Jesper Smith

HR Director
 Employed in 2017
 Born in 1970
 Behavioural science, language and business administration, Lund University. Executive Master's in Management and Organisation, Nyenrode Business School
Professional experience: HR and Internal Communications Director at Telekom Austria Group, as well as various roles in HR for Ericsson, Sony Ericsson and Tieto.
Shareholding*: 1,389 series B-shares



Stine Trygg-Hauger***

Country Manager, Clas Ohlson Norway
 Employed in 2009
 Born in 1982
 Marketing & Communications, BI Norwegian Business School
Professional experience: Head of Communications & Customer Interaction and various positions in marketing and communication at Clas Ohlson Norway, Brand Manager at Valicidus.
Shareholding*: 1,907 series B-shares

*** Rune Johansen is acting Country Manager during Stine Trygg-Hauger's parental leave.

Group

Income statement

MSEK	Note	1 May 2017 –30 Apr 2018	1 May 2016 –30 Apr 2017
	1, 2		
Sales		8,210.7	7,990.1
Cost of goods sold	4,5,6	-4,926.6	-4,698.6
Gross profit		3,284.1	3,291.5
Selling expenses	4, 5, 6	-2,579.7	-2,485.2
Administrative expenses	4, 5, 6, 7	-237.1	-193.1
Other operating income	3	24.3	24.5
Other operating expenses	3	-23.3	-27.9
Operating profit		468.3	609.9
<i>Financial items</i>			
Financial income	8	0.7	0.7
Financial expense	8	-1.9	-1.6
Profit before tax		467.1	608.9
Income tax	9	-109.3	-130.2
Profit for the year		357.8	478.7
Number of shares at the end of the period, millions		63.2	63.1
Earnings per share before dilution, SEK	10	5.66	7.59
Earnings per share after dilution, SEK	10	5.65	7.57
Proposed dividend per share, SEK	11	6.25	6.25

Statement of consolidated comprehensive income

MSEK	1 May 2017 –30 Apr 2018	1 May 2016 –30 Apr 2017
Profit for the year	357.8	478.7
Other comprehensive income, net after tax:		
Items that can later be reversed in the consolidated income statement:		
Exchange-rate differences	54.3	22.9
Cash-flow hedging	-9.3	21.6
Items that cannot later be reversed in the consolidated income statement:		
Remeasurement of defined-benefit pension obligations	0.0	0.0
Other comprehensive income, net after tax	45.0	44.5
Comprehensive income for the year	402.8	523.2

(all of the above profits were attributable to the Parent Company's shareholders during the year)

Cash flow statement

MSEK	1 May 2017 –30 Apr 2018	1 May 2016 –30 Apr 2017
<i>Operating activities</i>		
Operating profit	468.3	609.9
<i>Adjustment for non-cash items</i>		
– depreciation	225.6	230.0
– loss from sale/disposal of non-current assets	1.4	37.3
– other non-cash items	-18.4	-54.8
Interest received	0.7	0.7
Interest paid	-1.9	-1.6
Tax paid	-131.8	-160.8
Cash flow from operating activities before changes in working capital	543.9	660.6
<i>Cash flow from changes in working capital</i>		
– accounts receivable	-1.8	0.0
– inventories	-361.8	32.8
– other receivables	-109.3	45.4
– accounts payable	243.6	-54.5
– other current interest-free operating liabilities	58.3	14.8
Cash flow from operating activities	372.8	698.9
<i>Investing activities</i>		
Investments in intangible assets	-124.0	-105.9
Investments in tangible assets	-148.8	-157.6
Investments in securities held as fixed assets	-224.5	0.0
Sale of equipment	0.1	0.1
Cash flow from investing activities	-497.2	-263.5
<i>Financing activities</i>		
Repurchase of own shares	-20.9	-75.7
Sales of own shares	26.1	19.7
Dividend to shareholders	-395.0	-362.0
Cash flow from financing activities	-389.8	-418.0
Cash flow for the year	-514.2	17.5
Cash and cash equivalents at the start of the year	625.1	604.3
Exchange-rate differences in cash and cash equivalents	4.9	3.3
Cash and cash equivalents at the end of the year	115.8	625.1

Group

Balance sheet

MSEK	Note	30 Apr 2018	30 Apr 2017
Assets			
Non-current assets	12		
<i>Intangible assets</i>			
IT and software costs		428.2	340.2
Total intangible assets		428.2	340.2
<i>Tangible assets</i>			
Land and buildings		386.8	414.4
Equipment, tools, fixtures and fittings		654.6	649.9
Total tangible assets		1,041.3	1,064.3
<i>Securities held as fixed assets</i>			
Securities held as fixed assets	12	224.5	0.0
Total securities held as fixed assets		224.5	0.0
<i>Non-current receivables</i>			
Deferred tax assets	9	13.4	17.0
Other non-current receivables	19	1.5	1.6
Total non-current receivables		14.9	18.5
<i>Current assets</i>			
Inventories	13	2,038.0	1,630.7
Accounts receivable	14	33.7	31.0
Tax assets		61.3	23.2
Other receivables		35.4	8.1
Prepaid expenses and accrued income	15,17	206.6	158.2
Cash and cash equivalents	16	115.8	625.1
Total current assets		2,490.7	2,476.4
Total assets		4,199.7	3,899.4

Balance sheet

MSEK	Note	30 Apr 2018	30 Apr 2017
Equity and liabilities			
Equity			
<i>Capital and reserves attributable to Parent Company shareholders</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25 SEK		82.0	82.0
Other contributed capital		90.4	90.4
Other reserves		-44.9	-89.9
Profit brought forward including profit for the year		2,136.4	2,168.2
Total equity		2,263.9	2,250.7
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	210.1	195.8
Other non-current liabilities		5.0	5.0
Other non-current provisions	22	12.3	25.9
Total non-current liabilities		227.4	226.8
<i>Current liabilities</i>			
Accounts payable	20	881.6	635.2
Tax liability		35.3	39.4
Other current liabilities	20	180.8	169.2
Accrued expenses and deferred income	17, 21	536.5	500.2
Other provisions	22	74.2	78.0
Total current liabilities		1,708.4	1,421.9
Total equity and liabilities		4,199.7	3,899.4

Group

Consolidated statement of changes in equity (Note 18) Attributable to Parent Company's shareholders						
MSEK	Share capital	Other contributed capital	Translation difference	Hedging reserve	Profit brought forward	Total
Opening balance at 1 May 2016	82.0	90.4	-117.9	-16.5	2,100.7	2,138.8
Comprehensive income						
Profit for the year	-	-	-	-	478.7	478.7
Other comprehensive income						
Cash-flow hedging after tax	-	-	-	21.6	-	21.6
Exchange-rate differences	-	-	22.9	-	-	22.9
Remeasurement of defined-benefit pension obligations	-	-	-	-	0.0	0.0
Total other comprehensive income	-	-	22.9	21.6	0.0	44.5
Total comprehensive income	-	-	22.9	21.6	478.7	523.2
Transactions with shareholders						
Repurchase of own share	-	-	-	-	-75.7	-75.7
Sales of own share	-	-	-	-	19.7	19.7
Employee stock options plan: value of employees' service	-	-	-	-	6.7	6.7
Dividend	-	-	-	-	-362.0	-362.0
Total transactions with shareholders	-	-	-	-	-411.2	-411.3
Closing balance at 30 April 2017	82.0	90.4	-95.0	5.1	2,168.2	2,250.7
Opening balance at 1 May 2017						
Opening balance at 1 May 2017	82.0	90.4	-95.0	5.1	2,168.2	2,250.7
Comprehensive income						
Profit for the year	-	-	-	-	357.8	357.8
Other comprehensive income						
Cash-flow hedging after tax	-	-	-	-9.3	-	-9.3
Exchange-rate differences	-	-	54.3	-	-	54.3
Remeasurement of defined-benefit pension obligations	-	-	-	-	0.0	0.0
Total other comprehensive income	-	-	54.3	-9.3	0.0	45.0
Total comprehensive income	-	-	54.3	-9.3	357.8	402.8
Transactions with shareholders						
Repurchase of own share	-	-	-	-	-20.9	-20.9
Sales of own share	-	-	-	-	26.1	26.1
Employee stock options plan: value of employees' service	-	-	-	-	0.2	0.2
Dividend	-	-	-	-	-395.0	-395.0
Total transactions with shareholders	-	-	-	-	-389.6	-389.6
Closing balance at 30 April 2018	82.0	90.4	-40.6	-4.3	2,136.4	2,263.9

Parent company

Income statement			
MSEK	Note	1 May 2017 –30 Apr 2018	1 May 2016 –30 Apr 2017
	1, 2		
Sales	23	6,444.1	6,384.2
Cost of goods sold	4,5,6	-4,817.6	-4,579.7
Gross profit		1,626.5	1,804.5
Selling expenses	4,5,6	-1,244.9	-1,150.9
Administrative expenses	4,5,6,7	-195.8	-149.1
Other operating income	3	24.3	24.3
Other operating expenses	3	-23.3	-26.1
Operating profit		186.8	502.7
<i>Financial items</i>			
Dividend from subsidiaries		112.7	103.2
Interest income	8	1.3	0.4
Interest expense	8	-2.7	-2.2
Profit after financial items		298.0	604.1
Appropriations	26	12.8	-76.2
Profit before tax		310.8	527.9
Income tax	9	-45.7	-91.7
Profit for the year		265.1	436.3
Proposed dividend per share, SEK	11	6.25	6.25

Comprehensive income, Parent Company			
MSEK		1 May 2017 –30 Apr 2018	1 May 2016 –30 Apr 2017
Profit for the year		265.1	436.3
Other comprehensive income, net after tax:			
Items that can later be reversed in the consolidated income state- ment:			
Profit/loss from hedging of net investments in foreign operations		11.3	2.4
Comprehensive income for the year		276.4	438.7

Cash flow statement			
MSEK		1 May 2017 –30 Apr 2018	1 May 2016 –30 Apr 2017
<i>Operating activities</i>			
Operating profit		186.8	502.7
<i>Adjustment for non-cash item</i>			
– depreciation		151.5	157.5
– loss from sale/disposal of non-current assets		0.9	3.6
– other non-cash items		4.9	5.1
Interest received		1.3	0.4
Interest paid		-2.7	-2.2
Tax paid		-82.9	-105.5
Cash flow from operating activities before changes in working capital		259.6	561.6
<i>Cash flow from changes in working capital</i>			
– accounts receivable		1.7	-0.3
– inventories		-265.6	42.7
– other receivables		-145.1	211.5
– accounts payable		251.0	-23.1
– other current interest-free operating liabilities		74.6	-278.7
Cash flow from operating activities		176.2	513.7
<i>Investing activities</i>			
Investments in intangible assets		-124.0	-105.9
Investments in tangible assets		-54.7	-62.9
Investments in securities held as fixed assets		-224.5	0.0
Sale of equipment		0.1	0.1
Cash flow from investing activities		-403.1	-168.7
<i>Financing activities</i>			
Repurchase of own shares		-20.9	-75.7
Sales of own shares		26.1	19.7
Repayments/Lending from subsidiaries		0.0	-4.7
Dividend from subsidiaries		112.7	103.2
Dividend to shareholders		-395.0	-362.0
Cash flow from financing activities		-277.1	-319.4
Cash flow for the year		-504.0	25.5
Cash and cash equivalents at the start of the year		540.9	515.4
Cash and cash equivalents at the end of the year		36.9	540.9

Parent company

Balance sheet

MSEK	Note	30 Apr 2018	30 Apr 2017
Assets			
Non-current assets	12		
<i>Intangible assets</i>			
IT and software costs		428.2	340.2
Total intangible assets		428.2	340.2
<i>Tangible assets</i>			
Land and buildings		386.8	413.7
Equipment, tools, fixtures and fittings		327.0	361.9
Total tangible assets		713.8	775.6
<i>Financial non-current assets</i>			
Deferred tax assets		4.0	3.1
Receivables, Group companies		165.2	153.9
Securities held as fixed assets	25	224.5	0.0
Participations in Group companies	24	29.3	29.3
Total financial non-current assets		423.0	186.3
Total non-current assets		1,565.0	1,302.1
<i>Current assets</i>			
<i>Inventories</i>			
Merchandise	13	1,327.6	1,062.0
Total inventories		1,327.6	1,062.0
<i>Current receivables</i>			
Accounts receivable	14	18.0	19.7
Tax assets		60.5	23.0
Receivables from Group companies		113.6	72.9
Other receivables		29.0	2.6
Prepaid expenses and accrued income	15	127.4	86.9
Total current receivables		348.5	205.2
Cash and bank balances	27	36.9	540.9
Total current assets		1,713.1	1,808.1
Total assets		3,278.1	3,110.2

Balance sheet

MSEK	Note	30 Apr 2018	30 Apr 2017
Equity and liabilities			
Equity	18		
<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
Development fond		15.8	7.9
Total restricted equity		204.6	196.8
<i>Non-restricted equity</i>			
Fair value fund		-17.5	-28.8
Profit brought forward		433.1	394.3
Profit for the year		265.1	436.3
Total non-restricted equity		680.7	801.7
Total equity		885.3	998.5
Untaxed reserves	28	1,035.7	1,048.5
<i>Provisions</i>			
Other provisions	22	50.7	46.0
Total provisions		50.7	46.0
<i>Non-current liabilities</i>			
Other non-current liabilities		5.0	5.0
Total non-current liabilities		5.0	5.0
<i>Current liabilities</i>			
Accounts payable	20	829.2	578.2
Liabilities to Group companies		126.5	86.0
Other current liabilities		32.8	41.9
Accrued expenses and deferred income	21	312.8	305.9
Total current liabilities		1,301.4	1,012.2
Total equity and liabilities		3,278.1	3,110.2

Parent company

Change in Parent Company equity

MSEK	Share capital	Statutory reserve	Development fund	Total non-restricted equity	Total equity
Opening balance at 1 May 2016	82.0	106.8	–	782.2	971.0
Dividend	–	–	–	-362.0	-362.0
Repurchase own shares	–	–	–	-75.7	-75.7
Sales of own shares	–	–	–	19.7	19.7
Employee stock options plan: value of employees' service	–	–	–	6.7	6.7
Change of development fund	–	–	7.9	-7.9	0.0
Other comprehensive income	–	–	–	438.7	438.7
Closing balance at 30 April 2017	82.0	106.8	7.9	801.7	998.5
Opening balance at 1 May 2017	82.0	106.8	7.9	801.7	998.5
Dividend	–	–	–	-395.0	-395.0
Repurchase own shares	–	–	–	-20.9	-20.9
Sales of own shares	–	–	–	26.1	26.1
Employee stock options plan: value of employees' service	–	–	–	0.2	0.2
Change of development fund	–	–	7.9	-7.9	0.0
Other comprehensive income	–	–	–	276.4	276.4
Closing balance at 30 April 2018	82.0	106.8	15.8	680.7	885.3

Accounting policies and Notes

Amounts are in MSEK 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) and interpretations from IFRS Interpretations Committee (IFRS IC) as approved by the EU. The financial statements were prepared in accordance with the cost method, apart from financial assets and liabilities (including derivative instruments), measured at fair value.

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 9, 13 and 22.

For the Group, the estimates and assumptions made in conjunction with impairment testing of intangible assets not yet utilised were deemed of material significance. This means that if the estimates and assumptions made were to significantly differ from the actual outcome, the effect on the financial statements could be considerable. In connection with the impairment testing of intangible assets, the carrying amount is to be compared with the recoverable amount, which is the highest of the asset's net selling price and value in use. After testing and assessing the value in use, it was deemed that there were no impairment requirements regarding the company's investment in intangible assets not yet utilised.

Securities held as non-current assets are measured at fair value according to level 3 of the fair value hierarchy since they are based on the adjusted value of a transaction on a non-active market.

Restructuring costs include the necessary impairment of assets and other items that do not affect cash flow, as well as estimated costs for redundancies and other direct expenses related to the discontinuation of operations. Restructuring costs are classified as non-recurring items. Cost estimates are based on detailed action plans that are expected to improve the Group's cost structure and productivity. Historical outcomes from similar events in previous action plans are normally used as the basis for the calculations to minimise the uncertainty factor. Reserves for restructuring amounted to 17.7 MSEK (40.5 MSEK) at year-end of which 12.3 MSEK (25.9) was classified as long term.

The following new and amended IFRSs and interpretations came into effect and impacted the Group in the 2017/18 financial year.

New or amended standards and new interpretations did not have any material impact on the Group's 2017/18 financial statements.

New and amended standards that have not yet come into effect

The Group has not yet started to apply the new or amended standards and new interpretations that have been published, but that come into effect for financial years beginning on or after 1 May 2018. The standards and interpretations that are deemed to impact the financial statements for the period in which they are applied for the first time are described below.

Standards	To be applied to financial years beginning after:
IFRS 9 Financial Instruments	1 January 2018 or later
IFRS 15 Revenue from contracts with customers	1 January 2018 or later
IFRS 16 Leases	1 January 2019 or later

IFRS 9 Financial Instruments: Recognition and Measurement. The standard enters force for financial years that begin on 1 January 2018 or later (financial year 2018/2019 for Clas Ohlson) and at that point replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 requires that financial assets be classified into three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. Classification is determined on initial recognition based on the characteristics of the asset and the company's business model. In the case of financial liabilities, there are no major changes compared with IAS 39. The largest change refers to liabilities measured at fair value. For such liabilities, the portion of the change in fair value that is attributable to own credit risk is to be recognised in other comprehensive income instead of profit or loss, unless this were to cause a recognition inconsistency.

The other part refers to hedge accounting. IFRS 9 requires expanded disclosures on risk management and the effect of hedge accounting. The new policies largely entail better conditions for the accounts to provide a fairer view of the company's management of financial risks.

Finally, new policies were introduced for the impairment of financial assets, based on an expected loss impairment model. One of the purposes of this new model is to allow for provisions for credit losses at an earlier stage. The Group will start to apply IFRS 9 in the financial year beginning on 1 May 2018. The Group will not restate comparative figures for the 2017/18 financial year in accordance with the standard's transitional rules.

Discussions on the classification and measurement of the Group's financial instruments were held during the year. Following this work, it was established that the new rules for classification and measurement will not have a material impact on the Group's financial position on the transition date, since the rules will not entail any change to the measurement of the financial instruments in the consolidated balance sheet on that date.

IFRS 15 Revenue from Contracts with Customers, the new revenue standard, enters force on 1 January 2018 or later, and where Clas Ohlson is concerned replaces both IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. The majority – approximately 96 per cent – of all Clas Ohlson's sales are store sales. Under the new standard, Clas Ohlson's income will be recognised at the time when control of the goods passes to the buyer compared with previously when income was recognised when material risks and benefits were transferred to the buyer. The transition has no effect on the date of Clas Ohlson's income recognition since the date for when control of the goods passes to the customers is the same as the date that Clas Ohlson recognised income under IAS 18. Variable payments attributable to store sales, such as discounts and price reductions, are not impacted by the introduction of the new standard. Regarding the remaining 4 per cent of revenue relating to online shopping, the introduction of the new standard will not impact recognition of revenue concerning these portions. Work is under way on the design of future disclosures in accordance with IFRS 15.

IFRS 16 Leases, the new lease standard entering force on 1 January 2019 or later, with 2018/19 as the comparison year, will impact Clas Ohlson. The new standard differs materially from the current IAS 17. It applies to all leases, as well as to subletting. A linear operating cost is replaced with a "front-heavy" cost profile for each individual lease. Portfolios with a spread of maturities are impacted less. One project has been established and an analysis of how the reports will be impacted, in terms of amounts, will continue through 2018 and going forward. The transition method has not yet been selected.

Other new or amended standards and new interpretations, that have not yet come into effect, are not expected to have any material impact on the consolidated financial statements on initial application.

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 Group controls a company when it is exposed to or is entitled to variable return from its holdings in the company and has the opportunity to impact the return through its influence in the company.

The purchase method has been applied in preparing the consolidated financial statements. Inter-Group transactions, balance-sheet items, as well as unrealised gains and losses on transactions between Group companies are eliminated. Whenever appropriate, the accounting policies have been amended to guarantee consistent application of the Group's policies.

The consolidated financial statements include the wholly owned subsidiaries Clas Ohlson AS, Clas Ohlson Oy, Clas Ohlson Ltd (UK), Clas Ohlson GmbH and Clas Ohlson Ltd (Shanghai).

Segment accounting

Clas Ohlson has the following segments: Sweden, Norway, Finland and Outside Nordic countries 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.

Translation of foreign currencies

a) Functional currency and reporting currency

Items included in the financial statements for the various units in the Group are measured in the currency used in the financial environment where each company is most active (functional currency). The consolidated financial statements use Swedish kronor (SEK), which is the reporting currency for the Group. All sums, unless otherwise stated, are rounded to the nearest million Swedish kronor plus one decimal point.

b) Transactions in foreign currency

Transactions in foreign currencies are translated to the functional currency at the exchange rates that apply 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 balance-sheet date are recognised in profit or loss. An exception is when transactions represent hedging that fulfils the conditions for hedge accounting of cash flows, in which case gains/losses are recognised in other comprehensive income. For derivatives, refer to the section on financial instruments.

c) Group companies

Results and financial position for all Group companies, translated to the Group's reporting currency as follows:

- assets and liabilities for each of the balance sheets translated to the rate on the balance-sheet date;
- income and expenses for each of the income statements translated to the average currency rate and
- all exchange-rate differences that arise are recognised in other comprehensive income.

Non-current assets

Non-current assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and expenses directly attributable to the asset in order to bring it into the position and condition necessary for it to be utilised in accordance with the purpose of the acquisition. Depreciation is based on the cost and estimated useful life of the assets. Straight-line depreciation is used for all 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	5-10 years
Equipment, tools, fixtures and fittings	5-15 years
Buildings	20-33 years
Land improvements	20 years
Leasehold improvements	10 years

New acquisitions and replacements are capitalised, while maintenance and repair costs are expensed. The assets' residual value and useful life are tested at the end of each reporting period and adjusted as needed. An asset's carrying amount is immediately impaired to its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount. 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.

Intangible assets

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 expenses are not recognised as an asset in subsequent periods.

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

Impairment of non-financial assets

Intangible assets with an indeterminable useful life or intangible assets not ready for use, are not impaired but are tested annually for any impairment requirements. 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 amount. The recoverable amount 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). For assets that have been previously impaired, testing is conducted on each balance-sheet date on whether reversal should be done.

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.

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 profit or loss.

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 profit or loss.

Accumulated gains and losses in equity are recognised in profit or loss when non-Swedish operations are partly or totally divested.

Securities held as non-current assets

Investments in participations in other types of companies than Group companies, joint ventures and associated companies are recognised as securities held as non-current assets. These are measured at fair value. Changes in value are recognised in other comprehensive income. When assets available for sale are divested, the accumulated profits or losses are transferred to profit or loss.

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

Accounts receivables are initially measured 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.

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.

Accounts payable

Accounts payable are the obligation to pay for products or services that were acquired in the operating activities from suppliers. Accounts payable are classified as current liabilities if they fall due within one year or earlier. If not, they are recognised as non-current liabilities.

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

Borrowing

Borrowing is initially measured at fair value, net after transaction expenses. Borrowing is thereafter recognised at amortised cost and any difference between the amount received (net after transaction expenses) 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 expenses 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 defer payment of the debt for at least 12 months after the balance-sheet date.

Loan expenses

General and specific loan expenses that are directly attributable to purchasing or what is known as qualified assets, which are assets that necessarily take a significant amount of time to complete for intended use or sale are recognised as part of the cost of these assets. Capitalisation ceases when all activities required to complete the asset for its intended use or sale have been completed. There are currently no qualified assets. Other loan expenses are charged to profit during the period they arise.

Current and deferred income tax

Tax expenses for the period include current and deferred tax. Tax is recognised in the profit or loss except when the tax pertains to items recognised in other comprehensive income or directly in equity. In such cases, the tax is also recognised in other comprehensive income and equity.

The current tax expense is calculated based on the tax regulations established or established in practice on the balance-sheet date in the countries in which the Parent Company and its subsidiaries are active and generate taxable income. Management regularly evaluates the statements made in the income tax return pertaining to situations where applicable tax rules are subject to interpretation. When deemed suitable, management makes provisions for amounts that will probably be paid to the tax authority.

Deferred tax is recognised for all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax assets are recognised to the extent it is probable that future taxable surplus will be available, against which the temporary differences can be utilised.

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.

Employee benefits

Group companies have different plans for remuneration after retirement, including defined-benefit and defined-contribution pension plans.

a) Pension obligations

A defined-contribution pension plan is a pension plan according to which the Group pays set amounts to a separate legal entity. The Group has no legal or informal obligations to pay additional amounts if this legal entity does not have sufficient assets to pay all remuneration to employees corresponding to the employees' service during the current or previous periods. A defined-benefit pension plan is a pension plan that is not a defined-contribution plan.

A typical defined-benefit plan stipulates the amount of the pension benefit an employee will receive after retirement, usually based on one or more factors such as age, service period and salary.

In the Parent Company, there are both defined-contribution and defined-benefit pension plans. However, in accordance with statement UFR 10, the defined-benefit ITP pension plan (Alecta) is treated as a defined-contribution pension plan. Defined-benefit pension plans are available in the Norwegian subsidiary.

Regarding defined-benefit pension plans, the cost of the pension benefit

is determined based on actuarial calculations according to the so-called Projected Unit Credit Method. Revaluations, including actuarial gains and losses, effects of changes in the asset ceiling and the return on the plan assets (excluding the interest components that is recognised in profit or loss) are recognised directly in the balance sheet with income or cost corresponding to the change for the period in the statement of other comprehensive income in the period in which they arise. Revaluations recognised in other comprehensive income affect profit brought forward and are not reclassified to the income statement. Service costs from prior periods are recognised in profit or loss in the period in which the plan is changed. Net interest is calculated by applying the discount rate at the start of the period to the defined-benefit net liability or asset. The defined-benefit costs are divided into the following categories:

- service costs (including service costs for the current period, service costs in prior periods and gains and losses pertaining to reductions and/or regulations)
- net interest expense or net interest income
- revaluations

The first two categories are recognised in profit or loss as personnel costs (service costs) and net financial items (net interest expense). Gains and losses related to reductions and regulations are recognised as service costs from prior periods. Revaluations are recognised in other comprehensive income.

The defined-benefit pension obligation is recognised in the balance sheet corresponding to current surplus or deficit related to the Group's defined-benefit obligations. Any surplus is recognised only to the extent that it corresponds to the present value of future repayments from the respective pension plan or future reductions in premium payments to the plan.

b) Remuneration in the event of termination of employment

Remuneration in the event of termination of employment is paid when an employee's employment is terminated by the Group before the normal pension date or when the employee accepts voluntary redundancy in exchange for such remuneration. The Group recognises redundancy remuneration when the Group no longer has the opportunity to withdraw the offer of remuneration. In cases where the company has issued an offer to encourage voluntary redundancy, redundancy remuneration is calculated based on the number of employees expected to accept the offer. Benefits that mature more than 12 months after the end of the reporting period are discounted to the present value.

Share-based payments

The Group has a number of share-based remuneration plans that are settled with shares and whereby the company receives services from the employees in return for the Group's equity instruments (matching shares and options). The fair value of the service period that entitles employees to allocation of matching shares and options is expensed. The total amount to be expensed is based on the fair value of the allocated matching shares and options:

- including all market-related conditions (e.g. target share price)
- excluding e.g. profitability, target for sales increases and that the employee remains with the company for a stipulated period and,
- including the impact of the conditions that do not constitute vesting conditions (e.g. requirement that employees must save or retain the shares for a stipulated period).

At the end of each reporting period, the Group re-examines its assessments of the number of shares that are expected to be vested based on the non-market-based vesting conditions and service conditions. Any possible deviation to the original assessments resulting from the reappraisal will be recognised in profit or loss and the corresponding adjustments made in equity.

The social security contributions arising from the allocation of options will be regarded as an integral part of the allocation and the expense will be treated as a cash-regulated share-based remuneration.

Provisions

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

event that has occurred and it is likely that an outflow of resources will be required to discharge the commitment and a reliable estimate can be made of the amount. Provisions are made for open buy, unredeemed gift cards, estimated future guarantee commitments, bonus points to club members as well as for restructuring of the store network in the UK, which is described in more detail in recognition of income. For further information see note 22.

Income

The Group's income is generated through the sale of products to consumers in accordance with the terms of sale. Sale income is recognised net less VAT, returns, reservations for open buy and discounts. A combined experience is used to assess and reserve for returns and open purchase at the time of sale income is recognised at the time of sales/delivery to the customer, when material risks and benefits associated with ownership of the goods have been transferred to the purchaser.

Clas Ohlson's customers can choose to become a member of the Club Clas loyalty program. Sales 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 cheques as payment in the future. All issued bonus cheques are not redeemed which is why each sale in the loyalty program is reduced by the fair amount with respect to future redemption of bonus cheques, considering the current degree of redemption. Consideration is also taken to the member's probable redemption of bonus cheques in the future. Earnings are recognised through a reduction in sales during the earnings period with a corresponding provision in the balance sheet.

Interest income pertains to interest on bank balances. Income is recognised in the period to which the interest pertains.

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 Insnjön, 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 the consolidated income statement as an operating expense straight line over the leasing period. In cases in which the Group is the lessor, income is recognised as a sale in the period to which the leasing pertains. Depreciation is recognised in operating profit.

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.

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 Reporting Board. 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 taking into account the connection between accounting and taxation. The recommendation specifies the exceptions from and additions to IFRS that are to be made. 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 financial reports are rounded to the nearest million Swedish kronor plus one decimal point. The accounting policies for the Parent Company have been consistently applied to all periods presented in the Parent Company's financial statements.

Amendments to accounting principles RFR 2

Amendments to RFR 2 did not have any material impact on the Parent Company's financial statements for the financial year 2017/18.

Amendments to RFR 2 that have not yet come into effect

Senior management does not expect other amendments to RFR 2 that have not yet come into effect to have any material impact on the Parent Company's financial statements on initial application.

Classification and format

The income statement and balance sheet follow the format of the Annual Accounts Act. This means certain differences compared with the consolidated financial statements, for example, items in the balance sheet are more specified and sub-items have different names in equity.

Tax

The amounts reserved as untaxed reserves are taxable temporary differences. Due to the connection between recognition and taxation, the deferred tax liabilities attributable to the untaxed reserves are not recognised in legal entities. According to Swedish practice, the amendments in untaxed reserves are recognised in the income statement in individual companies under the heading "Appropriations." In the balance sheet, the accumulated value of the reserves is recognised under the heading "Untaxed reserves," whereby 22 per cent can be regarded as deferred tax liability and 78 per cent as restricted equity.

Other

The financial reports are stated in MSEK with one decimal point, unless otherwise stipulated. Rounding off can result in certain tables not adding up.

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 capital 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 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. For more information, refer to pages 74-77 of the Annual Report.

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.

About 50 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 krona (NOK) are very significant to the Group, because about 40 per cent of sales take place in Norway. Net exposure to EUR is low, because the company has EUR-denominated sales due to its expansion on the Finnish and German market. The table below shows how profit is affected by changes in the principal currencies (excluding hedging).

Hedging will take place on a monthly basis with maturities of six months for half of the expected flow in Norwegian kronor (NOK) and US dollars (USD).

Currency effects excluding hedging:

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 88
USD	+/- 5	-/+ 69
HKD	+/- 5	-/+ 4
EUR	+/- 5	+/- 3
GBP	+/- 5	+/- 3

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 risks

Refinancing and liquidity risk pertain to the risk that Clas Ohlson is unable to receive 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. See also Note 27.

Interest-rate risk

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

Price risk

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. Total credit risk is not deemed to exceed the carrying amounts of the Group's financial instruments.

Cash and cash equivalents are invested in various bank accounts, mainly at Nordea and its international branches in Norway, Finland and the UK. Credit risk is considered insignificant. The total liquidity risk comprises cash and cash equivalents and unutilised overdraft facilities.

Capital risk

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 54 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 ratios such as the relationship between net indebtedness and equity.

Note 3 Other operating income and operating expenses

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Other operating income				
Rental income	24.2	24.2	24.2	24.2
Profit on sale or disposal of tangible assets	0.1	0.1	0.1	0.1
Other operating income	0.0	0.2	0.0	0.0
Total	24.3	24.5	24.3	24.3
Other operating expenses				
Leasing expenses	-22.5	-22.5	-22.5	-22.5
Loss on sale or disposal of tangible assets	-0.8	-5.4	-0.8	-3.6
Total	-23.3	-27.9	-23.3	-26.1

Note 4 Depreciation

Group	2017/18	2016/17
Depreciation broken down by type of asset		
Intangible assets ¹	35.9	34.7
Land and buildings	29.5	29.8
Equipment, tools, fixtures and fittings	160.1	165.6
Total	225.6	230.0
Depreciation broken down by function		
Cost of goods sold	76.2	78.4
Selling expenses	141.6	145.2
Administrative expenses	7.8	6.5
Total	225.6	230.0
Parent Company		
Depreciation by type of asset		
Intangible assets ¹	35.9	34.7
Land and buildings	29.5	29.4
Equipment, tools, fixtures and fittings	86.0	93.4
Total	151.5	157.5
Depreciation by function		
Cost of goods sold	76.2	78.4
Selling expenses	67.4	72.7
Administrative expenses	7.8	6.5
Total	151.5	157.5

¹ Depreciation of intangible assets is recognised as selling expenses.

Note 5 Expenses 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 1,813.1 MSEK (1,743.4) in the Group and 1,080.7 MSEK (1,049.4) in the Parent Company.

Depreciation during the financial year totalled 225.6 MSEK (230.0) in the Group and 151.5 MSEK (157.5) in the Parent Company.

Note 6 Expenses for employee benefits

	2017/18	2016/17
Salaries and other remuneration		
Parent Company	776.5	751.2
Subsidiaries	627.5	592.0
Group total	1,404.0	1,343.2

	2017/18		2016/17	
	Social security expenses	of which, pension expenses	Social security expenses	of which, pension expenses
Social security expenses				
Parent Company	304.2	59.2	298.2	54.9
Subsidiaries	104.9	35.8	102.0	29.3
Group total	409.1	95.0	400.2	84.2

Of the Parent Company's pension expenses, 2.5 MSEK (2.8) pertained to the group consisting of the Board, CEO and Deputy CEO. Of the subsidiaries' pension expenses, 0.3 MSEK (0.8) pertained to presidents of subsidiaries.

In the Group, expenses for defined-contribution pensions amounted to 82.7 MSEK (72.5) and defined-benefit pensions to 0.0 MSEK (0.0).

The Parent Company only has defined-contribution pension plans (including Alecta) for which the year's expenses was 47.0 MSEK (43.2).

In the Parent Company, the year's expenses for special employer's contribution on pension premiums was 12.3 MSEK (11.7). For more information on the defined-benefit pension plans in the Group, refer to Note 19.

Remuneration of Board members, presidents and other senior management

	2017/18	2016/17
<i>Parent Company</i>		
Salaries and other remuneration	28.9	29.3
– of which, variable remuneration	1.2	6.2
Pension expenses	5.1	4.9
Number of individuals in Group ¹	18	14

	2017/18	2016/17
<i>Group</i>		
Salaries and other remuneration	35.6	37.3
– of which, variable remuneration	1.8	8.2
Pension expenses	5.5	5.7
Number of individuals in Group ¹	22	18

¹ The composition of the Senior Management changed from 7 members to 12 members 13 September 2017.

Board remuneration

Fees are paid to the members of the Board according to AGM resolutions. Board members who are employed in the company do not receive director fees. No pensions or other incentive programs are paid to the company's Board.

No director fees were paid in the subsidiaries.

	2017/18		2016/17	
	Director fees	Committee fees	Director fees	Committee fees
<i>Board of Directors</i>				
Kenneth Bengtsson, Chairman	0.64	0.12	0.64	0.12
Cecilia Marlow, member	0.32	0.14	0.32	0.14
Göran Sundström, member	0.32	0.08	0.32	0.06
Mathias Haid, member	0.32	0.06	0.32	0.06
Ros-Marie Grusén, member	0.32	0.00	0.32	0.00
Göran Näsholm, member	0.32	0.06	0.32	0.06
Charlotte Strömberg, member	0.32	0.08	0.00	0.00
Anne Thorstvedt Sjöberg, member	0.32	0.00	0.00	0.00
Sanna Suvanto-Harsaae, member	0.00	0.00	0.32	0.06
Board total	2.88	0.54	2.56	0.51

At the 2017 Annual General Meeting, Charlotte Strömberg and Anne Thorstvedt Sjöberg was elected to the Board after Sanna Suvanto-Harsaae declined re-election.

Gender distribution on the Board among the members elected by the AGM in the past financial year was four men and four women. In percentage terms, the distribution is 50.0 per cent men and 50.0 per cent women.

Remuneration of Senior Management

Remuneration paid to the CEO and other members of senior management is made up of basic salary, variable remuneration and pension contributions. Eleven individuals, together with the CEO, comprise senior management during the financial year.

For the composition of senior management at 30 April 2018, see page 90-91.

	2017/18				2016/17			
	Basic salary	Vari. remu. STI	Bene- LTI ¹	fits	Basic salary	Vari. remu. STI	Bene- LTI ¹	fits
<i>Salaries paid to senior management</i>								
Lotta Lyrå, CEO ²	4.9	0.2	0.7	0.3	0.0	0.0	0.0	0.0
Klas Balkow, CEO ³	0.0	0.0	0.0	0.0	6.8	1.3	0.0	0.2
Peter Jelkeby Acting CEO ⁴	6.0	0.1	-0.7	0.1	1.4	0.3	0.2	0.0
Peter Jelkeby Deputy CEO ⁴	0.0	0.0	0.0	0.0	2.1	0.6	0.3	0.1
Other senior management (11 individuals, of whom 5 individuals in 2016/17) ⁵	14.0	1.2 ⁶	-0.2	0.5	9.0	1.9	1.6	0.4
Management total	24.8	1.5	-0.2	0.8	19.3	4.2	2.1	0.7

¹ LTI (Long term incentive program) pertains to a reported cost/cost reduction for, LTI 2015, LTI 2016 and LTI 2017. See description below of STI (Short term incentive program) and LTI.

² Lotta Lyrå took office as CEO 2017-08-01.

³ Klas Balkow was CEO until 2016-12-31.

⁴ Deputy CEO Peter Jelkeby held the role of Acting President and CEO between 2017-01-01 - 2017-07-31 and was deputy CEO between 2016-05-01 - 2016-12-31.

⁵ The composition of the Senior Management changed from 7 members to 12 members 13 September 2017.

⁶ The amount includes remuneration of 0.9 MSEK that refers to salaries approved by the Board and is a deviation from the guidelines on remuneration of senior executives approved by the 2017 AGM. Refer also to the description on page 84.

	2017/18		2016/17	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
<i>Pension expenses for senior management</i>				
Lotta Lyrå, CEO ¹		1.7	0.0	0.0
Klas Balkow, CEO ²		0.0	0.0	2.1
Peter Jelkeby Acting CEO ³		0.7	0.0	0.2
Peter Jelkeby Deputy CEO ³		0.0	0.0	0.5
Other senior management (11 individuals, of whom 5 individuals in 2016/17) ⁴		2.7	0.0	2.1
Management total		5.2	0.0	4.9

¹ Lotta Lyrå took office as CEO 2017-08-01.

² Klas Balkow was CEO until 2016-12-31.

³ Deputy CEO Peter Jelkeby held the role of Acting President and CEO between 2017-01-01 - 2017-07-31 and was deputy CEO between 2016-05-01 - 2016-12-31.

⁴ The composition of the Senior Management changed from 7 members to 12 members 13 September 2017.

Under the contract of employment with the acting CEO, the mutual period of notice is six months. Six 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.

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

Salaries and other remuneration for other Senior Management are decided by the CEO, 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 between 65 and 67.

The gender distribution during the financial year among Senior Management of the Parent Company, is three women and seven men. In percentage terms, the distribution is thus 70,0 per cent male and 30,0 per cent female. The distribution in the preceding year was five men and two women. The gender distribution during the financial year among Senior Management of the Group, is four women and eight men. In percentage terms, the distribution is thus 66.7 per cent male and 33.3 per cent female. The distribution in the preceding year was five men and two women.

Further information on decision-making processes in the Group is presented on pages 79-87.

Remuneration principles

The general principles of remuneration for senior executives 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 executives 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 multi-year performance, 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 meets or exceeds its objectives, is to be in the upper quartile of the market.

Basic salary

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

Variable remuneration (Short Term Incentive, STI)

In addition to basic salary, senior executives are to qualify for STI for performance that exceeds 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 to be 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 held 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 is able to reclaim such remuneration that was paid due to information that later turned out to be obviously erroneous.

Long-term incentive programs (Long Term Incentive, LTI)

The aim of LTI programs is to create the prerequisites for retaining and re-recruiting competent employees to the Group. The programs 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 programs that entitle employees to acquire shares are subject to AGM approval. The qualification period for LTI 2015, LTI 2016 and LTI 2017 were in effect during the financial year. The qualification period for LTI 2015 was concluded after the close of the financial year and LTI 2018 was launched. All long-term incentive programs are share matching and profit-based employee stock option plans.

All ongoing long-term incentive programs have been approved by an Annual General Meeting. The current program covers up to 100 senior executives and other individuals deemed to be able to influence Clas Ohlson's development in the long-term.

All participants up to and including LTI 2014 acquired 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 after the end of the qualification period, the company will issue matching shares to the employee.

The employee may also be allotted profit-based employee stock options, see the description below.

The programs from LTI 2015 have been changed by dividing the participants into two groups:

1. senior management comprising senior management including the CEO, Group Management and country managers elected by the Board or corresponding positions, regarded as having considerable potential in their present position to influence Clas Ohlson AB's long-term development (Senior Management).

2. other employees who could develop into members of Senior Management or assume other key positions within the Group and thus influence Clas Ohlson AB's long-term development (Key Individuals).

For senior management, the program is unchanged compared with earlier programs, see the description above. For Key Individuals, LTI 2015, LTI 2016 and LTI 2017 entails that participants receive an allocation of conditional performance-based employee stock options free of charge. The number of allocated employee stock options is based on the calculated number of shares, which, at the prevailing market price at the start of the program, corresponds to a value of a minimum of 5 per cent and a maximum of 10 per cent of the Key Individual's annual basic salary.

Employee stock options are allocated free of charge and each stock option entitles the holder to acquire one series B Clas Ohlson share. Up to and including LTI 2014, the price per share when the option was exercised was 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 Stockholm established for each day during a period of 10 trading days prior to the acquisition period. For subsequent LTI plans, the figure is 100 per cent. The exercise price for LTI 2015, LTI 2016 and LTI 2017 has been set at 144.80 SEK, 161.00 SEK and 148.30 SEK, respectively. 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 by participants of LTI programs up to and including LTI 2014 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.

For Key Individuals under LTI 2016 and LTI 2017, the number of employee stock options that may be exercised depends on the number of shares as corresponded by the Key Individual's salary at the start of the program (a minimum of 5 per cent and a maximum of 10 per cent).

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: 5 options per acquired/calculated series B share
- Target: 10 options per acquired/calculated series B share
- Stretch: 15 options per acquired/calculated series B share

In addition to the levels described above, there is a "Max" level. This level is conditional upon the existence of a specific situation and a single member of Senior Management fulfilling the exceptional tasks resolved by the Board. The level corresponds to a maximum of 25 options per acquired series B share.

Accordingly, the total number of employee stock options that may be exercised by each participant is limited to 15 options (25 options for exceptional tasks).

It was not possible to exercise any of the options for LTI 2015, LTI 2016 or LTI 2017 on 30 April 2018. 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 for LTI 2015, 10 options per share for LTI 2016 and 10 options per share for LTI 2017.

The total outcome for all ongoing LTI programs during the financial year was a cost reduction of 8.9 MSEK, including social security contributions. Last year the corresponding figure was a total cost of 10.0 MSEK.

In accordance with the below, LTI 2016 and LTI 2017 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 tables below).

Extent of LTI 2016 and LTI 2017 at target level¹

Participants	LTI 2016		Target value MSEK ³
	Matching shares No. of series B-shares ²	No. of employee stock options ²	
CEO and President	0	0	0.0
Other members of Senior Management	3,825	38,250	1.4
Other participants	887	171,790	4.0
Total	4,712	210,040	5.4

Participants	LTI 2017		Target value MSEK ³
	Matching shares No. of series B-shares ²	No. of employee stock options ²	
CEO and President	4,352	43,520	1.3
Other members of Senior Management	6,036	60,360	1.9
Other participants	1,528	191,150	3.6
Total	11,916	295,030	6.7

¹ Initially, at the start of the program, the participants acquired 14,528 and 17,859 shares under the frameworks of the LTI 2016 and LTI 2017 respectively.

² The number of shares and employee stock options may be recalculated due to decisions concerning a possible new share issue or split.

³ The target value of the plan is calculated based on the fair value on the date of allotment. The share value on the date of allotment was 142.76 SEK (LTI 2016)/ 130.72 SEK (LTI 2017) and the fair value of the option was 22.51/17.58 SEK. To calculate the fair value of the options, the binominal model for option valuation was used. Valuation has been conducted using an initial share price of 160.76/149.47 SEK, an exercise price of 161.00/148.30 SEK, an expected dividend per share annually, an anticipated lifetime for the options of five years, an interest rate of -0.07 per cent /-0.08 per cent, a volatility of 25.38 per cent /23.03 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.

Share awards

The table below outlines the number of granted, forfeited and exercised share awards during this and previous financial year:

Share awards	2017/18			
	LTI 2017	LTI 2016	LTI 2015	LTI 2014
At 1 May		10,831	11,939	24,115
Granted	17,859			
Forfeited	-5,943	-6,119	-2,280	
Exercised				-24,115
At 30 April	11,916	4,712	9,659	0

Share awards	2016/17			
	LTI 2016	LTI 2015	LTI 2014	LTI 2013
At 1 May		16,256	30,526	40,569
Granted	14,528			
Forfeited	-3,697	-4,317	-6,411	
Exercised				-40,569
At 30 April	10,831	11,939	24,115	0

Number of options to exercise

Participants	Number of options to exercise		
	LTI 2014	LTI 2013	LTI 2012
Acting CEO and President ¹	21,233	20,000	0
Other members of Group Management	74,292	49,820	8,217
Other participants	149,616	223,342	28,896
Total	245,141	293,162	37,113

¹ Refers to former acting President and CEO Peter Jelkeby

LTI 2015 result

The qualification and performance periods for LTI 2015 were valid from 1 May 2015 until 30 April 2018. A total of 9,659 shares were allotted on 2 May, after the end 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 2015 to 2018 were not achieved, which resulted in no options being allotted to participants and the LTI 2015 was thus concluded. Participants of LTI 2014, LTI 2013 and LTI 2012 were already entitled to exercise 10.9, 15 and 9 options respectively, per purchased share at an exercise price of 153.60 SEK, 94.30 and 109.10 SEK SEK, respectively.

The table below outlines the number of awarded matching share and options for LTI 2015.

Participants	Share awards LTI 2015	
	Matching share	Options
Acting President and CEO ¹	1,966	0
Other members of Group Management	5,792	0
Other participants	1,901	0
Total	9,659	0

¹ Refers to former acting President and CEO Peter Jelkeby

Share repurchase for LTI programs

During 2015, 2016 and 2017, Clas Ohlson repurchased series B Clas Ohlson shares to fulfil the company's long-term obligations under the incentive programmes. Repurchased shares will be allotted, sold to participants or to correspond to social security expenses.

Pensions and other benefits

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

Note 7 Remuneration to auditors

Deloitte AB	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Remuneration for audit engagement	2.0	2.0	1.3	1.1
Remuneration for audit related services	0.2	0.1	0.1	0.0
Tax consultations	0.1	0.3	0.1	0.3
Other	0.5	0.1	0.5	0.0
Total	2.8	2.5	2.0	1.4

Note 8 Financial income and expenses

Financial income is distributed as follows:

Group	2017/18	2016/17
Interest income	0.7	0.7
Group total	0.7	0.7
Parent Company	2017/18	2016/17
Interest income	0.7	0.4
Interest income, subsidiaries	0.6	0.0
Parent Company total	1.3	0.4

Financial expenses are distributed as follows:

Group	2017/18	2016/17
Financial expenses	-1.9	-1.6
Group total	-1.9	-1.6
Parent Company	2017/18	2016/17
Interest expense	-1.7	-1.6
Interest expense, subsidiaries	-1.1	-0.6
Parent Company total	-2.7	-2.2

Note 9 Income tax

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Tax on profit for the year				
Income tax on profit for the year	-88.6	-130.5	-46.6	-91.1
	-88.6	-130.5	-46.6	-91.1
Deferred tax				
Deferred tax pertaining to temporary differences	-20.7	0.3	0.9	-0.5
	-20.7	0.3	0.9	-0.5
Total recognised tax expense	-109.3	-130.2	-45.7	-91.7
Reconciliation of applicable tax rate and effective rate				
Recognised profit before tax	467.1	608.9	310.8	527.9
Expected tax expense according to the Swedish tax rate 22%	-102.8	-134.0	-68.4	-116.1
Tax effect of:				
Differences in foreign tax rates	-0.1	-1.6	0.0	0.0
Non-deductible/non-recognised	-4.1	4.6	-0.3	3.0
Adjustment earlier taxation	-1.9	2.1	-1.9	-0.6
Tax-free dividend subsidiaries	0.0	0.0	24.8	22.7
Other	-0.5	-1.3	0.0	-0.6
Recognised tax expense	-109.3	-130.2	-45.7	-91.7
Effective tax rate, %	23.4	21.4	14.7	17.4
Deferred tax items recognised directly in equity	2.6	-6.1	0.0	0.0
Deferred tax assets	13.4	17.0	4.0	3.1
Deferred tax liabilities	-210.1	-195.8	0.0	0.0

	Amount at start of year	Recognised in profit or loss	Recognised in comprehensive income	Exchange rate differences	Amount at the end of year
Group 2017/18					

Change in deferred tax in temporary differences during the year

Inter-company profit in inventories	31.2	-19.2	0.0	0.0	12.0
Accruals and deferrals	8.8	-1.6	0.0	0.0	7.3
Pensions	2.3	1.0	0.0	0.2	3.4
Accelerated depreciation	-72.4	-10.3	0.0	0.0	-82.6
Tax allocation reserves	-147.8	9.7	0.0	0.0	-138.2
Hedging reserves	-1.4	0.0	2.6	0.0	1.2
Other	0.4	-0.2	0.0	0.0	0.2
Total	-178.9	-20.7	2.6	0.2	-196.7

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

Group 2016/17	Amount at start of year	Recognised in profit or loss	Recognised in comprehensive income	Exchange rate differences	Amount at the end of year
Change in deferred tax in temporary differences during the year					
Inter-company profit in inventories	12.2	19.0	0.0	0.0	31.2
Accruals and deferrals	10.0	-1.2	0.0	0.0	8.8
Pension	3.3	-1.2	0.0	0.2	2.3
Accelerated depreciation	-71.1	-1.3	0.0	0.0	-72.4
Tax allocation reserves	-132.9	-15.0	0.0	0.0	-147.8
Hedging reserves	4.7	0.0	-6.1	0.0	-1.4
Other	0.4	0.0	0.0	0.0	0.4
Total	-173.3	0.4	-6.1	0.2	-178.9

Note 10 Earnings per share*

	2017/18	2016/17
Earnings per share before dilution		
Profit for the year	357.8	478.7
Average number of shares before dilution	63.2	63.1
Earnings per share before dilution	5.66	7.59
Earnings per share after dilution		
Profit for the year	357.8	478.7
Average number of shares before dilution	63.2	63.1
Adjusted for:		
- share savings program	0.1	0.2
Average number of shares after dilution	63.3	63.3
Earnings per share after dilution	5.65	7.57

*number of shares are express in millions of share.

Earnings per share before and after dilution

The calculation of earnings per share has been based on profit for the year attributable to the Parent Company's shareholders, totalling 357.8 MSEK (478.7) and on a average number of shares outstanding before and after dilution during both 2017/18 and 2016/17.

Options pertaining to LTI 2014, LTI 2015, LTI 2016 and LTI 2017 are not included in the calculation of earnings per share after dilution as they did not generate any dilution effect during the reported periods.

Note 11 Dividend per share

The dividends paid in 2017/18 and 2016/17 totalled 395.0 MSEK (6.25 SEK per share) and 362.0 MSEK (5.75 SEK per share). A dividend pertaining to 2017/18 of 6.25 SEK per share, totalling 410.0 MSEK, will be proposed at the Annual General Meeting to be held on 8 September 2018. The proposed dividend has not been recognised as a liability in these financial statements.

Note 12 Non-current assets

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Intangible assets				
Capitalised IT and software costs				
Opening cost	472.3	368.0	472.3	368.0
Acquisitions for the year	124.0	105.9	124.0	105.9
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	-0.2	-1.7	-0.2	-1.7
Closing accumulated cost	596.1	472.3	596.1	472.3
Opening depreciation	-132.1	-97.4	-132.1	-97.4
Depreciation for the year	-35.9	-34.7	-35.9	-34.7
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	0.1	0.0	0.1	0.0
Closing accumulated depreciation	-167.8	-132.1	-167.8	-132.1
Closing residual value according to plan	428.2	340.2	428.2	340.2

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Tangible assets				
Land and buildings				
Opening cost	755.0	758.2	752.2	755.8
Acquisitions for the year	2.6	0.6	2.6	0.3
Reclassifications	-2.9	0.0	0.0	0.0
Sales and disposals	0.0	-3.9	0.0	-3.9
Translation differences	0.1	0.1	0.0	0.0
Closing accumulated cost	754.8	755.0	754.8	752.2
Opening depreciation	-340.7	-313.8	-338.5	-312.2
Reclassifications	2.2	0.0	0.0	0.0
Sales and disposals	0.0	3.1	0.0	3.1
Depreciation for the year	-29.5	-29.8	-29.5	-29.4
Translation differences	0.0	-0.1	0.0	0.0
Closing accumulated depreciation	-368.1	-340.7	-368.1	-338.5
Closing residual value according to plan	386.8	414.4	386.8	413.7
Carrying amount, land	6.5	6.5	6.5	6.5

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Equipment, tools, fixtures and fittings				
Opening cost	1789.8	1,780.2	1052.0	1,044.2
Acquisitions for the year	146.2	157.0	52.0	62.6
Reclassifications	2.9	0.0	0.0	0.0
Sales and disposals	-15.6	-163.8	-9.9	-54.8
Translation differences	51.3	16.3	0.0	0.0
Closing accumulated cost	1,974.6	1,789.8	1,094.1	1,052.0
Opening depreciation	-1,139.8	-1,097.4	-690.2	-650.4
Depreciation for the year	-160.2	-165.5	-86.0	-93.4
Reclassifications	-2.2	0.0	0.0	0.0
Sales and disposals	14.2	128.9	9.1	53.6
Translation differences	-32.0	-5.9	0.0	0.0
Closing accumulated depreciation	-1,320.0	-1,139.8	-767.1	-690.2
Closing residual value according to plan	654.6	649.9	327.0	361.9

	Parent Company	
	2017/18	2016/17
Financial non-current assets		
Opening cost	186.3	179.8
Increase/decrease in non-current receivables	12.2	6.5
Closing accumulated cost	198.5	186.3

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Securities held as fixed assets, valued at fair value*				
Securities held as fixed assets, valued at fair value at the beginning of the year	0.0	0.0	0.0	0.0
Acquisition	224.5	0.0	224.5	0.0
Revaluation during the year	0.0	0.0	0.0	0.0
Securities held as fixed assets, valued at fair value at the end of the year	224.5	0.0	224.5	0.0

*According to level three in the fair value hierarchy, see note 20

Investment commitments

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

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Equipment, tools, fixtures and fittings	21.0	39.6	10.1	3.0

Note 13 Inventories

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Merchandise	2,038.0	1,630.7	1,327.6	1,062.0
Total	2,038.0	1,630.7	1,327.6	1,062.0
Cost of goods sold	4,926.9	4,698.6	4,817.6	4,579.7
Of which, obsolescence	-3.8	-5.8	-2.6	-5.5

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

Note 14 Accounts receivable

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Accounts receivable	33.7	31.0	18.0	19.7
Total	33.7	31.0	18.0	19.7
Fair value	33.7	31.0	18.0	19.7

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Prepaid rent	93.4	73.0	45.6	40.9
Prepaid costs of materials	39.5	18.7	39.5	18.7
Other prepaid expenses	73.7	66.4	42.3	27.3
Total	206.6	158.2	127.4	86.9

Note 16 Cash and cash equivalents

Group	2017/18	2016/17
	Cash and bank balances	115.8
Group total	115.8	625.1

At the end of the year, utilised overdraft facilities in the Group, which are not included in cash and cash equivalents, totalled 0.0 MSEK (0.0), refer to Note 20.

Unutilised overdraft facilities in the Group, which are not included in cash and cash equivalents, amounted to 400.0 MSEK (400.0).

Note 17 Forward contracts

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

Currency	Carrying amount and fair value		Nominal amount		Average remaining term in months. ¹	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Sell/buy						
NOK/SEK	-10.7	1.5	160.3	72.0	2.1	2.5
NOK/USD	4.4	5.0	391.7	430.6	3.4	3.2
SEK/USD	0.8	0.0	18.2	5.3	5.5	4.4
Total	-5.5	6.5	570.3	507.9	3.1	3.1

¹ Maturity ranges from 9 May - 12 Sept for NOK/SEK, 9 May - 24 Oct for NOK/USD and 17 Oct to 17 Oct for SEK/USD. In the preceding year, the maturity ranges were from 10 May - 12 Oct for NOK/SEK and 3 May - 19 Oct for NOK/USD and 12 Sept to 12 September for SEK/USD.

NOTES

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 13.

Future hedging is performed monthly with a maturity of six months. Forward contracts with negative market values totalled 14.1 MSEK (0.8), which was recognised in the item Accrued expenses and deferred income. Forward contracts with positive market values amounted to 8.6 MSEK (7.2), which was recognised in the item Prepaid expenses and accrued income.

A deferred tax asset of 1.2 MSEK (previous year a deferred tax liabilities of 1.4 MSEK) was taken into account and the remaining fair value of -4.3 MSEK (5.0) was recognized in the hedging reserve within equity. The amount for forward contracts NOK/USD of 4.4 MSEK (5.0) is allocated on the currency pair NOK/SEK with -18.0 MSEK (12.7) and on the currency pair SEK/USD with 22.4 MSEK (-7.7).

Note 18 Proposed allocation of earnings and Equity

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

Profit brought forward	415,569
Profit for the year	265,086
Total	680,655

The Board and Chief Executive Officer propose:

Dividend payable to shareholders 6.25 SEK per share	410,000 ¹
Carried forward to new account	270,655
Total	680,655

¹Dividends are based on the number of shares outstanding on the record date.

The record date for payment of the dividend is proposed as 11 September 2018. It is anticipated that the dividend decided upon by the Annual General Meeting will be despatched on 14 September 2018.

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 54 per cent before payment of dividend and 44 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the strategy implementation has been taken into account.

The total number of ordinary shares is 65,600,000 (2016/17: 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 2,391,865 series B shares (2,516,562). The number of shares outstanding at the end of the year was 63,208,135 (63,083,438). The average number of shares before and after dilution is reported in Note 10.

The Group's reserves contain translation differences of -40.6 MSEK (-95.0), and hedging reserve of -4.3 MSEK (5.1).

Note 19 Pension obligations

The Group has defined-benefit occupational pension plans for only a few formerly employed salaried employees. The following tables provide an overview of the items included in the net expense for the remuneration recognised in the consolidated income statement for the Group's defined-benefit pension plans. The amounts for the pension plans are also recognised in the consolidated balance sheet. For more information, refer to the pages 100-101.

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

	2017/18	2016/17
At the start of the year	1.6	1.2
Net Periodic Pension Cost	-0.2	0.0
Employer contribution	0.1	0.3
Exchange-rate differences	0.1	0.1
Recognised provision at end of the financial year:	1.5	1.6

Pension obligations:

	2017/18	2016/17
Present value of funded obligations	4.6	6.6
Fair value of plan assets	6.1	8.2
Non-recognised actuarial gains/losses	0.0	0.0
Asset in balance sheet	1.5	1.6

Defined-contribution plans

Defined-contribution plans exist in Sweden, Norway and Finland. Payments to these plans are made continuously according to the rules of each plan.

	2017/18	2016/17
Group	82.7	72.5
Parent Company	47.0	43.2

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension obligations retirement and family pensions are insured on the basis of insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed by insurance in Alecta, this is a multi-employer defined-benefit plan. For the current financial year, the company did not have access to information to recognise its proportionate share of the plan's obligations, plan assets and expenses, which entails that the plan cannot be recognised as a defined-benefit plan. The ITP 2 pension plan insured through insurance with Alecta is therefore recognised as a defined-contribution plan. The premium for the defined-benefit retirement and family pensions are individually calculated and depend on such factors as salary, previously earned pension and expected remaining service period. The expected contributions for the next reporting period for ITP 2 insurance policies taken out with Alecta amount to 12.5 MSEK (12.0).

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 methods and assumptions, which do not comply with IAS 19. The collective funding ratio is normally permitted to vary between 125 and 155 per cent. If Alecta's collective funding ratio falls below 125 per cent or exceeds 155 per cent, measures are to be taken to create the conditions for returning the collective funding ratio to the normal interval. In the event of a low collective funding ratio, a measure could be raising the contracted price for new policies and expanding existing benefits. In the event of a high collective funding ratio, a measure could be introducing premium reductions. At the end of 2017, Alecta's surplus in the form of the collective funding ratio was 154 per cent (149).

Note 20 Financial instruments

Financial instruments per category

Assets 30 April 2018	Level	Loan receivables and accounts receivable	Derivatives for hedging purposes	Securities that can be sold	Total
Accounts receivable	2	33.7	0.0	0.0	33.7
Derivative instruments	2	0.0	8.6	0.0	8.6
Securities held as fixed assets*	3	0.0	0.0	224.5	224.5
Cash and cash equivalents	2	115.8	0.0	0.0	115.8
Total		149.6	8.6	224.5	382.6

*The holding in MatHem Sverige AB was valued based on a transaction between two independent parties, and adjusted by the amount of the holding compared with the observed transaction. The fair value was measured according to level 3 of the fair value hierarchy since the value is based on the adjusted value of a transaction in a non-active market.

Liabilities 30 April 2018	Level	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	2	14.1	0.0	14.1
Accounts payable and other liabilities	2	0.0	1,024.8	1,024.8
Total		14.1	1,024.8	1,038.9

Assets 30 April 2017	Level	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
Accounts receivable	2	31.0	0.0	31.0
Cash and cash equivalents	2	625.1	0.0	625.1
Total		656.1	0.0	656.1

Liabilities 30 April 2017	Level	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	2	0.8	0.0	0.8
Accounts payable and other liabilities	2	0.0	772.0	772.0
Total		0.8	772.0	772.8

Fair value measured according to the three levels below:

Level 1: Listed prices in an active marketplace.

Level 2: Valuation model mainly based on observable market data for the asset or liability.

Level 3: Valuation model mainly based on own assumptions.

Financial liabilities

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Accounts payable	881.6	635.2	829.2	578.2
Other current liabilities	143.2	136.8	14.5	26.5
Total	1,024.8	772.0	843.7	604.7
Fair value	1,024.8	772.0	843.7	604.7

The average period of credit is 30 days.

The average period of credit is 44 days (45) for accounts payable and for other current liabilities 20 days (20). All accounts payable expires due within 60 days.

All bank loans and overdraft facilities are denominated in SEK. During the current financial year, the Parent Company did not have any bank loans.

The overdraft facility in the cash pool carries floating interest rates. During the year, the average interest rate was 0.14 per cent (0.12). The credit limit on the overdraft in the cashpool facilities totalled 100 MSEK (100). The Parent Company also has an overdraft facility of 300 MSEK available at DNB Bank ASA. Collateral for bank loans consisted of the reporting of financial covenants. The Group's total overdraft facilities amounted to 400 MSEK (400).

The Parent Company's credit is included in a cash pool for the Group in which utilised credit totalled 0.0 MSEK (0.0). 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	
	2017/18	2016/17	2017/18	2016/17
Accrued payroll expenses	114.5	115.0	59.2	66.8
Accrued holiday pay expenses	191.2	177.1	108.8	103.1
Accrued social security contributions	101.5	107.4	77.2	85.4
Other items	129.4	100.8	67.5	50.6
Total	536.5	500.2	312.8	305.9

Note 22 Other provisions

Refers to:

a) Sales-related 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.

Gift cards

When purchasing Clas Ohlson's gift cards in stores or via online shopping, the entire amount is recognised as a provision and recognised as income only when the gift card has been used in a store or has expired.

Open purchase and complaints

Clas Ohlson offers its customers open purchase for 90 days and the right to complain about unsatisfactory purchases for up to ten years after the purchase. Most of the returns occur during the week following the purchase. Every month, sales and cost of goods sold are adjusted taking into account the estimated proportion of returns.

Club Clas

Members of the Clas Ohlson's loyalty program, Club Clas, receive bonus cheques in various amounts depending on the amount of purchases the customer made at Clas Ohlson. The cheques are distributed continuously and are valid for six months. All issued bonus cheques are not redeemed which is why each sale in the loyalty program is reduced by the fair amount with respect to future redemption of bonus cheques, considering the current degree of redemption.

b) Restructuring

During the financial year 2015/16 a provision for a non-recurring expense of 107.0 MSEK pertaining to the restructuring of the store network in the UK was made.

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Guarantee commitments				
Opening provisions	10.2	10.0	5.8	5.7
Utilised during the year	-10.2	-10.0	-5.8	-5.7
Allocated during the year	11.3	10.2	6.1	5.8
Total	11.3	10.2	6.1	5.8
Open purchase, unredeemed gift cards and bonus points				
Opening provisions	53.2	54.2	40.2	41.9
Utilised during the year	-53.2	-54.2	-40.2	-41.9
Allocated during the year	57.5	53.2	44.6	40.2
Total	57.5	53.2	44.6	40.2
Restructuring				
Opening provisions	40.5	102.7	0.0	0.0
Utilised during the year	-26.8	-62.2	0.0	0.0
Allocated during the year	3.9	0.0	0.0	0.0
Total	17.7	40.5	0.0	0.0
Of which long-term provision amounts to	12.3	25.9	0.0	0.0
Total provisions	86.5	103.9	50.7	46.0

Note 23 Inter-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for 2,783.9 MSEK (2,784.7). Of this sum, 2,177.2 MSEK (2,173.4) related to sales to Clas Ohlson AS in Norway, 561.7 MSEK (563.9) to sales to Clas Ohlson Oy in Finland, 40.1 MSEK (43.7) to sales to Clas Ohlson Ltd in the UK and 4.9 MSEK (3.7) sales to Clas Ohlson GmbH in Germany. No purchases were made from subsidiaries.

Note 24 Participations in Group companies

Parent company	2017/18	2016/17
Accumulated acquisition value		
Opening value	29.3	29.3
Shareholder contribution	0.0	0.0
Total	29.3	29.3

The table below shows Clas Ohlson AB's holding of shares and participations in subsidiaries according to the balance sheet 30/4. All companies are owned 100 percent.

Holding of shares and participations in subsidiaries for Clas Ohlson AB

Country	Company	Registered office	Registration number	2018-04-30		2017-04-30	
				Number of shares	Value MSEK	Number of shares	Value MSEK
Norway	Clas Ohlson AS	Oslo	NO 937402198	10,000	0.1	10,000	0.1
Finland	Clas Ohlson OY	Helsinki	FI 1765891-7	500,000	4.7	500,000	4.7
UK	Clas Ohlson Ltd	London	6298382	300,000	4.0	300,000	4.0
Germany	Clas Ohlson GmbH	Hamburg	HRB 130004	1	9.3	1	9.3
China	Clas Ohlson (Shanghai) Co, Ltd	Shanghai	310000400574190	1,500,000	11.3	1,500,000	11.3
Total					29.3		29.3

Note 25 Securities held as fixed assets

Parent Company	2017/18	2016/17
Accumulated acquisition value		
Opening value	0.0	0.0
Acquisitions for the year	224.5	0.0
Total	224.5	0.0

The table below shows Clas Ohlson AB's holding of securities held as fixed assets according to the balance sheet 30/40.

Holding of securities held as fixed asset for Clas Ohlson AB

Country	Company	Registered office	Registration number	Number of shares	Percentage of votes	2018-04-30	2017-04-30
						Value MSEK	Value MSEK
Sweden	MatHem i Sverige AB	Stockholm	556775-7264	666030	10 %	224.5	0.0
Total						224.5	0.0

Note 26 Appropriations

Parent Company	2017/18	2016/17
<i>The difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	-32.2	-9.1
– land and buildings	1.0	1.0
<i>Provision for tax allocation reserves</i>		
Provisions for the year	44.0	-68.0
Parent Company total	12.8	-76.2

Note 27 Cash and bank balances

Parent Company	2017/18	2016/17
Cash and bank balances	36.9	540.9
Parent Company total	36.9	540.9

Unutilised Group overdraft facilities, which are not included in cash and cash equivalents, totalled 400.0 MSEK (400.0).

Note 28 Untaxed reserves

Parent Company	2017/18	2016/17
<i>Accumulated difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	407.7	375.5
– land and buildings	0.0	1.0
<i>Provision for tax allocation reserve</i>		
Tax 2013:1	0.0	107.0
Tax 2013:2	72.0	72.0
Tax 2014	101.0	101.0
Tax 2015	138.0	138.0
Tax 2016	123.0	123.0
Tax 2017	131.0	131.0
Tax 2018	63.0	0.0
Parent Company total	1,035.7	1,048.5

Note 29 Pledged assets

	Group		Parent Company	
	2017/18	2016/17	2017/18	2015/16
Cash and cash equivalents	0.0	0.0	0.0	0.0
Total pledged assets	0.0	0.0	0.0	0.0

The company has no collateral for own obligations pertaining to currency forward contracts. Regarding contracted overdraft facilities, the company's reports financial covenants, for which the company met the terms and conditions by a healthy margin. During the year, unutilised overdraft facilities amounted to 400.0 MSEK (400.0) in the Group and Parent Company.

Note 30 Contingent liabilities and commitments

Parent Company	2017/18	2016/17
<i>Contingent liabilities, Parent Company</i>		
Guarantee in favour of Group companies pertaining to future rental commitments	273.3	251.7

Parent Company 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 2018 was four years.

Contracted leases were calculated according to rent levels for 2018.

	2017/18	2016/17			
Rents and lease payments in financial year	297.0	289.6			
	2018/19	2019/20	2020/21	2021/22	2022-
Contracted future rents	233.3	206.1	156.9	118.1	138.4

Contingent liabilities, The Group

The Group has no contingent liabilities.

Group 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 2018 was five years. Contracted leases were calculated according to rent levels for 2018.

Group	2017/18	2016/17			
Rents and lease payments in financial year	737.3	738.9			
	2018/19	2019/20	2020/21	2021/22	2022-
Contracted future rents	709.9	622.0	526.3	395.8	702.5

Note 31 Related-party transactions

The number of shareholders in the company totalled 34,717. The major shareholders are Clas Ohlson's descendants Helena Ek-Tidstrand, Björn Haid, Johan Tidstrand, Peter Haid and Claus-Toni Haid, who hold 38 per cent of the capital and 66 per cent of the votes. No transactions with related parties took place during the financial year or previous year. Remuneration of the Board and senior management is presented in Note 6 to the Annual Report. For further description, refer to the corporate governance report, pages 79-87.

Note 32 Average numbers of employees

	Group		Parent Company	
	2017/18	2016/17	2017/18	2016/17
Total Sweden	1,667	1,601	1,667	1,601
– of whom, women	(713)	(685)	(713)	(685)
Total Norway	772	734		
– of whom, women	(299)	(284)		
Total Finland	336	306		
– of whom, women	(153)	(139)		
Total UK	86	116		
– of whom, women	(44)	(59)		
Total China	52	50		
– of whom, women	(26)	(25)		
Total Germany	37	28		
– of whom, women	(18)	(14)		
Total	2,951	2,835	1,667	1,601
– of whom, women	1,253	1,206	713	685

The average number of employees is based on the total number of hours worked in relation to total annual working time.

Note 33 Segment reporting

Clas Ohlson has the following segments: Sweden, Norway, Finland and Outside Nordic countries 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 the 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.

	2017/18	2016/17
Sales per segment		
Sweden	3,657.6	3,587.8
Norway	3,286.8	3,190.1
Finland	998.1	912.9
Outside Nordic countries	268.2	299.3
Group-wide	2,783.9	2,784.7
Eliminations of sales to other segments	-2,783.9	-2,784.7
Total	8,210.7	7,990.1

Operating profit per segment		
Sweden	150.3	147.3
Norway	138.6	134.4
Finland	32.0	28.9
Outside Nordic countries	9.1	10.7
Group-wide	138.2	288.6
Total	468.3	609.9

Assets per segment		
Sweden	776.8	800.8
Norway	661.7	582.2
Finland	193.6	168.0
Outside Nordic countries	150.5	124.8
Group-wide	2,301.2	1,598.5
Total	4,083.9	3,274.3

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

Investment and depreciation per segment

	Investments		Depreciation	
	2017/18	2016/17	2017/18	2016/17
Sweden	20.3	39.3	36.7	37.9
Norway	59.6	63.8	51.3	48.1
Finland	15.2	10.4	15.1	14.0
Outside Nordic countries	18.7	20.3	7.6	14.8
Group-wide ¹	383.5	129.8	114.9	115.2
Total	497.2	263.6	225.6	230.0

¹Investments in intangible assets amounted to 124.0 Mkr (105.9).

Depreciation attributable to intangible assets amounted to 35.9 Mkr (34.7 Mkr).

Investment in MatHem i Sverige AB amounted to till 224.5 Mkr.

Note 34 Events after the end of the period

External financing

After the end of the financial year, the company signed an agreement for an external credit facility corresponding to 250 MSEK to meet the company's financing requirements.

End of performance period, Long-term Incentive Plan, LTI 2015

The qualification and performance periods for the LTI 2015 long-term incentive plan ran from 1 May 2015 until 30 April 2018. After the end of the reporting period, a total of 9,659 shares were allotted on 2 May 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 established performance criteria regarding average sales growth and increased earnings per share for the period 2015–2018 were not achieved, meaning that no options were allotted to the participants and, accordingly, the LTI 2015 has been concluded.

LTI 2018 and utilisation of authorisation to buy back shares

In May 2018, the long-term incentive plan LTI 2018 was introduced under the same structure as LTI 2017. Senior management will purchase shares in LTI 2018 in mid June. The exercise price for the conditional employee stock options has been set at SEK 93.80 per share, with exercise possible, following the three-year qualification period between June 2021 and April 2025.

On 9 September 2017, the Annual General Meeting of Clas Ohlson AB authorised the Board of Directors to acquire a maximum of 860,000 shares during the period until the next Annual General Meeting to secure the company's commitment in connection with the introduction of a share-based incentive programme, LTI 2018. The total number of shares required to secure the undertaking for LTI 2018 is estimated at 850,000. The entire LTI 2018 undertaking can be secured by using shares that were bought back to secure previous LTI plans where the need has been recalculated.

As per 30 April 2018, the company's holding of Clas Ohlson treasury shares amounted to 2,391,865 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 2018-06-29

Kenneth Bengtsson

Chairman of the Board

Mathias Haid

Cecilia Marlow

Göran Näsholm

Charlotte Strömberg

Göran Sundström

Ros-Marie Grusén

Anne Thorstvedt Sjöberg

Lotta Lyrå

CEO and Chief Executive Officer

Henrik Andersson

Employee representative (Unionen)

Joe Erikson

Employee representative (Handels)

Our audit report was submitted on 30 June

Deloitte AB

Kent Åkerlund

Authorized Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting on 8 september 2018.

Auditor's report

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

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Clas Ohlson AB (publ) for the financial year 2017-05-01 - 2018-04-30 except for the corporate governance statement on pages 79-87. The annual accounts and consolidated accounts of the company are included on pages 68-116 in this document.

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 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated 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 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of inventories

Risk description

Clas Ohlson report inventories of SEK 2 038 million as of April 30, 2018. Inventories comprise a substantial part of the group's assets and consists of a large number of articles assorted over 229 stores and a central warehouse. Inventory is accounted for at the lower of cost and net sales value. Inventory accounting is subject to significant judgment and estimates, mainly related to obsolescence, calculation of costs included in the inventory value and supplier bonuses. In addition, we have considered the large transaction volumes and the complexity due to the number of warehouse locations. For further information, please refer to the Risk assessment and control activities on page 86, Estimates and assumptions on page 98, group accounting principles for inventory on page 100 and note 13.

Our audit included but was not limited to the following audit procedures:

- Auditing Clas Ohlson's procedures for inventory management and procurement.
- Auditing of Clas Ohlson's applied calculations of costs included in the inventory value.
- Auditing of the inventory valuation according to the "first in, first out" principle and applied model for obsolescence.
- Completeness testing with data analytics covering all in- and outgoing deliveries from the warehouses.
- Participating in stock taking for selected stores and Clas Ohlson's distribution central in Insjön.
- Evaluating the adequacy of applied accounting principles and relevant disclosures.

Revenue recognition

Risk description

The group's sales as of April 30, 2018 amounts to SEK 8 210.7 million. The company recognizes revenue at the time of sales/delivery to the customer when material risks and rewards associated with ownership of the goods have been transferred. Revenue recognition has been identified as a key audit matter since sales comprise a significant financial statement line item and consists of a large number of small transactions, in all material aspects to consumers through own stores with upfront payment. For further information refer to Risk assessment and control activities on page 86 and note 33 segment reporting.

AUDITOR'S REPORT

Our audit included but was not limited to the following audit procedures:

- Auditing of Clas Ohlson's process for revenue recognition, handling of cash and evaluation of identified key controls, for example matching of sales against obtained payment.
- Analytical audit procedures of recorded revenue and reconciliation of total sales on receipt level traced against the corresponding movement in - inventory facilitated by data analytics tools.
- Auditing of Clas Ohlson's analysis and evaluation of fluctuations in the gross margin.
- Auditing of the process of handling cash in a selection of stores.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-67 and 120-152. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Clas Ohlson AB (publ) for the financial year 2017-05-01 - 2018-04-30 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf.

This description forms part of the auditor's report.

Auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 79-87 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Clas Ohlson AB by the general meeting of the shareholders on the 2017-09-09 and has been the company's auditor since 2013-09-07.

Insjön, June 30, 2018
Deloitte AB

Kent Åkerlund
Authorized Public Accountant

For signature please see Swedish version of the Auditor's report.

Sustainability report 2017/18

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Clas Ohlson has chosen to prepare its statutory sustainability report separately from its Annual Report.

Sustainability is an integral part of Clas Ohlson's operations and we integrate sustainability issues into our strategy, business model and governance. Refer to pages 24 and 26 for a description of Clas Ohlson's business model. Sustainability topics are integrated into all elements of the new strategy, which is described on pages 14–17.

Our sustainability initiatives are described under the respective operational sections on pages 34–63. For information about the sustainability organisation, policies and governance, refer to page 26.

The materiality analysis is used as guidance for the eight prioritised sustainability areas that Clas Ohlson has focused on, and which are validated each year through stakeholder dialogues. In spring 2018, the materiality analysis was updated to reflect the new strategic framework. Read more on pages 128–129.

Sustainability risks are disclosed under Risks and uncertainties on pages 74–77 and are found under several risk categories, in-

cluding purchasing, people and logistics. A more exhaustive description of sustainability risks is provided on pages 130–131.

The sustainability targets and outcomes are described on pages 124–125. As a signatory of the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption; the Sustainability Report comprises Clas Ohlson's Communication on Progress.

Clas Ohlson reports its work with sustainability pursuant to the GRI standards. The GRI index on pages 132–135 provides further information about our various sustainability-related disclosures.

The above page references constitute a report on Clas Ohlson's work and results in the areas of environment, social conditions and personnel, respect for human rights and anti-corruption efforts. Together, this information comprises Clas Ohlson's Sustainability Report.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Clas Ohlson AB (publ), corporate identity number 556035-8672.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the financial year 2017-05-01 to 2018-04-30 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Insjön, June 30, 2018
Deloitte AB

Kent Åkerlund
Authorized Public Accountant

For signature please see Swedish version of the report.



from here
to
sustainability

JOIN OUR JOURNEY AT
SUSTAINABILITY.CLASOHLSON.COM

Supplementary sustainability information

Sustainability strengthens our offering and makes us more resilient. The sustainability efforts are integrated into operations and impact across our entire value chain.

“From Here to Sustainability” – the green speech bubbles that greet our customers – aim to showcase our sustainable offering and explain how they contribute to a more sustainable lifestyle.

From introducing criteria for sustainable products and ensuring an inclusive work environment to promoting human rights and good environmental work in our supply chain. We have taken key steps in reaching the sustainability targets we set for 2020.

From Here to Sustainability also details the journey we are making to become a more sustainable company. As an integrated part of our strategy, From Here to Sustainability defines the key sustainability issues to manage and describes our ambition level. We report our work within eight prioritised areas.

In the spring, the materiality analysis was updated to identify the areas with the greatest relevance based on our new strategic framework *100 more years*. In the 2018/19 financial year, we will work further on including our current goals for 2020 into a format that aligns with the new strategy.

Toward a resource-efficient VALUE CHAIN

Our long-term ambition is to contribute to a more resource-efficient value chain. We have identified three important priorities in the 100 more years strategy that will bring us closer to this ambition:

- Develop the sustainability aspect of our product offering.
- Develop and market resource-efficient service offerings that promote a circular economy.
- Create opportunities to reduce the impact of carbon emissions from online shopping and home deliveries.

Our value chain

Our long-term aim is to help make the value chain more resource-efficient. Managing our positive and negative impact in an effective manner requires that we understand where to make the impact in the chain for each of the material issues.

Our responsibility extends outside of our own operations' direct impact and also encompass impacts that we contribute to or which we are connected to through our business relations with suppliers and customers for example.

We also have considerable scope for influencing the various parts of the value chain.

The value-chain perspective helps us to identify possibilities and risks, to understand boundaries, and how we can create value for our stakeholders.

	Product development	Manufacturing	Transportation	Operations
AREA	Together with strategic partners for our proprietary brands	71 per cent of the products are manufactured in Asia	Transportation of 1,300 million tonne kilometres of products	Some 5,000 employees in six countries.
ISSUES	<ul style="list-style-type: none"> Water and energy efficiency More sustainable material Packaging Recyclable Functionality Product life 	<ul style="list-style-type: none"> Code of Conduct and quality requirements Anti-corruption and bribes Human rights in new and existing markets Migrant worker conditions 	<ul style="list-style-type: none"> Emissions of CO₂ and energy consumption Transportation efficiency Packing rate and freight consolidation 	<ul style="list-style-type: none"> Skills development Diversity Health and well-being Young people in our workforce Energy efficiency and waste Anti-corruption and bribes
VALUE CREATION	<ul style="list-style-type: none"> Reduced impact from product use and recycling Relevant and unique products 	<ul style="list-style-type: none"> Improved standards for suppliers, their workers and families and local communities Increased confidence in the Clas Ohlson brand 	<ul style="list-style-type: none"> Reduced CO₂ emissions More cost-efficient transportation solutions 	<ul style="list-style-type: none"> A high-performing organisation Attract and retain skilled employees Increased employee commitment
ABILITY TO INFLUENCE	MEDIUM	MEDIUM	MEDIUM	HIGH

VALUE CHAIN



	Sales	Product use	End of the product life
AREA	Some 230 stores and online shopping in five countries	Products with a high environmental performance at attractive prices allow our customers to live more sustainably.	Participate in collection and recycling schemes
ISSUES	<ul style="list-style-type: none"> • Availability of products that have a high environmental performance • Information about products for a more sustainable lifestyle • Energy efficiency in stores 	<ul style="list-style-type: none"> • Product life • Environmental impact during the product life • Hazardous chemicals • Product safety • Services for a more sustainable lifestyle • Spare parts 	<ul style="list-style-type: none"> • Waste • Recycling • Reuse • Producer responsibility and collection system • Chemicals
VALUE CREATION	<ul style="list-style-type: none"> • Loyal customers • Motivated employees • Attractive, unique and relevant product offering • Reduced energy costs • More information about environmental impact 	<ul style="list-style-type: none"> • Extended product use • High confidence in the products • Less waste and increased resource efficiency • Fewer chemicals to the environment • Reduced energy consumption and CO₂ emissions • Cost savings 	<ul style="list-style-type: none"> • Less waste and more material recycling • Fewer chemicals to the environment
ABILITY TO INFLUENCE	HIGH	LOW	LOW

Eight prioritised areas

Our eight prioritised areas define the environmental and social areas that we are to focus our efforts on, how we are to create value and how we measure our progress.

1

Products for a sustainable lifestyle

OUR TARGET is for products for a more sustainable lifestyle to represent 25 per cent of sales by 2020. Clas Ohlson has an important role to play in helping customers live more sustainably. By offering products with excellent environmental performance at an attractive price, we make this possible in practice.

To ensure the relevance of our offering, we worked during the year on further developing the criteria for products for a more sustainable lifestyle. The ambition is that they better reflect their impact on the environment and social aspects throughout the entire value chain. We are also working on developing systematics for managing and reporting our gradual advancement of the position for the entire offering.

Updated criteria and the appurtenant product requirements are approved by a committee consisting of the Head of Assortment, the Head of Sustainability and the Head of Quality. Responsibility for applying the criteria and product requirements, which is integral to our purchasing process, lies with Product Development and the product managers.

At the end of the financial year, the share of products that met any of our sustainability criteria totalled 16 per cent. The list is dominated by products that meet the requirements for third-party environmental labelling that Clas Ohlson accepts, for example FSC or energy-efficient LED lighting. One area of focus during the year has been increasing the share of eco-labelled wood and paper products.

For the product groups currently lacking established sustainability standards, the work on defining proprietary product requirements continues so as to be able to include these products in the sustainable product range as well.

In the 2018/19 financial year, we will clarify and garner support for the new criteria internally and develop processes for approval, implementation and monitoring.

2

Resource-efficient business models

By developing more resource-efficient business models, we promote society's shift from a traditional linear view of manufacture, use and disposal toward a more circular economy.

We have focused on developing an offering that extends the service life of our products. We also see business opportunities in hiring and sharing services that make things easier for the customer at the same time as it entails a significantly lower impact on the environment viewed from the service life of the product. One such example is the new Hire from Clas service, a customer offering with a significantly enhanced environmental performance compared with traditional sales of products. Read more about Hire from Clas on page 38.

Services that extend the service life of products continue to perform positively. Sales of spare parts increased 13 per cent over the previous year. We also introduced a knife-sharpening service as well as installation, winter storage and servicing of robot lawnmowers. Read more about these services on page 38.

In the 2018/19 financial year, we will focus on ensuring that resource efficiency and circular thinking become a central component in the development of new services and solutions, and that we are transparent in our communication with our customers. To achieve this, we will train and involve our employees so that they can be positive sustainability ambassadors.

3

An attractive employer

By creating a modern, inclusive workplace, we can attract and retain the skills we need to develop Clas Ohlson going forward.

In the three areas of learning, simplification and commitment, we focus on leadership development, effective teams, diversity, skills development and more efficient processes.

Shared policies and processes govern how we work as regards recruitment, induction of new employees, skills development, diversity and remuneration. The work is governed through a "Capability Council" in which we prioritise, coordinate, monitor and evaluate our work.

During the year, we updated and simplified our processes in order to offer more flexible workplaces and more inclusive working methods. Our digital training platform has been developed to become more modular, to better meet employees' needs in different phases of development.

Our goal is for employee attendance to exceed 96 per cent by 2020. During the financial year, employee attendance was 95 per cent. Neither men nor women represent less than 40 per cent of any individual occupational group; this also applies to senior management. During the financial year, 34 per cent of directors were women.

In the 2018/19 financial year, we will define goals and begin measuring employees' experience of how well we live up to our business goals, and of the skills we need in our transition to a more digital business model.

4

Energy efficiency

OUR TARGET is to reduce our CO₂ emissions in relation to our net sales. As we continue to grow as a company, it is essential that our CO₂ emissions do not follow suit.

Increased online shopping impacts customers' expectations of quickly receiving products shipped right to their door. Understanding and managing environmental impact from various sales and distribution channels is becoming increasingly important.

It is also important that energy use in our properties and stores is as efficient as possible, and that we promote the use of electricity and heating from renewable energy sources. During the 2017/18 financial year, electricity use in our stores decreased from 103 to 95 kWh/m².

Our CO₂ emissions (Scope 1+2) decreased 12 per cent compared with the preceding financial year. Today, 96 per cent of our products are transported by ship and rail, both of which have relatively positive CO₂ profiles. The share of freight transported by rail in relation to total overland freight was 30 per cent (44) during the financial year. The decrease was due to a switch-over in connection with the strike in the Port of Gothenburg and with moving a portion of our product inflow from Gothenburg to Gävle. Emissions from freight transportation in relation to sales decreased during the financial year.

We are working on redirecting our freight towards transport that increases security of delivery, reduces costs and reduces environmental impact. We are increasing the share of transport by ship and rail, as well as optimising and enhancing the efficiency of the flow of goods as regards the fill rate in our containers and vehicles.

In the coming financial year, the work will be supplemented with analysis and assessment of how we can best support climate-efficient distribution to end customers. We will also focus on further promoting efficient energy use built on renewable sources of energy.

5

Materials and chemicals

Through setting clear supplier requirements, good control and increased transparency, we ensure that we are always one step ahead in our work with chemicals and on maintaining our customers' confidence.

We must always fulfil legal requirements, but in certain cases we go further than what the law requires. This includes placing requirements that no substances on the REACH candidate list may be found in any of our products. For textiles and soft plastic parts that come into contact with the skin, we start from the precautionary principle, developing requirements based on industry standards and our own assessments.

During the year, we conducted training to increase knowledge among employees who are responsible for evaluating whether products and suppliers meet our requirements. We have also begun supplier audits as regards chemicals in manufacturing, with a focus on incoming materials – an important supplement to the requirements we set for the end products.

The starting point for compliance control is a risk analysis in order to clearly focus on where the risks for deviations are greatest. The results of the checks and follow-ups show that this yields results; two examples are the work on reducing flame retardants and PAH in products. Serious deviations could lead to stopping the sales of products or recalling them from the market. During the year, we also clarified our requirements regarding odours from products.

In the 2018/19 financial year, we will continue to develop the work on chemical audits among suppliers, to clarify requirements regarding products with a focus on PFA substances and to prepare for implementation of strengthened system support.

6

Human rights, children's rights and employment conditions

OUR TARGET is 98 per cent supplier compliance with our requirements, with no serious deviations from our Code of Conduct.

The majority of the products we sell are manufactured in countries where there is an increased risk for deviations in relation to our Code of Conduct. It is therefore important that we continually check and monitor our suppliers' compliance with our requirements regarding human rights, working conditions, and health and safety as well as the environment.

We have processes firmly established for assessing risk, ensuring compliance and following up on deviations from the Code of Conduct. Before we start working with a new supplier, we assess whether our requirements are fulfilled, and if not, whether the supplier is willing to rectify any deviations. We do not enter into partnerships if we discover serious deviations. Each supplier is assessed against the requirements of the Code of Conduct at least every two years.

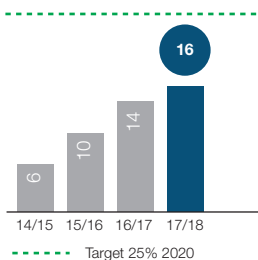
During the year, 249 (346) announced and unannounced audits were performed. Of these, 79 concerned new suppliers; 64 were approved, but collaboration with 15 suppliers was declined owing to serious deviations from our requirements. Of the suppliers audited, 97 per cent (98) were in compliance with our requirements. The decrease from the preceding year was due to our changing the classification for deviations regarding transparency and issues related to working times.

During the year, we also focused on integrating Sedex, a partnership for increased transparency regarding responsible purchasing, into Clas Ohlson's supplier programme. The partnership with Sedex enables improved efficiency and increased transparency in the supply chain, while we can simultaneously concentrate our auditing resources where the risk is greatest.

In the coming financial year, we will continue to develop our proactive work on promoting long-term positive changes among strategically important suppliers through knowledge development, while supporting our business in the best manner possible.

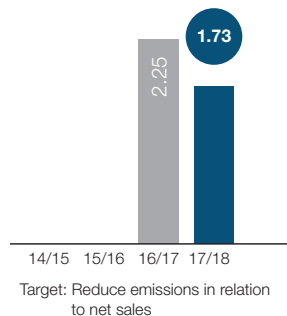
1

Sales of products for a more sustainable lifestyle, %



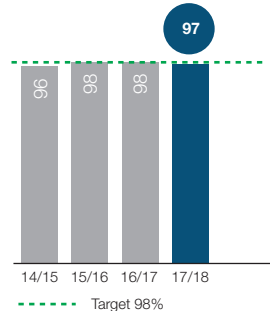
4

CO₂ emissions, grams of CO₂ relative to our sales



6

Percentage of suppliers meeting the requirements of the Code of Conduct with no serious deviations, %



7

Business ethics

OUR TARGET in the 2017/18 financial year was to train employees and partners in and to link business ethics more clearly to human rights.

Clas Ohlson has a strong corporate culture and our core values are the starting point for being a responsible and trustworthy company. Our Code of Conduct and Code of Business Ethics define the requirements and instructions that both employees and partners are expected to follow. Compliance with the codes ensures that we are acting based on what is best for the company, and not acting and governing decisions based on our own or a third party's interests. In addition, both Clas Ohlson and society benefit from acting in accordance with the law in a business climate that is free from corruption, conflicts of interest and unlawful restrictions of competition.

The most significant risks regarding corruption exist in the supply chain and when entering into larger contracts. Offers from suppliers or collaborating partners to participate in events, conflicts of interest in the purchasing process and attempts at bribery in connection with audits of suppliers also occur. We endeavour to ensure that everyone understands their roles and conducts themselves in line with our Code of Business Ethics, regardless of where in the world we do business. This is why we regularly arrange courses for senior executives and for employees who work with large-scale purchasing and agreements, as well as our agents in Asia. The courses are held in small groups in the relevant language, and are adapted to local conditions. Managing ethical risks is particularly important as we expand into new purchasing markets.

Our Code of Conduct and Code of Business Ethics describe Clas Ohlson's commitment to maintaining high ethical norms when doing business, as well as our expectations of each employee and business partner. Our Code of Conduct and Code of Business Ethics are included in all purchase agreements and we strive to include them in all major contracts. We are clear that violations of the Code of Business Ethics could lead to consequences under labour law and criminal law, or lead to the termination of the partnership. Any suspected deviations from the Code of Business Ethics can be reported by e-mail, to an immediate superior or the company's General Counsel. Such reports can be made anonymously. Read more about reporting deviations on page 24.

8

Our role in society

By acting as a positive force in the communities in which we operate, we improve the confidence that our employees, customers, and other local stakeholders have in us. Viewing the impact that we have from the perspective of future generations promotes the long-term aspect we need in our work.

We collaborate with such partners as the Save the Children Fund in order to develop and implement strategic initiatives that strengthen Clas Ohlson's brand, build knowledge and understanding for new important fields linked to our strategic priorities, have a positive impact on local communities and create employee engagement.

We focus on the rights of children, and support the UN Children's Rights and Business Principles. One example is the "Better business for children and migrant parents," a three-year initiative to engage Clas Ohlson's suppliers in China in improving the rights and well-being of migrant workers and their children.

We apply a systematic approach to first understand, and then address, identified needs through increased knowledge, tools and support. During the year, 900 migrant workers with families received long-distance training in parenthood, and 46 children benefited from participation in more than 1,300 activities at locations made safe for children at the plants so that they could be reunited with their parents during the summer holidays. Both satisfaction and periods of employment increased in the plants that implemented the programme.

The next step is to continue the roll-out of parental training courses; the goal is to support the establishment of an additional five areas made safe for children in partnership with strategically important suppliers so as to facilitate the reunification of migrant parents and their children.

We have also worked on informing and involving children in our home markets in the Nordic countries around important environmental questions such as recycling.

What really counts

Clas Ohlson's materiality analysis constitutes the basis for our way of working on sustainability and how we report social and environmental impact.

The process enables identification of the issues that are most relevant for delivering long-term value creation to our most important stakeholders. It also enables identification of the greatest impacts of the business model on the environment and society and the most important contributions to our overall operational targets, and to building Clas Ohlson as a meaningful and credible brand and company. The process is a forward-looking one, and has enabled identification of the issues that prepare us and build our resilience through managing risks and making use of opportunities that a rapidly changing society brings with it.

As a result of the materiality analysis, 20 areas of sustainability with a high level of relevance to Clas Ohlson have been identified. They have been grouped based on the three strategic areas of the new strategy:

- Nine areas deal with *A unique customer offering* and cover impacts from products and new business models.
- Two areas relate to *World-class customer service* and cover collaboration with our customers.
- Nine areas relate to *Smart and simple* and cover skills supply, integrity and efficient operations.

The process has also led to five recommendations that have been integrated in Clas Ohlson's *100 more years* strategy.

In support of the Sustainable Development Goals

As part of the UN's Sustainable Development Goals (SDGs), the world has united around eliminating extreme poverty, decreasing inequalities, solving the climate crisis, and promoting peace and justice. We can make this vision a reality through shared efforts in all sectors of society. Clas Ohlson will do its part by working strategically on its most important sustainability issues. We have analysed our main contributions to the SDGs from three perspectives:

1. How we can reduce negative impact from the business model.
2. How we can promote positive contributions in our operations and along the entire value chain through our products and in production.
3. How we can promote positive changes systematically and in a scalable manner.



1, 2, 3



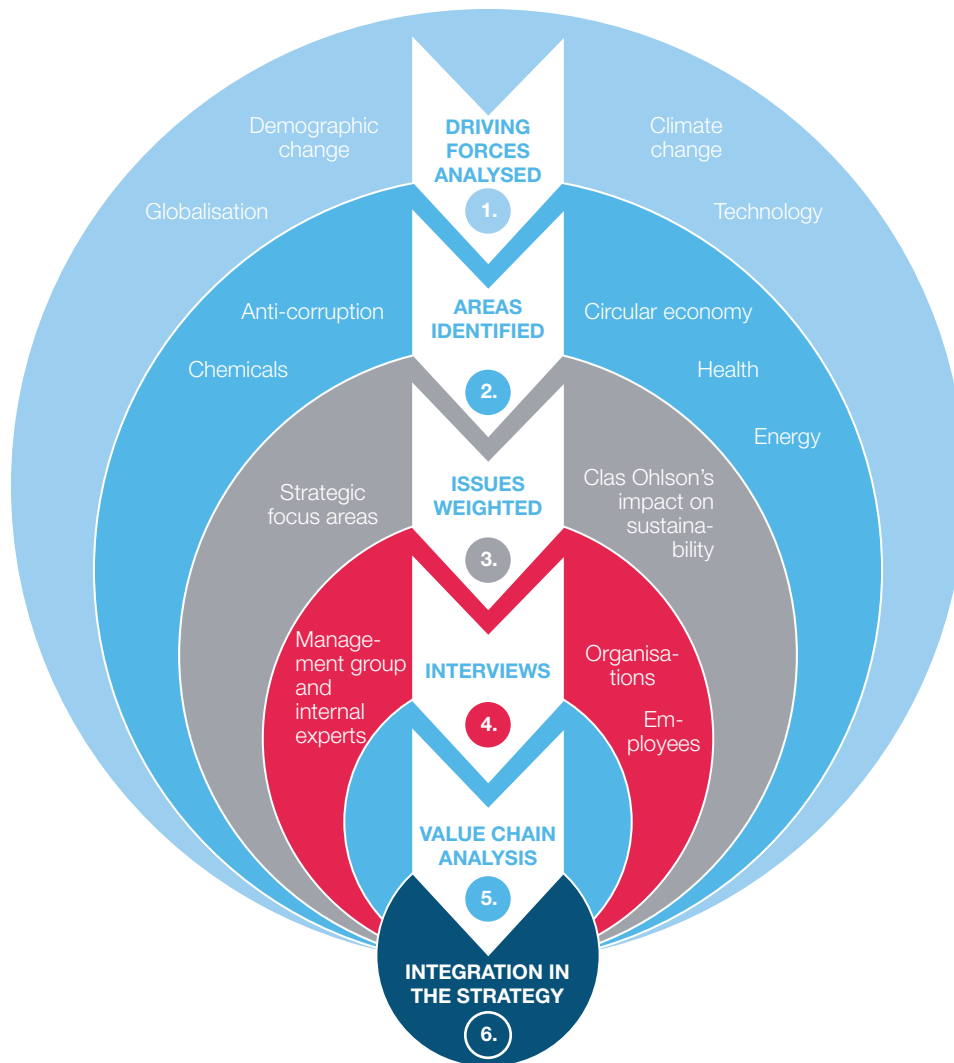
1, 2, 3



2



2, 3



The process in brief

Our materiality analysis has been updated as part of Clas Ohlson's strategic review. In order to identify the most material sustainability issues, we have applied a six-step process in which the results from each step lead on to the next.

1. The trends and drivers that will form the future are analysed.
2. Topics that may be relevant to the company's strategy are identified and categorised under each of the three strategic focus areas: A unique customer offering, World-class customer service and Smart and simple.
3. The issues are ranked in an internal process together with the heads of business areas and experts with insights from our primary stakeholder groups.
4. The results are validated through interviews with external stakeholders, an online survey and the management group.
5. The areas that have the greatest impact in each phase of the value chain are identified to evaluate where the impact occurs, where it can create the greatest value and where our responsibility begins and ends.
6. The results are compiled together with recommendations for continued integration into the company's strategy.

Risk areas from a sustainability perspective

Our business model constitutes a potential negative impact on people, the environment and society. Unless managed correctly, these risks could impact Clas Ohlson’s reputation as a meaningful and trustworthy brand. They can also impact the confidence employees have in us as an employer and our market position, disrupt production and deliveries, incur unforeseen costs and cause violations of the law. Identifying environmental, social, human rights and anti-corruption risks is an integral part of our materiality process, and risk management is integrated into our operations. For more information on the Group’s risks, refer to the Risks and uncertainties section on pages 74–77.

AREA	DESCRIPTION	IMPACT	MANAGEMENT
ENVIRONMENT			
RAW MATERIALS	<p>Environmental impact from non-optimised use of non-renewable resources.</p> <p>Increased environmental impact from use of raw materials for products and packaging.</p>	<p>Risks attributable to costs of materials, which impacts product pricing.</p> <p>Reputational risk.</p>	<ul style="list-style-type: none"> • Replace fossil fuel-based material with more sustainable alternatives. • Reduce use of materials. • Use materials with less environmental impact. • Increase use of recycled materials. • Increase opportunities for recycling.
CLIMATE CHANGE	<p>Carbon emissions as a consequence of electricity consumption when using our products.</p> <p>Carbon emissions from transportation.</p> <p>Carbon emissions occurring in operations.</p>	<p>Regulatory risks.</p> <p>Risks regarding emissions from transportation.</p> <p>Risks attributable to disruptions (e.g. as a consequence of extreme weather).</p> <p>Reputational risk.</p>	
CHEMICALS	<p>Risk for ground and water pollution.</p> <p>Health risks in manufacturing, processing and using products.</p>	<p>Regulatory risks.</p> <p>Risks in the working environment.</p> <p>Reputational risk.</p>	
END-OF-LIFE PRODUCTS	<p>Inefficient use of products and short service lives increase demand for raw materials.</p> <p>Low value from material recycling.</p>	<p>Regulatory risks.</p> <p>Reputational risk</p>	

AREA	DESCRIPTION	IMPACT	MANAGEMENT
SOCIAL CONDITIONS, HUMAN RIGHTS AND EMPLOYEES			
WORKING CONDITIONS AND HUMAN RIGHTS	<p>Risk of violations of the right to free association, fair wages, safety, discrimination and access to social insurance systems among suppliers in high-risk countries.</p> <p>Risk of forced and compulsory labour and child labour among suppliers in high-risk countries.</p> <p>Families negatively impacted by workforce migration.</p>	<p>Regulatory risks.</p> <p>Transparency regarding the impact of our products on consumers' purchasing behaviour.</p> <p>Partnerships with suppliers that must be terminated.</p> <p>Reputational risk.</p>	<ul style="list-style-type: none"> • Consolidate and focus on strategic suppliers. • Train both workers and management at our suppliers. • Check compliance with the Code of Conduct and monitor deviations. • Check potential suppliers based on the requirements in the Code of Conduct before any partnership begins. • Refrain from initiating partnership if serious deviations are discovered. • Take responsibility for all employees and subcontractors working in Clas Ohlson's operations. • Apply shared policies and processes for skills development and remuneration. • Apply shared policies for diversity. • Recruit for increased diversity. • Apply the information security policy and manage personal data in accordance with the applicable legislation. • New, digital tools make it easy for customers to change and learn about personal information.
HEALTH AND SAFETY	<p>Product safety, consumer safety and health when using our products.</p> <p>Worksite accidents and stress-related health factors among our employees.</p> <p>Workplace accidents at suppliers.</p>	<p>Regulatory risks.</p> <p>Costs related to interruptions in operations as a consequence of absence due to illness.</p> <p>Reputational risk.</p>	
SKILLS	<p>Risk that we do not prepare our employees prior to the transition to rapid digital development.</p>	<p>Limited access to benefits.</p> <p>Reputational risk.</p>	
DIVERSITY	<p>Risk of not successfully recruiting and making use of talents.</p> <p>Risk of not enabling an inclusive society.</p>	<p>A brand that is not relevant as an employer and/or an offering that is not attractive.</p> <p>Limited access to benefits.</p> <p>Reputational risk.</p>	
CONFIDENTIALITY AND SECURITY	<p>Customers' right to privacy and confidentiality in connection with purchases and as members in the loyalty programme.</p>	<p>Regulatory risks.</p> <p>Reputational risk.</p>	

AREA	DESCRIPTION	IMPACT	MANAGEMENT
ANTI-CORRUPTION			
BRIBERY IN THE SUPPLY CHAIN	<p>Corruption threatens economic and social stability, especially in high-risk countries.</p>	<p>Regulatory risks.</p> <p>Obstacles to establishment in new purchasing regions.</p> <p>Increased costs.</p> <p>Risks for deficiencies in quality and deliveries.</p> <p>Reputational risk.</p>	<ul style="list-style-type: none"> • Apply the Code of Business Ethics, which is a part of our Code of Conduct, and report suspected deviations. • Train employees who work with purchasing and high-value contracts, and our agents in Asia.

GRI Standards Index

The Annual Report contains information as stated in the GRI Standard's guidelines for sustainability reporting. Our report, published on an annual basis, describes our prioritised sustainability areas as well as the relevant targets and key indicators linked to these areas.

The GRI Index provides references to standard information about the company and corporate governance, as well as information about Clas Ohlson's material aspects. References refer to the Annual Report or website.

With the exception of energy consumption, all data has been collected during the 2017/18 financial year.

As our Communication on Progress, this report explains how Clas Ohlson's approach reflects our commitment to the ten principles of the UN Global Compact.

STANDARD DISCLOSURE 2016		
GRI	DISCLOSURE	REFERENCE
102-1	Name of the organisation	Directors' Report, p. 68
102-2	Activities, brands, products, and services	Business model, p. 22-23, Directors' Report, p. 68
102-3	Location of headquarters	Directors' Report, p. 68
102-4	Location of operations	Directors' Report, p. 68
102-5	Ownership and legal form	Directors' Report, p. 71
102-6	Markets served	Directors' Report, p. 68
102-7	Scale of the organisation	Directors' Report, p. 69
102-8	Information on employees and other workers	Co-workers, p. 31
102-9	Supply chain	Purchasing, p. 49
102-10	Significant changes to the organisation and its supply chain	Ten-year overview, p. 144
102-11	Precautionary principle or approach	Sustainability risks, p. 130-131
102-12	External initiatives	Chairman's statement, p. 78
102-13	Memberships of associations	about.clasohlson.com

STRATEGY		
102-14	Statement from senior decision-maker	CEO's statement, p. 10
102-15	Key impacts, risks, and opportunities	Risks and uncertainties, p. 74-77, Sustainability risks, p. 130-131

REPORTING PRACTICE		
102-16	Values, principles, standards, and norms of behaviour	Governance and responsibility, p. 24, Co-workers, p. 31
102-17	Mechanisms for advice and concerns about ethics	Governance and responsibility, p. 24

GRI	DISCLOSURE	REFERENCE
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GOVERNANCE

102-18	Governance structure	Governance and responsibility, p. 24, Corporate governance, p. 79-87, Board of Directors, p. 88-89
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance and responsibility, p. 26
102-27	Collective knowledge of highest governance body	Board of Directors, p. 88-89, Group management, 90-91
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability risks, p.130-131
102-30	Effectiveness of risk management processes	Risks and uncertainties, p. 74-77
102-31	Review of economic, environmental, and social topics	Our value chain, p. 122-123, Materiality analysis, p. 128-129

STAKEHOLDER ENGAGEMENT

102-40	List of stakeholder groups	Stakeholder expectations, p. 20-21
102-41	Collective bargaining agreements	<i>On average 90% of Clas Ohlson's employees are covered by collective bargaining agreements.</i>
102-42	Identifying and selecting stakeholders	Stakeholder expectations, p. 20-21
102-43	Approach to stakeholder engagement	Stakeholder expectations, p. 20-21
102-44	Key topics and concerns raised	Stakeholder expectations, p. 20-21, Materiality analysis, p. 128-129

REPORTING PRACTICE

102-45	Entities included in the consolidated financial statements	Directors' Report, p. 68
102-46	Defining report content and topic boundaries	Materiality analysis, p. 128-129
102-47	List of material topics	Our value chain, p. 122-123, Materiality analysis, p. 128-129
102-48	Restatements of information	GRI Index, introduction, p. 132
102-49	Changes in reporting	Directors' Report, p. 68
102-50	Reporting period	GRI Index, introduction, p. 132
102-51	Date of most recent report	GRI Index, introduction, p. 132
102-52	Reporting cycle	GRI Index, introduction, p. 132
102-53	Contact point for questions regarding the report	Contacts, ps. 152-153
102-54	Claims of reporting in accordance with the GRI Standards	GRI Index, introduction, p. 132
102-55	GRI content index	GRI Index, introduction, p. 132
102-56	External assurance	The auditor's statement in regards to meeting Swedish legislation on sustainability reporting, p. 120

MATERIAL TOPICS

EKONOMIC STANDARDS

INDIRECT ECONOMIC IMPACT

103-1	Explanation of the material topic and its boundary	Corporate governance, Control environment, p. 86
103-2	The management approach and its components	Corporate governance, Control environment, p. 86
103-3	Evaluation of the management approach	Auditor's report, p. 117
203-2	Significant indirect economic impacts	Business model, Economic value by stakeholder group, p. 22-23

ENVIRONMENTAL STANDARDS

MATERIALS

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, Materials and chemicals, p. 126
103-2	The management approach and its components	Eight prioritised areas, Materials and chemicals, p. 126
103-3	Evaluation of the management approach	Eight prioritised areas, Materials and chemicals, p. 126

Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson is in the process of defining a relevant indicator.

GRI	DISCLOSURE	REFERENCE
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ENERGY

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, Energy efficiency, p. 125
103-2	The management approach and its components	Eight prioritised areas, Energy efficiency, p. 125, about.clasohlson.com
103-3	Evaluation of the management approach	Eight prioritised areas, Energy efficiency, p. 125
302-1	Energy consumption within the organization	Chart: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 46
302-2	Energy consumption outside of the organization	Distribution, p. 58

EMISSION

103-1	Explanation of the material topic and its boundary	Chart: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 46, Distribution, p. 58
103-2	The management approach and its components	Eight prioritised areas, Energy efficiency, p. 125
103-3	Evaluation of the management approach	Eight prioritised areas, Energy efficiency, p. 125
305-1	Direct (Scope 1) GHG emissions	Chart: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 46
305-2	Energy indirect (Scope 2) GHG emissions	Chart: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 46

EFFLUENTS AND WASTE

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, Resource-efficient business models, p. 124
103-2	The management approach and its components	Eight prioritised areas, Resource-efficient business models, p. 124
103-3	Evaluation of the management approach	Eight prioritised areas, Resource-efficient business models, p. 124

Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson is in the process of defining a relevant indicator.

SUPPLIER ENVIRONMENTAL ASSESSMENT

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, Human rights, children's rights and employment conditions, p. 126
103-2	The management approach and its components	Eight prioritised areas, Human rights, children's rights and employment conditions, p. 126, about.clasohlson.com
103-3	Evaluation of the management approach	Chart: Deviations from the Code of Conduct when audited, p. 52
308-1	New suppliers that were screened using environmental criteria	Purchasing, p. 52

SOCIAL STANDARDS

EMPLOYMENT

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, An attractive employer, p. 125
103-2	The management approach and its components	Eight prioritised areas, An attractive employer, p. 125, about.clasohlson.com
103-3	Evaluation of the management approach	Engagement index, p. 30
401-1	New employee hires and employee turnover	<i>Data not available</i>

OCCUPATIONAL HEALTH AND SAFETY

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, An attractive employer, p. 125
103-2	The management approach and its components	Eight prioritised areas, An attractive employer, p. 125, about.clasohlson.com
103-3	Evaluation of the management approach	Chart: Employee attendance, p. 31*

** Clas Ohlson has defined its own indicator for this topic.*

GRI	DISCLOSURE	REFERENCE
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DIVERSITY AND EQUAL OPPORTUNITY

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, An attractive employer, p. 125
103-2	The management approach and its components	Eight prioritised areas, An attractive employer, p. 125, about.clasohlson.com
103-3	Evaluation of the management approach	Co-workers, Focus on diversity, p. 31
405-1	Diversity of governance bodies and employees	Corporate governance, p 80-81, Board of Directors, p. 88-89, Chart: Managers, proportion of women/men, p. 31

NON-DISCRIMINATION

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, An attractive employer, p. 125
103-2	The management approach and its components	Eight prioritised areas, An attractive employer, p. 125, about.clasohlson.com
103-3	Evaluation of the management approach	Governance and responsibility, p.24
406-1	Incidents of discrimination and corrective actions taken	Co-workers, p. 31

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

103-1	Explanation of the material topic and its boundary	Eight prioritised areas, Human rights, children’s rights and employment conditions, p. 126
103-2	The management approach and its components	Eight prioritised areas, Human rights, children’s rights and employment conditions, p. 126, about.clasohlson.com
103-3	Evaluation of the management approach	Chart: Deviations from the Code of Conduct when audited, p. 52
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Chart: Deviations from the Code of Conduct when audited, p. 52*
408-1	Operations and suppliers at significant risk for incidents of child labour	Chart: Deviations from the Code of Conduct when audited, p. 52*
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Chart: Deviations from the Code of Conduct when audited, p. 52*
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Chart: Deviations from the Code of Conduct when audited, p. 52**
414-1	New suppliers that were screened using social criteria	Purchasing, p. 52
414-2	Negative social impacts in the supply chain and actions taken	Chart: Deviations from the Code of Conduct when audited, p. 52

* This indicator tracks non-compliances based on supplier audits, where there is a higher risk for deviations in regards to freedom of association.
 ** All new suppliers are evaluated on their performance against our Code of Conduct criteria.

CUSTOMER HEALTH AND SAFETY

103-2	The management approach and its components	Eight prioritised areas, Materials and chemicals, p. 126, about.clasohlson.com
103-3	Evaluation of the management approach	Purchasing, Better control of Chemicals, p. 50

Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson is in the process of defining a relevant indicator.

CUSTOMER PRIVACY

103-1	Explanation of the material topic and its boundary	Governance and responsibility, ref. GDPR, p. 25
103-2	The management approach and its components	Governance and responsibility, ref. GDPR, p. 25
103-3	Evaluation of the management approach	Governance and responsibility, ref. GDPR, p. 25

Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson is in the process of defining a relevant indicator.

The Clas Ohlson share

Clas Ohlson's series B share has been listed on Nasdaq Stockholm since 1999. The share is included in the Consumer Services sector index. The share reported a 35 per cent decline during the financial year. Clas Ohlson's total market capitalization amounted to 6.3 billion SEK (9.6) calculated on the most recent share price of 96 SEK paid for the share on 30 April 2018.

Share trend

The Clas Ohlson share decreased by 35 per cent to 96.00 SEK (147.00) compared with the year-earlier period, while the SIX General Index increased by 2 per cent. The total return for the share, including reinvested dividends, was minus 30 per cent.

The highest price paid was 172.50 SEK, recorded in August 2017, while the lowest price paid was 85.10 SEK, recorded in April 2018.

Share turnover

During the financial year 2017/18, 46,483,081 Clas Ohlson shares were traded, representing a turnover rate of 71 per cent.

Share capital

The share capital of Clas Ohlson at the end of the financial year totalled 82 MSEK, comprising 5,760,000 series A shares and 59,840,000 series B shares, each with a quotient value of 1.25. Each series A share carries ten votes, while each series B share carries one vote. All shares carry equal rights to payment of dividends. Holders of series A shares can request that their A shares be converted to series B shares.

Treasury shares

The number of registered shares amounted to 65,600,000, of which 2,391,865 shares (2,516,562) were held by the company at the end of the financial year. At the end of the period, the number of shares outstanding, net after buy-back, was 63,208,135 (63,083,438).



The 2017 ANNUAL GENERAL MEETING of Clas Ohlson

Clas Ohlson's Annual General Meeting, one of the largest in Sweden, attracted shareholder from all over the country. On Saturday 9 September, approximately 1,400 people gathered at the distribution center in Insjön. In addition to the traditional product fair, where interested shareholders were able to share news, the Clas Ohlson Pop-up Store where loaded with great deals and appreciated service.

To safeguard the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2017, Clas Ohlson bought back 130,000 shares during the first quarter 2017/18 for a total of 21 MSEK at an average price of approximately 161 SEK per share.

Shareholding structure

On 30 April 2018, the company had a total of 34,717 shareholders (33,316). Non-Swedish owners accounted for 37 per cent (33) of the capital and 36 per cent (34) of the votes.

The Swedish ownership is dominated by private individuals and companies, owning 42 per cent (41) of the capital, while institutions own 21 per cent (26).

Dividend policy and dividend

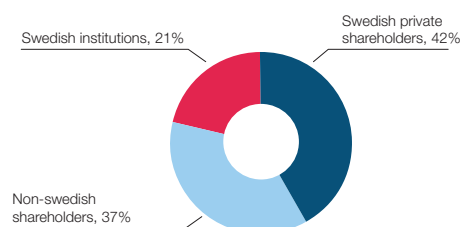
Clas Ohlson's dividend policy is that the dividend is to comprise at least 50 per cent of earnings per share after tax, with consideration for the company's financial position.

The Board of Directors proposes that a dividend of 6.25 SEK (6.25) per share be paid for financial year 2017/18. The proposed dividend totals 410 MSEK (410), which represents 115 per cent (86) of the financial year's net profit.

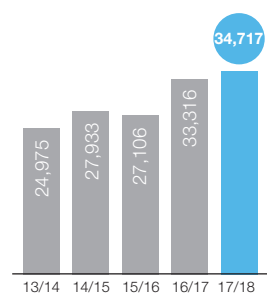
Share data

Listing:	Nasdaq Mid Cap
Ticker:	Clas B
Industry:	Consumer Services
ISIN code:	SE0000584948

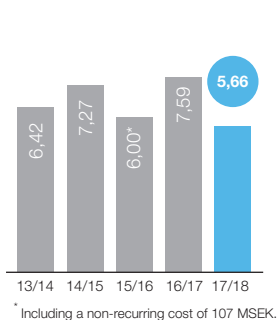
Shareholder categories, %



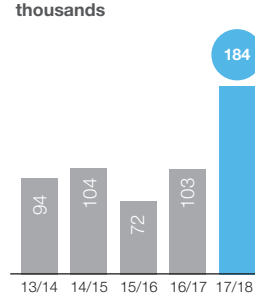
Number of shareholders



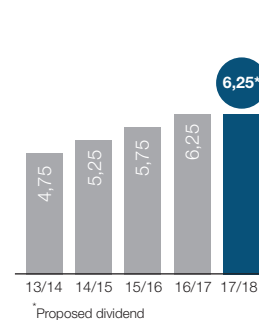
Earnings per share, SEK



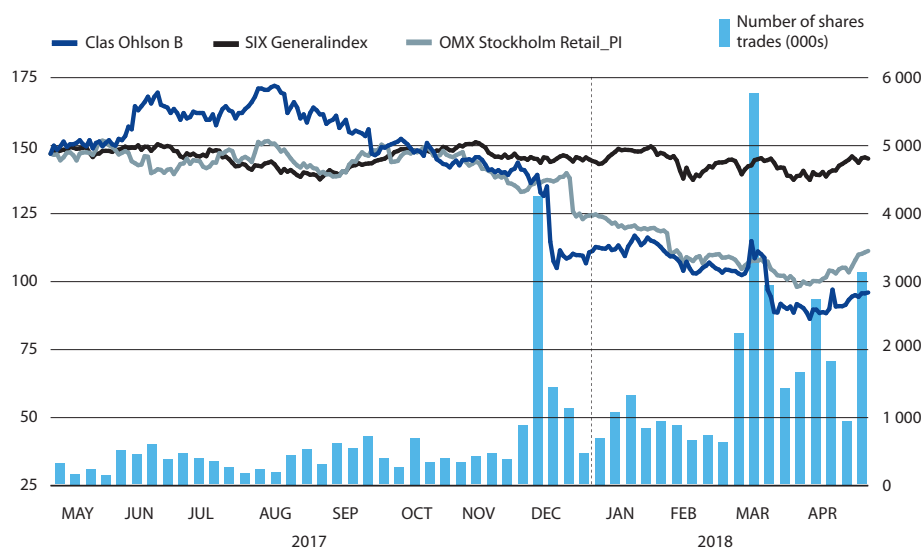
Average daily trading, thousands



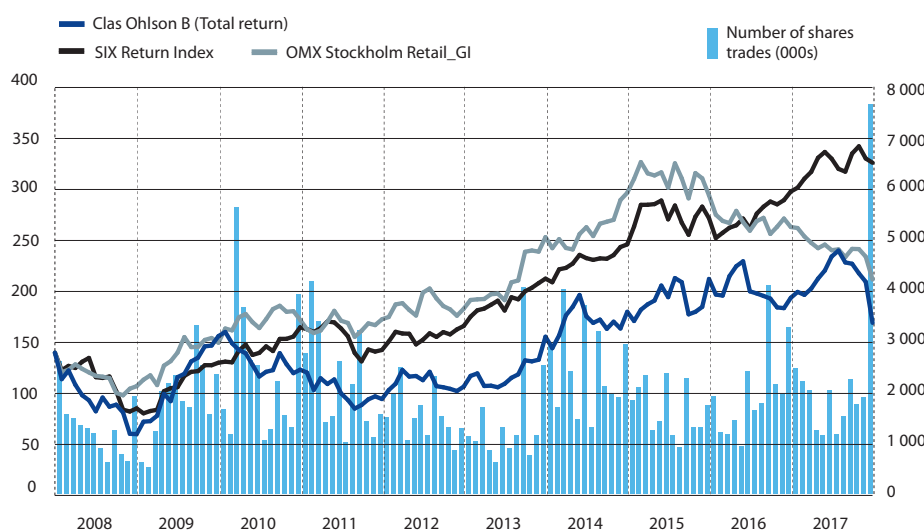
Dividend per share, SEK



The Clas Ohlson-share price and turnover trend 2017/18



Source: SIX Financial Information



Source: SIX Financial Information

Data per share¹

	2017/18	2016/17	2015/16 ²	2014/15	2013/14
Average number of shares before dilution, million	63.2	63.1	63.2	63.1	63.1
Earnings per share before dilution, SEK	5.66	7.59	6.00	7.27	6.42
Comprehensive income per share, SEK	6.37	8.30	5.07	7.41	6.41
Cash flow per share, SEK ³	5.90	11.08	11.15	10.25	10.91
Equity per share, SEK	35.82	35.68	33.75	33.92	31.12
Share price at 30 April, SEK	96	147	162	143	143
Dividend per share, SEK	6.25 ⁴	6.25	5.75	5.25	4.75
P/E-ratio, multiple	17	19	27	20	22
Dividend yield, %	6.5	4.3	3.5	3.7	3.3
Payout ratio, %	110	82	96	72	74
Total return, %	-30	-6	17	3	69

¹ See key ratio definitions on page 141.

² Including a non-recurring cost of 107 MSEK.

³ From the operating activities.

⁴ Proposed dividend.

Trend in share capital

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

Major shareholders¹

Shareholder	Number of series A shares	Number of series B shares	Percentage of capital	Percentage of votes
Helena Ek Tidstrand	1,368,060	6,179,828	11.5	16.9
Björn Haid	1,007,960	4,732,834	8.8	12.6
Johan Tidstrand	1,368,060	900,000	3.5	12.4
Peter Haid	1,007,960	3,785,243	7.3	11.8
Claus-Toni Haid	1,007,960	3,465,916	6.8	11.5
Nordea	0	3,867,985	5.9	3.3
If Skadeförsäkring AB	0	3,114,337	4.7	2.7
Afa Försäkring	0	1,949,959	3.0	1.7
Odin Sverige	0	1,762,392	2.7	1.5
Swedbank	0	1,176,154	1.8	1.0
Other shareholders	0	28,905,352	44.1	24.6
Total	5,760,000	59,840,000	100.0	100.0

Shareholder categories¹

Shareholder	Number of series A shares	Number of series B shares	Percentage of capital	Percentage of votes
Swedish private individuals	3,744,080	23,887,709	42.1	52.2
Swedish institutions	0	13,922,443	21.2	11.9
Non-Swedish owners	2,015,920	22,029,848	36.7	35.9
Total	5,760,000	59,840,000	100.0	100.0

Shareholding structure¹

Size interval	Number of shares	Percentage	Number of shareholders
1–500	3,541,165	5.4	28,278
501–1,000	3,131,972	4.8	3,834
1,001–5,000	4,589,903	7.0	2,142
5,001–10,000	1,665,382	2.5	226
10,001–15,000	886,904	1.4	72
15,001–200,000	677,877	1.0	38
200,001–	51,106,797	77.9	127
Total	65,600,000	100.0	34,717

¹ at 30 April 2018

Quarterly results

MSEK	2017/18				2016/17			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1 May 2017 –31 Jul 2017	1 Aug 2017 –31 Oct 2017	1 Nov 2017 –31 Jan 2018	1 Feb 2018 –30 Apr 2018	1 May 2016 –31 Jul 2016	1 Aug 2016 –31 Oct 2016	1 Nov 2016 –31 Jan 2017	1 Feb 2017 –30 Apr 2017
Sales	1,782.6	1,991.1	2,745.9	1,683.1	1,763.5	1,956.6	2,695.2	1,574.8
Cost of goods sold	-1,059.9	-1,175.7	-1,625.1	-1,065.9	-1,074.5	-1,144.1	-1,567.3	-912.7
Gross profit	722.7	823.3	1,120.8	617.3	689.0	812.5	1,127.9	662.2
Selling expenses	-572.6	-632.3	-706.8	-668.1	-563.0	-634.4	-684.7	-603.2
Administrative expenses	-49.8	-65.9	-64.7	-56.6	-49.4	-49.4	-51.3	-43.0
Other operating income/expenses	-0.2	-0.2	-0.2	1.5	-1.2	-1.8	-1.9	1.5
Operating profit/loss	100.1	124.9	349.2	-105.9	75.4	127.0	390.0	17.5
Financial income	0.1	0.1	0.3	0.2	0.2	0.1	0.0	0.4
Financial expense	-0.3	-0.5	-0.5	-0.6	-0.1	-0.5	-0.5	-0.5
Profit before tax	99.9	124.5	349.0	-106.3	75.5	126.5	389.5	17.4
Income tax	-22.5	-28.7	-78.6	20.6	-17.6	-30.2	-84.6	2.2
Profit/loss for the period	77.4	95.8	270.4	-85.7	57.9	96.4	305.0	19.5
KEY RATIOS FOR THE PERIOD								
Gross margin, %	40.5	41.2	40.8	36.7	39.1	41.5	41.8	42.0
Operating margin, %	5.6	6.2	12.7	-6.3	4.3	6.5	14.5	1.1
Earnings per share before dilution, SEK	1.22	1.52	4.28	-1.36	0.91	1.53	4.84	0.31
Earnings per share after dilution, SEK	1.22	1.51	4.27	-1.36	0.91	1.53	4.83	0.31

Comments to the quarterly results

Two new stores (4) were opened during the first quarter 2017/18 and zero stores were closed (2). Five new stores (3) were opened during the second quarter and zero stores were closed (2). In the third quarter four stores (5) were opened and three stores were closed (0). Six stores (5) were opened during the fourth quarter and one store were closed (2).

Seasonal fluctuations

Clas Ohlson's market and operations are influenced by consumer purchasing behaviour. The company's product range is particularly well suited to Christmas preparations and Christmas shopping, which means that the third quarter (November-January) is generally the strongest quarter of the financial year. This is followed by the second and first quarters and, finally, the fourth quarter, which is the weakest in terms of sales and profit.

Key ratio definitions

Clas Ohlson uses certain financial measures in this annual report that are not defined in accordance with IFRS. Clas Ohlson believes that these key ratios are relevant to users of the financial report as a supplement for assessing Clas Ohlson's performance. These financial measures are not always comparable with the measures used by other companies since not all companies calculate such financial measures in the same way. Accordingly, these financial measures are not to be regarded as a replacement for measures defined according to IFRS. The measures not defined according to IFRS are presented below, unless otherwise stated.

Average inventory value

Average inventory value is calculated as the total inventories for the most recent 12 months divided by 12.

Capital employed

Balance-sheet total (total assets) less current and long-term non-interest-bearing liabilities.

Cash flow from operating activities

Operating profit adjusted for items not included in cash flow, interest, paid tax and change in working capital.

Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares before dilution.

Comprehensive income per share

Comprehensive income divided by average number of shares before dilution.

Dividend yield

Dividend per share divided by the year-end share price.

Earnings per share (before and after dilution)*

Profit for the period divided by the number of shares (before and after dilution).

EBITDA

Earnings before interest, taxes, depreciation and amortization

Equity per share

Equity divided by the number of shares outstanding at the end of the period.

Equity/assets ratio

Equity at the end of the period divided by the balance-sheet total (total assets).

Glossary

Average ticket value

Average amount per purchase.

Clas Office

Our concept that facilitates purchases for our corporate customers.

Club Clas

Our loyalty program, our customer club.

C/O

Our new digital platform that links together products, guidance and supplementary services.

Code of Conduct

The standards we set for ourselves, and the suppliers of our products and services, regarding working conditions, workplace health and safety and the environment.

Comparable units

Units that have been in operation during the current period and the entire year-earlier period.

Conversion rate

The percentage of visitors who make a purchase.

Franchise

Concept whereby we "rent" our brand to an external player, who operates a store under our name.

GDPR

The EU's new General Data Protection Regulation sets requirements covering the handling of personal data and applies in all EU countries from May 2018.

GRI

Global Reporting Initiative, a global standard for sustainability reporting.

Gross margin

Gross profit divided by sales for the period.

Gross profit

Gross profit is calculated as the total of sales less cost of goods sold.

Net debt/EBITDA

Net debt divided by EBITDA for the latest 12 months period

Non-recurring cost

Cost that is not regularly found in the business.

Operating margin

Operating profit divided by sales for the period.

Operating profit

Operating profit comprises profit before financial items and tax.

Payout ratio

Dividend divided by earnings per share before dilution.

P/E ratio

Share price at year-end divided by earnings per share before dilution.

Return on capital employed

Operating profit plus financial income expressed as a percentage of average capital employed. Average capital employed is calculated as the total capital employed for the most recent 12 months divided by 12.

Return on equity

Net profit for the period expressed as a percentage of average equity. Average equity is calculated as the total equity for the most recent 12 months divided by 12.

Sales growth

Sales in relation to sales during the year-earlier period.

Total return

Increase or decrease in share price between the end of the year and the beginning of the year plus re-invested dividend as a percentage of the share price at the beginning of the year.

Working capital

The total of assets, minus cash and cash equivalents (inventories and current receivables), less current non-interest-bearing liabilities.

*Defined in accordance with IFRS.

LEAN

Philosophy on how to achieve a resource-efficient working method.

Level of service

Percentage of product range that is available "on the shelf" in our sales channels.

Nasdaq Stockholm

Marketplace for trading with securities, where Clas Ohlson's B share is listed.

Omni-channel

A shopping experience where customers perceive a seamless interaction between physical stores, the online store and telephone sales.

Products for a more sustainable lifestyle

Products with a positive, or significantly lower, environmental impact throughout their life cycle than a standard product.

Sales per square metre

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

sCORE

Systems for Clas Ohlson Retail Efficiency, our project for the introduction of a new business system.

Sedex

Clas Ohlson works together with Sedex, a global organisation that promotes responsible supply chains.

Store traffic

Number of visitors.

UN Global Compact

UN international principles regarding human rights, labour standards, the environment and corruption, designed for companies.

Alternative Performance Measures

This section contains a reconciliation of certain alternative performance measures (APMs) with the closest reconcilable items in the financial statements. As analysis tools, APMs are limited, and must be considered in their context and not as a replacement of financial measures prepared in accordance with IFRS. APMs are presented to improve an investor's evaluation of the operations, as an aid in forecasts of forthcoming periods, and to simplify meaningful comparisons of earnings between periods. Management uses these APMs, for example, to evaluate the operating activities compared with previous results, for internal planning and forecasts and to calculate certain performance-related remuneration. For definitions, refer to page 127. The APMs recognised in this annual report may differ from similarly named measures used by other companies.

Average inventory value

	Group	
	2017/18	2016/17
Average inventory value	1,869.0	1,739.2

Capital employed

	Group	
	2017/18	2016/17
Total assets	4,199.7	3,899.4
Long-term non-interest-bearing liabilities	-227.4	-226.8
Current non-interest-bearing liabilities	-1,708.4	-1,421.9
Capital employed	2,263.9	2,250.7

Reason for use: Capital employed measures the company's ability, in addition to cash balances and cash and cash equivalents, to meet the needs of the operations.

Cash flow from operating activities per share

	Group	
	2017/18	2016/17
Cash flow from operating activities	372.8	698.9
Number of shares before the dilution	63.208	63.053
Cash flow from operating activities per share	5.90	11.08

Reason for use: Cash flow from operating activities per share measures the cash flow that the company generates per share before capital investments and cash flows attributable to the company's financing.

Comprehensive income per share

	Group	
	2017/18	2016/17
Comprehensive income	402.8	523.3
Average number of shares before dilution	63.208	63.053
Comprehensive income per share	6.37	8.30

Dividend Yield

	Group	
	2017/18	2016/17
Dividend per share	6.25	6.25
Share price 30 April	96.00	147.00
Dividend Yield	6.5 %	4.3%

Earnings per share (before and after dilution)*

	Group	
	2017/18	2016/17
Profit for the year	357.8	478.7
Number of shares before dilution	63.208	63.053
Number of shares after dilution	63.312	63.255
Number of shares before dilution	5.66	7.59
Number of shares after dilution	5.65	7.57

*Defined in accordance with IFRS.

Equity per share

	Group	
	2017/18	2016/17
Total equity	2,263.9	2,250.7
Number of shares at end of period	63.208	63.083
Equity per share	35.82	35.68

Reason for use: Equity per share measures the company's net value per share and determines whether a company increases its shareholders' capital over time.

Equity/assets ratio

	Group	
	2017/18	2016/17
Total equity	2,263.9	2,250.7
Total assets	4,199.7	3,899.4
Equity/assets ratio	53.9%	57.7%

Reason for use: A high equity/assets ratio provides the financial scope and independence required for conducting the operations and managing variations in the need for working capital and for capitalising on business opportunities.

Gross margin

	Group	
	2017/18	2016/17
Gross profit	3,284.1	3,291.5
Sales	8,210.7	7,990.1
Gross margin	40.0 %	41.2%

Reason for use: Gross margin shows the difference between net sales and the cost of goods sold expressed as a percentage of net sales. Gross margin is affected by several factors, for example, product mix, price trend and cost reductions.

Gross Profit

	Group	
	2017/18	2016/17
Sales	8,210.7	7,990.1
Cost of goods sold	-4,926.6	4,698.6
Gross profit	3,284.1	3,291.5

Operating margin

	Group	
	2017/18	2016/17
Operating profit	468.3	609.9
Sales	8,210.7	7,990.1
Operating margin	5.7%	7.6%

Reason for use: The operating margin shows operating profit as a percentage of net sales and shows operational profitability.

Payout ratio

	Group	
	2017/18	2016/17
Dividend	6.25	6.25
Earnings per share before dilution	5.66	7.59
Payout ratio	110.4%	82.3%

Return on capital employed

	Group	
	2017/18	2016/17
Operating profit	468.3	609.9
Interest income	0.7	0.7
Average capital employed	2,230.7	2,146.8
Return on capital employed	21.0%	28.4%

Reason for use: Return on capital employed is a measure of profitability after taking into account the amount of capital used. A higher return on capital employed indicates that capital is used more efficiently.

Return on equity

	Group	
	2017/18	2016/17
Profit for the year	357.8	478.7
Average equity	2,230.7	2,136.8
Return on equity	16.0%	22.4%

Reason for use: Return on equity is a measure of profitability in relation to the carrying amount of equity. Return on equity is also a measure of how investments are used to generate increased income.

Sales growth

	Group	
	2017/18	2016/17
Sales actual year	8,210.7	7,990.1
Sales previous year	7,990.1	7,601.6
Sales growth	2.8%	5.1%

Reason for use: The change in sales reflects the company's realised sales growth over time.

Total return

	Group	
	2017/18	2016/17
Share price at the beginning of the year	147.00	162.00
Share price at the end of the year	96.00	147.00
Re-invested dividend	6.25	5.75
Total	-44.75	-9.25
Total return	-30.44%	-5.71%

Working capital

	Group	
	2017/18	2016/17
Total current assets	2,490.7	2,476.4
- Cash and cash equivalents	-115.8	-625.1
- Current non-interest-bearing liabilities	-1,708.4	-1,421.9
Working capital	666.5	429.3

Reason for use: Working capital is used to measure the company's ability to meet short-term capital requirements.

Ten-year summary

MSEK	2017/2018	2016/2017	2015/2016 ¹	2014/2015	2013/2014	2012/2013
INCOME STATEMENT						
Sales	8,210.7	7,990.1	7,601.6	7,329.8	6,807.7	6,518.9
Operating profit	468.3	609.9	506.4	596.0	530.5	430.6
Profit before tax	467.1	608.9	507.6	597.2	530.2	419.9
Income tax	-109.3	-130.2	-128.8	-138.3	-124.8	-88.4
Profit for the year	357.8	478.7	378.8	458.9	405.4	331.5
BALANCE SHEET						
Non-current assets	1,469.5	1,404.5	1,397.8	1,399.9	1,424.2	1,461.6
Non-current receivables	239.4	18.5	18.1	11.6	8.1	3.2
Inventories	2,038.0	1,630.7	1,639.2	1,569.3	1,348.2	1,303.9
Current receivables	336.9	220.6	263.4	242.5	229.5	214.9
Cash and cash equivalents	115.8	625.1	604.3	517.4	358.3	124.6
Total assets	4,199.7	3,899.4	3,922.8	3,740.7	3,368.3	3,108.2
Equity	2,263.9	2,250.7	2,138.8	2,144.5	1,964.9	1,836.5
Non-current liabilities, interest-bearing	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities, non-interest-bearing	227.4	226.8	195.2	213.3	206.5	185.7
Current liabilities, interest-bearing	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities, non-interest-bearing	1,708.4	1,421.9	1,588.8	1,382.9	1,196.9	1,086.0
Total equity and liabilities	4,199.7	3,899.4	3,922.8	3,740.7	3,368.3	3,108.2
CASH FLOW						
Cash flow from operating activities	372.8	698.9	704.6	647.3	689.1	517.8
Investments	-497.2	-263.5	-274.1	-192.3	-171.8	-166.5
Cash flow after investments	-124.4	435.4	430.5	455.0	517.3	351.3
Financing activities	-389.8	-418.0	-335.9	-298.9	-283.6	-334.4
Cash flow for the year	-514.2	17.5	94.6	156.1	233.7	16.9
KEY RATIOS²						
Growth in sales, %	2.8	5.1	3.7	7.7	4.4	4.1
Gross margin, %	40.0	41.2	42.4	42.9	42.6	41.6
Operating margin, %	5.7	7.6	6.7	8.1	7.8	6.6
Return on capital employed, %	21.0	28.4	23.6	29.3	28.0	23.2
Return on equity, %	16.0	22.4	17.6	22.5	21.7	18.3
Equity/assets ratio, %	53.9	57.7	54.5	57.3	58.3	59.1
Net debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Sales per square metre in store, SEK 000s	31	31	30	30	30	31
Number of stores at year-end	229	216	205	198	185	174
Number of full-time equivalent employees	2,951	2,835	2,787	2,736	2,629	2,524
DATA PER SHARE						
Average number of shares before dilution	63,200,598	63,052,803	63,167,924	63,121,729	63,137,148	63,349,241
Average number of shares after dilution	63,311,743	63,254,614	63,461,923	63,400,934	63,243,692	63,421,154
Number of shares at period end	63,208,135	63,083,438	63,376,420	63,216,061	63,140,994	63,287,808
Earnings per share before dilution, SEK	5.66	7.59	6.00	7.27	6.42	5.23
Earnings per share after dilution, SEK	5.65	7.57	5.97	7.24	6.41	5.23
Comprehensive income per share, SEK	6.37	8.30	5.07	7.41	6.41	4.68
Cash flow per share, SEK ³	5.90	11.08	11.15	10.25	10.91	8.17
Equity per share, SEK	35.82	35.68	33.75	33.92	31.12	29.02
Share price 30 April, SEK	96	147	162	143	143	87
Dividend per share, SEK	6.25 ⁴	6.25	5.75	5.25	4.75	4.25
P/E ratio	17	19	27	20	22	17
Dividend Yield, %	6.5	4.3	3.5	3.7	3.3	4.9

¹During previous year a non-recurring cost of 107.0 MSEK related to the restructuring of the store network in the UK affected the result. During previous year's first quarter 10.5 MSEK was also attributable to costs for closing one store in the UK. In addition, there was a tax effect on non-deductible expenses estimated at 7.1 MSEK.

²See key ratio definitions on page 141. ³From operating activities. ⁴Proposed dividend.

Comments*

2011/2012	2010/2011	2009/2010	2008/2009
6,260.0	5,828.0	5,555.8	4,930.2
560.6	507.1	590.5	502.8
551.0	499.0	588.2	503.8
-150.5	-134.6	-155.4	-138.3
400.5	364.4	432.8	365.5
1,515.0	1,469.5	1,365.5	1,195.5
3.5	10.9	1.0	2.0
1,228.7	1,429.2	1,204.1	1,117.2
197.5	176.7	173.4	164.5
111.8	132.6	98.8	92.0
3,056.5	3,218.9	2,842.8	2,571.2
1,843.8	1,656.8	1,646.1	1,493.1
0.0	300.0	100.0	65.0
195.7	165.9	90.3	86.4
30.0	261.7	171.4	208.6
987.0	834.5	835.0	718.1
3,056.5	3,218.9	2,842.8	2,571.2
964.9	350.3	602.8	339.7
-206.1	-295.3	-315.8	-433.1
758.8	55.0	287.0	-93.4
-781.5	-6.0	-267.9	-109.2
-22.7	49.0	19.1	-202.6
7.4	4.9	12.7	5.8
42.1	41.6	40.8	40.8
9.0	8.7	10.6	10.2
27.9	24.6	32.6	32.6
23.1	22.5	28.0	24.4
60.3	51.5	57.9	58.1
0.1	1.1	0.5	0.5
34	34	38	38
157	139	120	106
2,370	2,219	2,048	1,927
63,635,998	63,802,230	64,383,906	65,065,008
63,702,052	63,870,584	64,432,321	65,075,701
63,615,000	63,710,000	64,280,000	64,955,000
6.29	5.71	6.72	5.62
6.29	5.71	6.72	5.62
6.75	4.79	6.43	5.76
15.16	5.49	9.36	5.22
28.98	26.01	25.61	22.99
99	98	128	94
4.25	3.75	3.75	3.00
16	17	19	17
4.3	3.8	2.9	3.2

Sales

Sales increased to 8,211 MSEK, up 3 per cent compared with 7,990 MSEK in the preceding year. In local currencies, sales increased by 3 per cent.

Number of stores

During the financial year, 17 new stores (17) opened; 3 in Sweden, 10 in Norway, 3 in Finland and 1 in Germany. During the fiscal year, one store in Norway, one store in Finland and two franchise stores in Dubai have also been closed. During previous year 6 stores were closed in the UK. The number of stores at the end of the period was 229, of which 90 were in Sweden, 89 in Norway, 39 in Finland, 7 in the UK and 4 in Germany.

Gross margin

The gross margin was 40.0 per cent, down 1.2 percentage points compared with the year-earlier period (41.2). During the financial year, the gross margin was negatively impacted by the stronger USD, increased commercial investments, the weaker NOK and higher sourcing costs, which were offset by both currency hedges (NOK) and exchange-rate effects related to the delays in inventory.

Operating profit

Operating profit amounted to 468 MSEK. The operating profit has been affected as a result of the company's strategic review of approximately 30 MSEK, strategic initiatives initiated during the fiscal year amounting to approximately 25 MSEK and the 5 MSEK donation to the Clas Ohlson Foundation decided by the 2017 AGM. Operating profit, in addition to the above costs for strategic review and strategic initiatives, was impacted by non-recurring costs totalling approximately 10 MSEK, consisting of costs in connection with implementing a new business system and future costs associated with optimisation of the store network in the UK.

Operating margin

The operating margin was 5.7 per cent (7.6 per cent).

Cash flow

During the financial year, cash flow from operating activities totalled 373 MSEK (699). Cash flow for the financial year, after investing and financing activities, was -514 MSEK (17). An investment of 224 MSEK was made in MatHem i Sverige AB in December 2017. The cash dividend paid to Clas Ohlson's shareholders in September 2017 totalled 395 MSEK (362).

Return

The return on capital employed amounted to 21.0 per cent (28.4) and the return on equity was 16.0 per cent (22.4).

* Refers to the financial year 2017/18.

Clas Ohlson's stores*

SWEDEN			NORWAY			
Store	Opening date		Store	Opening date	Store	Opening date
A Alingsås	27 Mar 2014		Stockholm, Barkarby Gate	27 Nov 2014	A Alta	17 Nov 2011
B Borlänge	26 Sep 2013		Stockholm, Bromma	23 Sep 2010	Arendal	28 Nov 2007
Borås	24 Oct 2002		Stockholm, Drottninggatan	21 Oct 2010	Asker	16 Oct 2008
E Eskilstuna	30 May 2002		Stockholm, Farsta	18 Nov 1999	Askim	11 Oct 2017
F Falun	5 Feb 2009		Stockholm, Gallerian	30 Jun 1989	B Bergen, Galleriet	30 Nov 2017
G Gävle	27 Nov 2003		Stockholm, Haninge	10 Dec 2004	Bergen, Lagunen	6 Mar 2003
Gothenburg, Backaplan	19 April 2018		Stockholm, Hornstull	27 Oct 2016	Bergen, Sartor	16 Feb 2006
Gothenburg, Bäckebo	10 Apr 2003		Stockholm, Kista	5 Dec 2002	Bergen, Sentrum	22 Apr 1999
Gothenburg, Nordstan	1 Jun 1992		Stockholm, Kungens Kurva	24 Apr 2014	Bergen, Vestkanten Kjøpe-senter	22 Nov 2012
Gothenburg, Partille	9 Apr 2006		Stockholm, Liljeholmen	15 Oct 2010	Bergen, Åsane	30 Sep 2004
Gothenburg, Sisjön	19 Apr 2012		Stockholm, Nacka	29 Mar 2007	Bodø, City Nord	7 June 2011
Göteborg, Västra Frölunda	23 Oct 2009		Stockholm, Sickla	6 Dec 2007	Bodø, Glasshuset	1 Feb 2018
H Halmstad, Flygstaden	16 Jun 2011		Stockholm, Skärholmen	7 Dec 2000	Bryne	5 Nov 2009
Halmstad, Gallerian	8 Mar 2001		Stockholm, Sollentuna	31 May 2007	D Drammen, Buskerud	8 Sep 2011
Helsingborg, Kullagatan	4 Jun 2009		Stockholm, Solna	7 Apr 2005	Drammen, Gulskogen	18 Sep 2008
Helsingborg, Väla centrum	12 Jun 2003		Stockholm, Solna, Mall of Scandinavia	12 Nov 2015	E Elverum	22 Mar 2012
Hudiksvall	23 Apr 2009		Stockholm, Täby	25 Oct 2001	F Farsund	1 June 2017
I Insjön	27 Jun 1918		Stockholm, Vällingby	15 Nov 2007	Finnsnes	9 Jun 2016
J Jönköping, A6	22 May 2003		Stockholm, Värmdö	17 Jun 2015	Fredrikstad, Dikeveien	25 Nov 2010
Jönköping, City	9 Dec 2010		Stockholm, Väsbym	27 Apr 2007	Fredrikstad, Torvbyen	1 Dec 2005
K Kalmar, Baronen	24 Nov 2005		Strömstad	29 May 2009	Førde	22 Nov 2012
Kalmar, Hansa City	14 Mar 2013		Sundsvall, Birsta	30 Apr 2008	G Gjøvik	10 Mar 2006
Karlskrona	27 Nov 2014		Sundsvall, In: gallerian	10 Jun 1999	H Halden	12 Mar 2015
Karlstad, Mitt i City-gallerian	21 Sep 2006		Södertälje	29 Apr 2010	Hamar	11 Nov 2014
Karlstad, Bergvik	20 Aug 2015		T Trelleborg	25 Apr 2007	Harstad, Sjøkanten Senter	24 Feb 2011
Kiruna	11 Nov 2010		Trollhättan	28 Jun 2012	Harstad, Amfi Kanebogen	6 Apr 2017
Kristianstad	18 Apr 2007		U Uddevalla	19 Oct 2006	Haugesund	3 Oct 2002
Kungsbacka	13 Mar 2008		Umeå, Avion	17 Mar 2016	Horten	9 Jun 2011
L Lidköping	25 Apr 2012		Umeå, MVG	13 Apr 2000	Husnes	8 Mar 2018
Linköping	10 Jun 2004		Uppsala, Gränby	25 Aug 2011	Hønefoss	19 Feb 2009
Luleå, Smedjan	21 Mar 2002		Uppsala, S:t Per Gallerian	16 Nov 2000	J Jessheim	5 Nov 2008
Luleå, Storheden	16 Feb 2012		V Valbo	23 Feb 2012	K Kongsberg	3 Jun 2010
Lund	7 Nov 2013		Varberg	28 Sept 2017	Kongsvinger	24 May 2012
Löddeköpinge	26 Nov 2015		Visby	17 Apr 2008	Kristiansand, Sandens	6 Nov 2008
M Malmö, Burlöv	25 Mar 2010		Västervik	6 Dec 2012	Kristiansand, Sorlandssenteret	19 Nov 1998
Malmö, Emporia	25 Oct 2012		Västerås, Erikslund	22 Sep 2011	Kristiansund	24 Mar 2011
Malmö, Mobilia	26 Sep 2013		Västerås, Igor	22 Nov 2001	L Larvik	23 Apr 2009
Malmö, Triangeln	3 Dec 1993		Växjö	6 May 2004	Levanger	5 Jun 2014
Motala	29 Jan 2009		Ä Ängelholm	23 Mar 2017	Lillehammer	18 Nov 2010
Märsta	26 April 2018		Ö Örebro, Krämaren	27 Nov 1997	Lillestrøm	23 Mar 2017
N Norrköping, Domino	2 May 1996		Örebro, Marieberg	26 Mar 2009	Lørenskog	30 Nov 2006
Norrköping, Mirum Galleria	10 Dec 2009		Örnsköldsvik	12 Apr 2007	M Mandal	20 Nov 2014
Norrköping, Norrtälje	14 Jun 2012		Östersund	28 Apr 2005	Mo i Rana	7 Jun 2012
Norrköping, Nyköping	5 Oct 2006				Molde	22 Oct 2009
P Piteå	20 Sep 2007				Moss	12 Oct 2006
S Skellefteå	17 Mar 2005				N Narvik	4 Dec 2008
Skövde	27 Nov 2008					

		FINLAND		OUTSIDE NORDIC COUNTRIES		
	Store	Opening date	Store	Opening date	Store	Opening date
O	Orkanger	30 Oct 2014	E Espoo, Ainoa	16 Mar 2017	UK	
	Oslo, Alna Senter	27 Sep 2006	Espoo, Iso Omena	14 Oct 2015	L Liverpool	29 Apr 2010
	Oslo, Bogstadsveien	27 Oct 2011	Espoo, Pikkulaiva	27 Sept 2017	London, Croydon	27 Nov 2008
	Oslo, Bryn Senter	26 Aug 2010	Espoo, Sello	14 Sept 2005	London, Ealing	3 Dec 2015
	Oslo, CC-Vest	11 Sep 2014	H Helsinki, Columbus Shopping Centre	18 May 2017	London, Kingston	3 Dec 2009
	Oslo, Lambertseter Senter	12 Oct 2010	Helsinki, Itis	6 Nov 2003	M Manchester	30 Apr 2009
	Oslo, Oslo City	11 Nov 2005	Helsinki, Kaivotalo	3 Nov 2016	R Reading	19 Nov 2009
	Oslo, Storo Storsenter	19 Jun 2008	Helsinki, Kamppi	2 Mar 2006	S St Albans	1 Oct 2015
	Oslo, Stovner	6 Oct 2016	Helsinki, Kannelmäki	17 Oct 2013		
	Oslo, Torggata	26 Aug 1991	Helsinki, Mannerheimintie	14 Nov 2002	GERMANY	
P	Porsgrunn	27 Apr 2006	Hyvinkää	18 Oct 2012	H Hamburg, Altona	15 Sep 2016
R	Rykkinn	15 Mar 2018	Hämeenlinna	30 Oct 2014	Hamburg, Alstertal	24 Nov 2016
S	Sandefjord	10 Sep 2015	J Joensuu	6 Nov 2008	Hamburg, Jungfernstieg	19 May 2016
	Sandnes, Kvadrat	23 Sep 1998	Jyväskylä, Kauppakatu	10 Nov 2016	Hamburg, Spitalerstraße	30 Nov 2017
	Sandnes, Maxi	26 May 2016	Jyväskylä, Palokka	8 Sep 2011		
	Sandvika	10 Jan 2002	K Kempele, Zeppelin	3 Aug 2017		
	Sarpsborg	8 Jun 2006	Kokkola	27 Sept 2007		
	Ski	16 Oct 2003	Kotka	23 May 2013		
	Skien	18 Oct 2007	Kouvola	13 Sep 2012		
	Slependen	18 Sep 2014	Kuopio, Haapaniemenkatu	24 Feb 2005		
	Sogndal	6 Jun 2013	Kuopio, Matkus	1 Nov 2012		
	Stathelle	23 Nov 2017	L Lahti, Karisma	3 Nov 2011		
	Stavanger, Kilden	25 Oct 2007	Lahti, Syke	31 May 2012		
	Stavanger, Madla	8 Nov 2007	Lempäälä	29 Nov 2007		
	Stavanger, Mediegården	11 Nov 2010	Lappeenranta	1 Nov 2007		
	Steinkjer	15 Oct 2009	M Mariehamn	16 May 2013		
	Stord	20 Jun 2013	Mikkeli	16 June 2011		
	Stjørdal	2 Nov 2017	O Oulu	25 Nov 2010		
	Strømmen	21 Oct 1999	P Pori	30 Oct 2014		
	Svolvær	8 Dec 2016	R Rovaniemi	23 Oct 2008		
T	Tromsø	12 Jun 2008	S Seinäjoki	11 Sep 2008		
	Trondheim, City Lade	12 Oct 2017	T Tampere, Hämeenkatu	18 Mar 2004		
	Trondheim, City Syd	8 May 2003	Tampere, Shopping Mall Ratina	19 April 2018		
	Trondheim, Solsiden	19 Oct 2000	Turku, Forum	3 Mar 2005		
	Trondheim, Trondheim Torg	17 Feb 2011	Turku, Raisio	4 Nov 2015		
	Tønsberg	21 Sep 2001	Turku, Skanssi	25 Oct 2012		
V	Valdres	26 Oct 2017	V Vantaa, Jumbo	27 Oct 2005		
	Vestby	14 Mar 2013	Vantaa, Myyranni	29 Nov 2011		
	Vinstra	16 Feb 2017	Vaasa	14 Oct 2004		
	Vinterbro	26 Mar 2015				
	Voss	16 Jun 2016				
Å	Ålesund	22 Jan 2004				
Ø	Ørsta	4 Oct 2012				

* Store portfolio at 30 April 2018

Visit about.clasohlson.com/about-us/our-stores/ to receive continuously updated information about the store portfolio.

Clas Ohlson's broad and affordable product range is also available online in the Swedish, Norwegian, Finnish, UK and German markets.

www.clasohlson.se
www.clasohlson.no
www.clasohlson.fi
www.clasohlson.uk
www.clasohlson.de



Smart solutions are our passion – in the past and in the future

CLAS OHLSON, AN ENTREPRENEUR WITH A PASSION for technology and innovation, founded a mail order company in 1918 in Insjön, Sweden. Insjön is still the heart of Clas Ohlson — our head office is still located here.

Clas Ohlson (1895–1979) started his own business in 1914 when he took over his brother's bicycle shop and became one of Insjön's busiest bicycle repairmen. In 1918, he founded Clas Ohlsson & Co together with his younger brother Emil Pettersson, who ran the printing operations.

The bicycle shop soon became a secondary operation when catalogues with blueprints, textbooks, manuals and instructions put wind in the company's sails.

Clas Ohlson was both ingenious and technically knowledgeable, always looking for clever new solutions to every imaginable problem. He never succeeded in making a time machine from a bicycle, but he built up one of the country's largest mail-order companies instead.

"The precondition for entrepreneurship, both then and now, is having something new to bring," he said in an interview in the late 1960s.

Clas Ohlson's accomplishments over the years included building his own camera and providing an account of his ideas on the rotation of the galaxies and on the Big Bang for the foremost astronomers of Uppsala University. Not infrequently, his ideas ended up as products in the catalogue, such as a steel wire bird feeder of which a quarter of a million were sold.

The company has been particular about its history and about preserving the renowned Clas Ohlson spirit. For example, Clas Ohlson shook every employee's hand every morning, distributed premium bonds and invited all his employees to trips to the Alps and to Copenhagen.

He remained active in the company until his death in 1979. However, his son — engineer Tore Ohlson — took over as CEO during his father's final years. A genuine joy of discovery continued to drive him throughout his life.



The Clas Ohlson Foundation was host of the "Commodity of the Year" at the 2018 Junior Achievement Sweden championships. Pictured is Dimitri Haid, Chairman of the Clas Ohlson Foundation, together with Fredrik Rinaldo and Michal Wallentin from Grillska upper secondary school in Västerås, who won with "MerchSweden-UF", a reseller of exclusive clothing and shoes in the second-hand market.

Clas Ohlson FOUNDATION

The Clas Ohlson Foundation, established in 2017, is a non-profit organisation and a foundation independent of Clas Ohlson AB.

Its purpose is to

- Support innovation, entrepreneurship and initiative in the Dalarna region of Sweden;
- Provide children and young people with expanded opportunities for education; and
- Help people in need.

The initiators and founders are members of the Ek Tidstrand and Haid families, the heirs of Clas Ohlson and shareholders in Clas Ohlson AB. They have donated more than 5 MSEK to the foundation, and in addition will set aside a portion of the dividend every year.

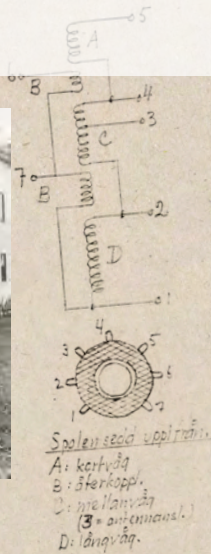
The Clas Ohlson Annual General Meeting 2017 resolved on a one-time donation of 5 MSEK to the foundation's operations.



1925

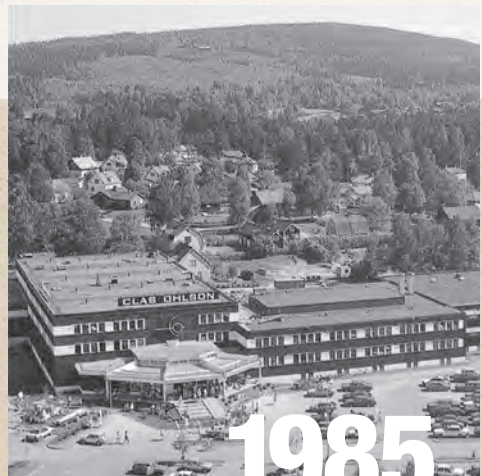
Another new office

The company is building another new office beside the railway. The land was acquired in 1924 and the location for the head office until 1972. Clas was quick to move into the attic floor together with his family. In the following year, a store was opened for over the counter purchases and, for the first time, that year's catalogue had more products than drawings.



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1985

Sales of 100 MSEK

The company's sales exceed 100 MSEK for the first time. During the year, a subsidiary was opened in Norway when mail order sales were established in the country.

1918

At the age of just 22, Clas Ohlson and his brother Emil founded a mail order company, Clas Ohlsson & Co. The company is registered as a bicycle repair shop and printer, but mail order operations are soon started.

1944

250,000 copies of the catalogue are printed, including about 7,000 products. The company has about 600 suppliers.

1961

146,477 packages are sent from Insjön during the year. The average value of a package is 56 SEK, or about 480 SEK today.

1967

The new office and store building on Highway 70 in Insjön is completed. The number of employees is 75. The catalogue has about 8,000 products.

1972

Clas Ohlson opened its first store outside Insjön in central Stockholm.

1989

The first store outside Sweden is inaugurated in Oslo, Norway. Clas Ohlson is a well-known name in Norway, since the first mail order catalogue was published there in 1985.

1991

Sales exceed 1 billion SEK for the first time.

1999

Clas Ohlson is listed on the Stockholm Stock Exchange.

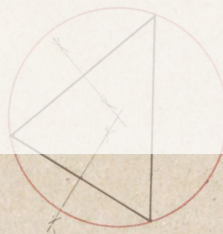
2000



1995

New central warehouse

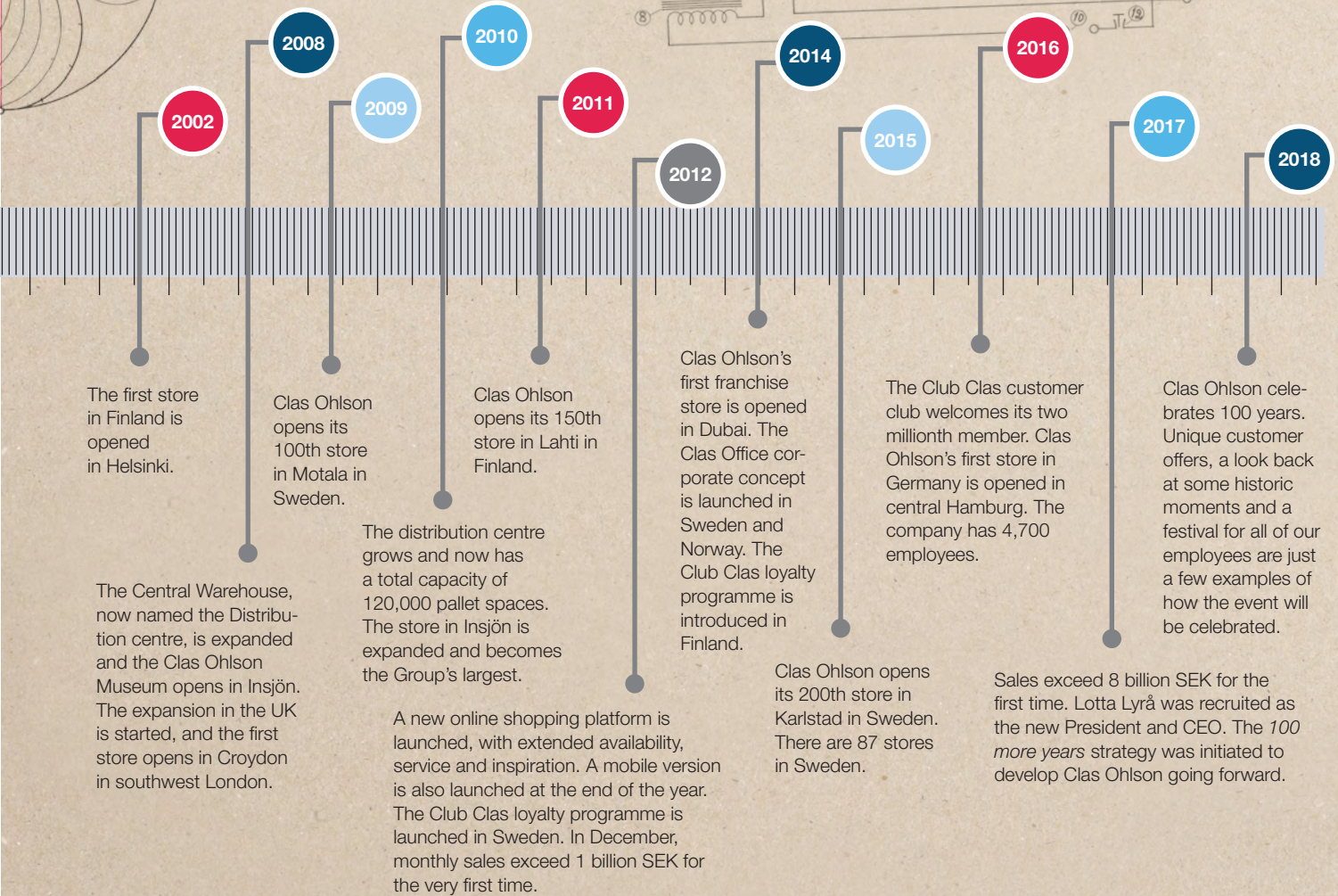
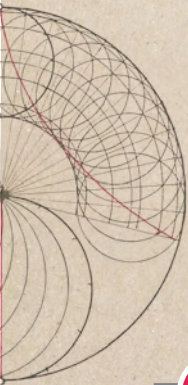
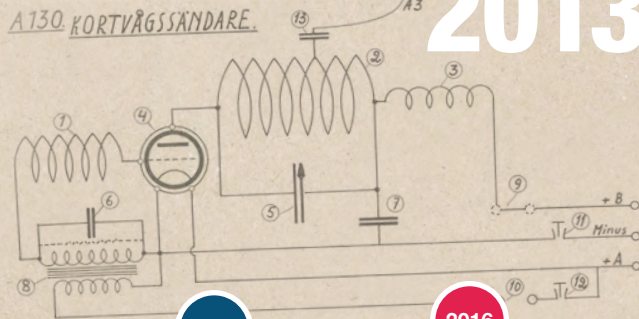
A new central warehouse in Insjön enters use. At its opening, the warehouse encompassed 11,000 square metres with a ceiling height of 9 metres.



Club Clas arrives

Club Clas was launched in March and in its first year, the loyalty club attracted more than one million members.

2013



Information to shareholders



ANNUAL GENERAL MEETING 2018

We want to showcase Clas Ohlson celebrating 100 years as a company at this year's AGM. We will do this together with our shareholders at Tegera Arena in Leksand on Saturday the 8 September, where we will add some extra festivities in conjunction with the formal AGM.

More information about the AGM is available at <https://about.clasohlson.com/agm2018>.

Annual General Meeting

The Annual General Meeting ("AGM") of shareholders of Clas Ohlson AB will be held on Saturday, 8 September 2018 at 11:00 a.m. at the Tegera Arena in Leksand, Sweden. Registration will commence at 9:30 a.m.

Attendance

Shareholders who intend to participate at the AGM must have notified the company by not later than 3 September 2018, at the following address: Clas Ohlson AB (publ), AGM, c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, Sweden.

Notification may be given by telephone +46 247-446 00 or by e-mail agm2018@clasohlson.se.

Shareholders entitled to participate at the AGM are those who are listed on Euroclear Sweden AB's printed shareholder register on 3 September 2018, and who have notified their intention to participate on the same day at the latest. Shareholders who have trustee-registered shares must temporarily re-register the shares in their own names with Euroclear Sweden AB. Shareholders must inform the trustee in good time prior to 3 September 2018.

Notification of Annual General Meeting

Notification of the AGM takes place through an announcement in Post- och Inrikes Tidningar and the notice being made available on the company's website. Documents to be presented at the AGM are available from the company's website about four weeks before the meeting.

Distribution policy

The Annual Report is distributed only to those shareholders who request it. Distribution takes place about 6 weeks prior to the AGM. The Clas Ohlson Annual Report and other financial information are available at about.clasohlson.com

Dividend proposal

The Board of Directors proposes a dividend of 6.25 SEK (6.25) per share for the 2017/18 financial year.

- The final trading date for Clas Ohlson shares, including rights to dividends, is 8 September 2018
- Record date for payment of dividend is 11 September 2018
- The payment date is 14 September 2018

FINANCIAL INFORMATION

Clas Ohlson provides financial information for the 2018/19 financial year as follows:

- Interim report May-July, 5 September 2018
- Interim report August-October, 5 December 2018
- Interim report November-January, 13 March 2019
- Interim report February-April, 5 June 2019

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visit about.clasohlson.com



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