

clas ohlson

2013/14 Annual Report

6.8

billion SEK

5

countries

Successful offering and strengthened market position

clas ohlson

Clas Ohlson's vision is to be a leading international modern hardware retailer with high profitability, adding value for all our stakeholders.

We help and inspire people to improve their everyday life by offering a broad range of clever and convenient practical solutions at great value, a proactive, knowledgeable and accessible customer service, and an inspirational shopping experience through all sales channels. Our operations must be sustainable and respect people and the environment.

The image shows the store in Kungens Kurva in Stockholm, Sweden, the day before it was opened on 24 April 2014.

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Sustainability report

Clas Ohlson applies a long-term and integrated approach to sustainability issues to create value and a favourable customer offering, and do good business. The company's 2013/14 sustainability report is available at about.clasohlson.com.

Clas Ohlson 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 2012/13. 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.

New markets, new opportunities

Clas Ohlson is an international retail company that is expanding through new offerings, new stores and by establishing operations in new markets. In April 2014, the first store was opened outside of Europe, in Dubai in the fast growing Gulf region and, in the autumn, we will be launching Clas Office, which is our competitive offering for corporate customers.

Number of stores	New	Total ¹
Sweden	5	78
Norway	2	65
Finland	3	30
UK	0	12
Gulf region	1	1
	11	186

¹as of June 2014

Germany – new market in 2015

Clas Ohlson is preparing for entry into the German market with retail stores and online shopping. Initially, 1-2 stores will be established in the north of Germany in 2015. Germany is Europe's largest retail market with annual growth of 2 per cent over the past five years. Clas Ohlson offers a unique concept with a broad product range that makes everyday life easier as well as centrally located stores.

35%
increase in
online-store
traffic

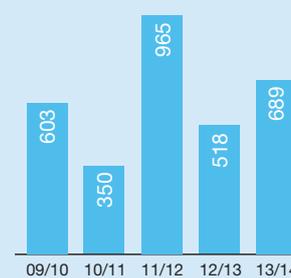
Sales, MSEK



Operating profit, MSEK



Operating cash flow, MSEK



<p>Hardware Electrical Multimedia Home • Leisure</p>		<p>4,700 service-minded employees</p>
<p>Focus on sustainability</p>	<p>Net sales 6,808 MSEK</p>	<p>186 stores in 5 countries</p>
<p>15,000 products</p>	<p>73 million visitors 36 million customers</p>	<p>9,500 spare parts</p>

Sales up in all markets

We have increased our sales in all markets and through all sales channels. Sales grew to 6,808 MSEK, corresponding to a sales increase of 7 per cent in local currency. Sales in comparable units rose 2 per cent.

Increased profitability

Operating profit increased 23 per cent to 531 MSEK during the year. Earnings per share increased 23 per cent to 6.42 SEK.

Dividend raised

The Board of Directors proposes to the Annual General Meeting a dividend of 4.75 SEK per share, up 12 per cent year-on-year. The proposed dividend corresponds to 77 per cent of profit after tax, which comfortably outperforms the dividend policy of at least 50 per cent.

Key ratios

	2013/14	2012/13	Change
Net sales, MSEK	6,808	6,519	+4%
Operating profit, MSEK	531	431	+23%
Profit before tax, MSEK	530	420	+26%
Profit after tax, MSEK	405	332	+22%
Operating margin, %	7.8	6.6	+1.2
Return on equity, %	21.7	18.3	+3.4
Return on capital employed, %	28.0	23.2	+4.8
Equity/assets ratio, %	58.3	59.1	-0.8
Earnings per share, SEK	6.42	5.23	+23%
Dividend per share, SEK	4.75 ¹	4.25	+12%
Number of full-time equivalent	2,629	2,524	+4%

¹Proposed dividend

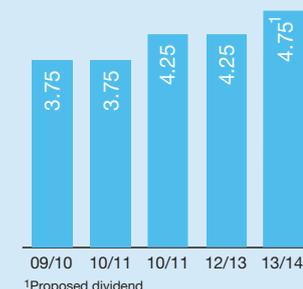
Return on capital employed, %



Earnings per share, SEK



Dividend per share, SEK



An eventful year



Club Clas, our loyalty programme, was launched in Sweden in March 2013 and quickly met with success. Loyal customers are rewarded with targeted discounts, invitations to theme nights and a bonus on all purchases. In June 2014, member numbers reached a level of 1 million. In the autumn, we will launch Club Clas in Finland.



Royal visit to Insjön, Sweden

Royal visit to Insjön on 10 September 2013, King Carl XVI Gustaf of Sweden and Queen Silvia visited Dalarna on their tour through Sweden to celebrate the King's 40 years on the throne. The objective of the tour was to visit people in their everyday lives and the royal couple's visits included Clas Ohlson in Insjön, where they received a guided tour of DC, one of the most modern distribution centres in the Nordic region.



New freight agreements

During the year, parts of deliveries to stores have been moved from road freight to rail freight. In Norway, this is expected to result in 30 per cent lower carbon emissions compared with previously. Clas Ohlson won the PostNord Logistics Award for 2014 for this improvement.

1 billion

in December

New sales records every month – that was the outcome for 2013/14. The company achieved a new milestone in December when monthly sales exceeded 1 billion SEK for the first time. A festive atmosphere reigns, both in the stores and online, with new exciting offers at the start of the Christmas campaign.



Capacity increased at DC

The distribution centre at Insjön has been extended to manage raised volumes and continued expansion. The new main line, which was opened in November 2013, means that we go from two to three main lines with increased capacity and faster deliveries to stores and customers.

The distribution centre is the Group's logistics hub and all incoming and outgoing deliveries are coordinated from here. An efficient and sustainable flow of goods is one of Clas Ohlson's key success factors.



Preparations for the opening of our franchise store in Dubai in April

We open in Dubai

Clas Ohlson's first store outside Europe was opened in Dubai on 30 April 2014. The store is a franchise and is located in one of the largest shopping centres in the region, with 20 million visitors annually. Entertainment as part of the store's opening included Swedish folk music, a Swedish-Arabic buffet and traditional Dalecarlian wooden horses. An experienced team from Clas Ohlson was on site for the start-up.

Clas Ohlson has signed a franchise agreement with a local partner, SYH Retail, covering the establishment of stores in the Gulf region. Our concept is unique for the region and, following evaluation, the aim is to establish a minimum of 20 stores over a five-year period.



A more colourful Clas Ohlson

Our range has been supplemented by an entirely new type of product that has been requested by many customers. Clas Ohlson's own range of paints include: gloss, ceiling and wall paint, all of which have a high hiding power and degree of washability. The products are labelled with the EU Ecolabel and meet stringent requirements in terms of the environment, function and quality.

11

new stores

In 2013/2014, Clas Ohlson opened a total of 11 new stores: five in Sweden, three in Finland, two in Norway, and one in Dubai. Planned openings in 2014/15 are 10 to 15 new stores.



330 tonnes of batteries collected

Many batteries end up in the rubbish instead of being recycled. We want to change this! This year's hunt for used batteries involved Swedish and Norwegian children. A total of 40,000 year-four students entered the competition, which was won by the following schools: in Sweden by Getbergaskolan in Skellefteå and Bredgårdsskolan in Strömsund and in Norway by Høyenhall skole in Oslo and Haraldreina skole in Stjørdal.

In Sweden, the competition was organised by Keep Sweden Tidy and in Norway by Miljøagentene in partnership with VARTA Consumer Batteries and Clas Ohlson. More than 330 tonnes of batteries were handed in to our stores.

Aggressive future investments

On the last day of the financial year, we opened the doors of our franchise store in Dubai, our first store outside Europe. On my way home from the opening, I reflected on yet another financial year in Clas Ohlson's 96 year-history. A year typified by many outstanding initiatives from our employees as well as more visitors and customers than ever.

So, what is it that is driving this trend? I would like to contend that this primarily arises from Clas Ohlson's passion for business. Business that is good for us, good for our customers and which adds value as part of everyday life. Through our vision of becoming a leading international modern hardware retailer, we add value for our shareholders, employees and society in general.

Over the last year we have taken new steps toward realising our vision. We have launched Clas Ohlson in a new market and we are once again able to report a new sales record with a fine profitability trend.

We operate in a rapidly changing reality in which the retail industry has undergone massive change in the last decade. We are meeting an increasingly harsh retail climate with intensified competition in all sales channels. Consumers are gaining ever increasing influence and demands for sustainability and transparency are growing. Overall, these are the changes that impact us and create new challenges but, above all, opportunities for companies who choose to adapt to the new conditions.

New customer offering

By offering inspiration and smart solutions and continuously developing our offering, we strengthen our market position. We are focusing on increased availability and an enhanced customer experience in combination with working toward ensuring that our



Franchising and Clas Office create new growth possibilities

various sales channels complement and strengthen each other. We are continuing to convert and develop our stores, and constantly improving our online shopping platform. All of this is aimed at satisfying the needs of existing and future customers in the best manner possible.

Our product range is being refined and developed based on customer needs. Additions to the range this year included paint, a product group long requested by our

customers. In addition, we have developed our offering to corporate customers ahead of the launch of Clas Office.

We are also continuing to develop our own brands in terms of function, design and quality.

Our loyalty programme, Club Clas was launched one year ago and has since become a success with over one million members in Sweden alone. This allows us to provide our most loyal customers with even better service and information in parallel with increasing the effectiveness of our communication.

New markets

During the year, we have strengthened our positions and continued to grow in our home markets of Sweden and Norway in increasingly competitive conditions. Our store staff have performed outstandingly in their efforts to serve our customers and adapt our offering to local conditions.

Finland posted an exceedingly positive trend in the latter part of the financial year. It was particularly gratifying to note our growth in a market that was otherwise marked by a significant economic downturn. We consider this a clear signal that we are continuing to strengthen our position in Finland.

In the UK, like many others, we have been impacted by the strained financial climate. We are now seeing signs of a cautious turnaround in the economy and a sales trend pointing in the right direction. Our marketing investments are starting to deliver results: the market position has strengthened and brand recognition in the UK market has increased significantly.

During the year, we also established operations in an entirely new market using a completely new business model. The store opened in Dubai in the spring was our first store outside Europe and our first ever franchise store. If the outcome meets expectations, the aim is to open some 20 stores in the expansive Gulf region. Franchising is a supplement to our wholly owned stores and provides us with additional growth possibilities in new markets moving forward.

Under current plans, we will open our first store in Germany in 2015. We have prepared diligently and our surveys clearly indicate that Clas Ohlson would contribute a unique concept to the German market.

The importance of the Clas Ohlson spirit

How can we maintain and develop the Clas Ohlson spirit when the company is growing by more than 300 employees annually in existing and new markets? This is, without a doubt, a major challenge and how we perform here will determine our continued success. During the



We are once again able to report a new sales record with an excellent profitability trend

year, new employees have been in Insjön, Sweden, to partake in Clas Ohlson's induction program for new employees, which is known as the Insjö schooling.

In addition, we prioritise the training and development of our leaders who have a key assignment of ensuring that our culture and values permeate daily work.

Sustainability throughout the chain

Almost ten years ago we were subjected to criticism for our inadequate sustainability efforts. We have accepted this and have since been working hard to develop our sustainability agenda. Today, we have a completely different level of control over our suppliers, and sustainability is integrated far more closely with the work of all functions.

We have a lot left to do, but every step counts. Among other things, during the year, we updated our Code of Conduct, raised requirements for suppliers and developed our excellence program for specially selected and significant suppliers.

We are continuing to develop our range of sustainable alternatives. Use it and lose it has no place at Clas Ohlson and our vast range of spare parts, which is now searchable on our online store, has become a major sales success.

Our partnership with Save the Children is another area that is close to my heart. During the year, we have intensified our collaboration and entered into new

projects to support migrant workers and their families in China, a country where many of our suppliers are located.

A rewarding commitment

Finally, I would like to extend my gratitude to all of our employees who live up to the Clas Ohlson spirit daily. The distinctions received by Clas Ohlson during the year, including that of being Sweden's Most Trusted Brand and Best Customer Experience 2014, are, to me, tangible evidence of our customers' appreciation and trust. This is extremely gratifying and boosts us all in our ongoing efforts to develop the company.

I would also like to thank our customers and shareholders for their continued confidence. In conclusion, I look forward to a new financial year and new opportunities for continued sustainable development and the expansion of our Clas Ohlson.

Klas Balkow
President and CEO, Clas Ohlson

Insjön, Sweden, June 2014



Smart solutions and products that facilitate and make daily life easier

Hardware, Electrical, Multimedia, Home and Leisure



A modern store for do-it-yourselfers

We offer smart, simple, practical solutions at attractive prices that make it easy for people to solve everyday practical projects and small problems.

Clas Ohlson will be the natural choice for people who need products for practical problem solutions. This will be achieved by offering a broad range of smart products at attractive prices, a proactive, knowledgeable and available customer service, and an inspirational shopping experience through all sales channels.

Clas Ohlson is continuously expanding with new stores and offerings. We have a high store density in the Nordic

region, which means that new markets and customer segments are important to our continued growth.

Our first franchise store, which opened in Dubai in April 2014, is the first step in the expansion in the Gulf region. We are also preparing for entry into the German market in 2015. Clas Office is our new strong offering to companies, a customer group that we want to view shopping at Clas Ohlson as simple and easy.

Our mission

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

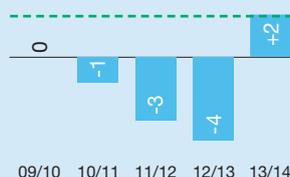
Our vision

To develop Clas Ohlson into a leading international modern hardware retailer, with high profitability that adds value for all stakeholders.

Our financial objectives

- Annual sales growth in comparable stores of at least 2 per cent
- Establishment of 10–15 new stores during the 2014/15 financial year
- An operating margin of at least 10 per cent

Sales growth in comparable stores, %



--- Target: Annual sales growth in comparable stores of at least 2 per cent

Number of new stores



--- Target: 10–15 new stores during the 2014/2015 financial year

Operating margin, %



--- Target: An operating margin of at least 10 per cent

In tune with our surrounding environment

Our operation is constantly impacted by changes in our surrounding environment. Driving forces such as economic cycles, technical development and everything happening in the global community affect our customers and change their expectations of us.

Our vision is to become a leading international retail chain. This is conditional upon our strategy being permeated by an understanding of the changes in our business environment and how they impact us in the long and short term. An important part of sustainable work is being able to work in the long-term. We want to capitalise on future opportunities.

But, we will begin where we are. The trends that are most important to us are those that will change consumers' behaviour in the long-term. The retail sector

is undergoing a structural change that is altering the conditions for traditional retail. It is challenging both existing structures and work methods. Store chains are expanding with the addition of new stores, while hypermarkets and convenience stores are increasing their product range. Consumers are utilising the Internet to shop in a global market, which is placing higher demand on information and accessibility.

The trends below currently affect us the most. They are continuously developing and are closely interconnected.



Global economy remains unstable

The global economy, particularly Europe, remains in turmoil, but after a number of years with declining GDP and negative growth, we are now seeing a slight recovery. Changes are spreading more rapidly and are having greater consequences than before. For retail, this means satisfying customers' changing needs and buying power.

An economic decline entails that customers purchase less, make more cautious choices and to a greater extent choose products with longer service life. Activities including the launch of our Club Clas loyalty programme, a range of sustainable options and our investment in spare parts are increasing Clas Ohlson's attractiveness.



Increase in pressure on the supply chain

Tough global competition, higher demand on assuming responsibility, and a shortage of resources are reducing the number of potential cooperation partners in established supplier markets.

For Clas Ohlson, it is becoming increasingly important to build strategic cooperation with our suppliers for manufacturing and transport, as well as to find new purchasing markets. A long-term approach ensures that our suppliers work in line with our quality demands, our values and environmental and social expectations irrespective of where they are located.



Retail climate becoming increasingly tougher

After years of increasing local competition in the form of strong store expansion, the retail industry is currently undergoing a structural change, with higher trading via the Internet and the establishment of new types of players. Consumers have the opportunity to shop easily across country borders and competition is becoming more global.

The tougher retail climate is increasing demand to develop and adapt to meet future challenges, but also to capitalise on the opportunities resulting from changes. For Clas Ohlson, this means continued work to strengthen the brand and generate transparency and confidence in our offering and taking responsibility.



Consumers have increasingly more influence

Consumers are more knowledgeable and involved and have greater opportunity to exert influence than in the past. New technology gives consumers fantastic opportunities to gain knowledge about companies and products, to find new purchasing channels and to communicate with and about companies and brands.

More sophisticated customers demand immediate and customised information and guidance, as well as a more personal shopping experience.



Increasing digitisation and need for integrated sales channels

Expanding online shopping, as well as a dramatic increase in the use of mobile Internet via smart mobiles and other units means that traditional retail must develop and offer new and more integrated solutions across sales and communication channels.



Increasing demand on products

Not only increased interest in the environment and climate, but also expanding involvement in fair-trade issues, means that customers to a greater extent demand goods and services that are produced in an environmentally and socially responsible manner. Ensuring that products do not contain substances that are hazardous to the environment or unsuitable ingredients has become imperative.

Customers expect a range of sustainable products that enables making choices that are good for the environment and health. Demand on companies' responsibility is increasing along the entire value chain, also when products have been used and are to be discarded or recycled.



Increasing demand on transparency

Consumers are to a greater extent choosing companies that dare to be more personal, that are honest and open and take responsibility for their actions.

For Clas Ohlson, this means that we must become more transparent in, for example, the demands we place on our suppliers, the manufacturing process, environmental impact on the distribution chain, the possible existing risks and how we work to minimise these. An increase in transparency will generate credibility and strengthen our relationship with customers.

Customers' needs are our starting point

To be able to offer our customers the most relevant product range, we must continuously develop, strengthen and improve our offering. We invest in close and long-term relationships with both customers and suppliers. The offering to customers is the core of our business model.

Flexibility is required in order to rapidly adapt the operation to changes occurring in the surrounding environment and to be able to ensure long-term sustainable business.

The core of our business concept is our customer offering. Based on good understanding of the customer and their needs, we can develop and provide an attractive offering to our customers through all our sales channels.

In our long-term strategic planning work, we chose

to focus on six areas – our customer offer, our customer interaction, our expansion, our supply network, our ways of working and our people.

With our experienced service-oriented employees and a clear focus on how we will continue to strengthen and develop Clas Ohlson, we will generate long-term and sustainable value for our customers, suppliers, employees and other stakeholders.

Strategic focus areas



Our customer offer

We will be the natural choice for practical problem solutions by:

- Continuously optimising our product range based on the needs of our customers
- Reviewing and optimising our category and product mix
- Developing our service concept and our spare-parts operation
- Strengthening our range of products for a sustainable lifestyle



Our customer interaction

We will increase customer loyalty and attract new customers by:

- Strengthening our excellent customer service
- Developing our sales channels to become even more accessible and inspiring
- Further developing our Club Clas loyalty programme
- Strengthening our brand in new markets and communicating our sustainability agenda more clearly



Our expansion

We will continue to expand the operation by:

- Expanding in existing markets
- Optimising store locations and formats
- Establishing Clas Ohlson in more countries, where Germany is next in line
- Developing our franchise model and grow in the Gulf region
- Strengthening our offering to companies and launch Clas Office

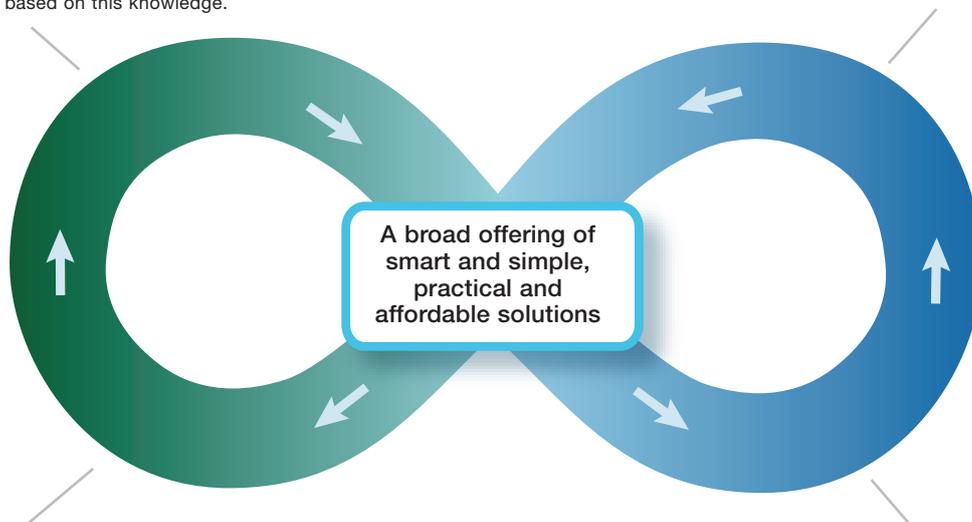
Our business model

Customer understanding

The key to becoming relevant and succeeding in an increasingly more competitive environment is our ability to understand our customers and their needs. We develop our offering and our relationship with customers based on this knowledge.

Inventory and distribution

Our distribution centre in Insjön, Sweden, coordinates efficient distribution and logistics, and ensures the best possible inventory and service level.



Integrated sales channels

Most of our sales currently occur through our stores, but we offer our products and meet customers in several integrated sales channels, such as telephone, catalogue, website and mobile app.

Development of product range and purchasing

Based on our knowledge about the customer and its needs, we continuously develop our product range. An efficient purchasing organisation, with proprietary offices in Asia, a close relationship with suppliers and large volumes enable us to have a sustainable offer at great value.



Our supply network

We will optimise our supply chain by:

- Working more integrated with our prioritised suppliers
- Developing new purchasing markets
- Developing our distribution network
- Improving lead times and service levels
- Reducing CO₂ in our transports



Our ways of working

We will enhance efficiency and simplify our ways of working by:

- Reviewing and developing our processes
- Optimising our organisational structure
- Implementing our new business system
- Strengthening our culture and our values
- Ensuring compliance with our Code of Conduct and Ethics Code



Our people

We will ensure a high performance and customer-oriented organisation by:

- Strengthening leadership
- Competency development and involving our employees
- Reviewing our reward systems
- Actively focusing on diversity issues
- Promoting the health and well-being of our employees

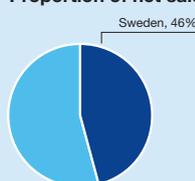
Our markets

Clas Ohlson currently conducts operations in five markets and intends to become a leading international modern hardware retailer. During the financial year, we expanded in all existing markets. In April, our first store opened in the expansive Gulf region and in 2015, we plan to enter the German market.

Sweden

Number of stores¹: 78
Start year 1918

Proportion of net sales



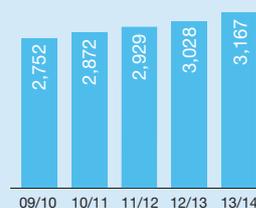
Trend in retail

In 2013, retail in Sweden increased 2.7 per cent (2.3) in fixed prices, which was a relatively weak performance historically for the industry. The year started on a relatively weak note but closed on an even stronger note as consumer confidence strengthened.

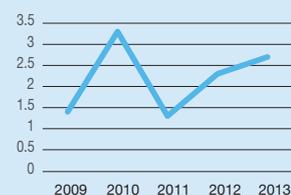
In Sweden, Clas Ohlson is a well-known and established brand. Here, we focus on increasing customer satisfaction and building loyalty. Swedish customers appreciate Clas Ohlson for our broad product range and experienced staff. The strong market position facilitates investment in new customer groups.

Our primary competitors are similar superstores, building suppliers, electronic chains, as well as convenience goods stores with increased product range. Competition in recent years has intensified through the strong expansion of several chains.

Net sales, MSEK



Retail index

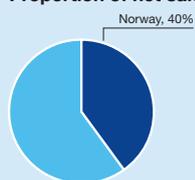


Source: SCB

Norway

Number of stores¹: 65
Start year 1985

Proportion of net sales



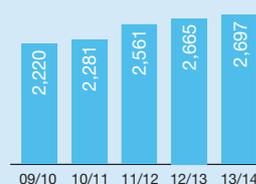
Trend in retail

In 2013, retail in Norway increased 1.3 per cent (3.2) in fixed prices, compared with the preceding year. This performance rate is considerably lower than in the preceding year.

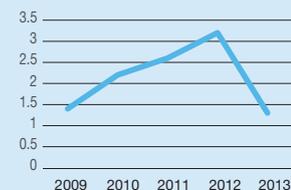
In Norway, the Clas Ohlson brand is highly recognised among the population and most people visit us every year. Norwegian customers appreciate Clas Ohlson primarily for our broad and affordable product range.

Our primary competitors are similar superstores, building suppliers, electronic chains and convenience goods stores with increased product range. Competition in recent years has intensified through the strong expansion of several chains.

Net sales, MSEK



Retail index

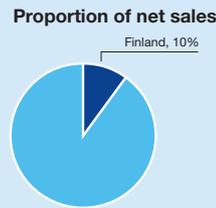


Source: SSB

¹ Number of stores at June 2014.

Finland

Number of stores¹: 30
Start year 2002



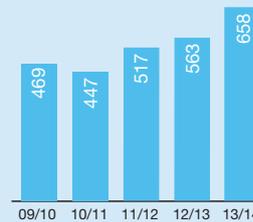
In Finland, awareness of Clas Ohlson is continuously increasing and more people are visiting our stores every year. We focus on increasing knowledge and penetration in the market. Finnish customers appreciate us primarily for our affordable product range and smart solutions.

Our primary competitors are the large chains in retail, electronics and building supplies. Competition has been increasing for a long time since the expansion of several chains, but is now being impacted by the weaker market.

Trend in retail

In 2013, retail in Finland declined 1.0 per cent (increased: 1.0) in fixed prices, compared with the preceding year. The Finnish market has been declining in recent years, which had a negative impact on the retail trend.

Net sales, MSEK

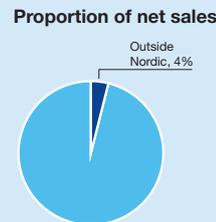


Retail index



UK²

Number of stores¹: 12
Start year 2008



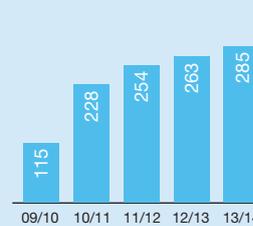
Despite the tough competition in the UK, knowledge of Clas Ohlson is continuously increasing. We continue to focus on increasing penetration in the market. UK customers appreciate Clas Ohlson primarily for our affordable product range and the location of our stores.

Our primary competitors are the large superstores' physical stores and Internet stores.

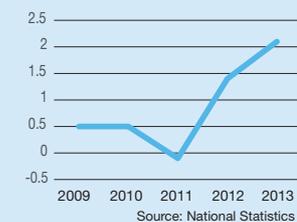
Trend in retail

In 2013, retail in the UK increased 2.1 per cent (1.4) in fixed prices, compared with the preceding year. The UK market seems to be recovering after several years of a weak retail climate.

Net sales, MSEK



Retail index



Gulf region²

Number of stores¹: 1
Start year 2014

A Clas Ohlson store opened in Dubai through a franchise partnership and another store is scheduled to be opened during the 2014/2015 financial year. Following evaluation, the aim is to establish a minimum of 20 stores in the region over a five-year period.

The cooperation will introduce Clas Ohlson to an expanding retail market with more than 40 million inhabitants and an anticipated annual growth of 8 per cent over the years ahead.

We have a unique and attractive concept that will satisfy a growing need in the region to find smart solutions to everyday practical problems.



¹ Number of stores at June 2014.

² From Q4 2013/2014, the UK and Gulf region are jointly reported in a new segment, Outside Nordic countries.

Now open in Dubai, a first step outside Europe

In April, we opened our first franchise store, and the first Clas Ohlson store outside Europe, in Dubai. The opening was celebrated with Swedish folk music and traditional Dalecarlian wooden horses. The buffet table included both Swedish and Arabian specialities.

Clas Ohlson signed a franchise agreement with SYH Retail to establish the Clas Ohlson store concept in the GCC region and the first store opened its doors on 30 April in the Mirdif City Center in Dubai, one of the region's largest shopping centres.

Following evaluation, the aim is to establish at least 20 stores over a five-year period. More than 40 million inhabitants live in the region, which includes the United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Oman and Bahrain, and it is a market with strong growth.

Growth through franchising

A local partner is a prerequisite for succeeding in the Gulf region, where franchising is a common way for foreign retail companies to establish operations. Our partner pays a fee for the rights to use the Clas Ohlson brand and concept.

Franchising is a supplement to our primary establishment strategy with wholly owned stores and provides additional growth possibilities in new markets.

New concept in the region

Employees in the Dubai store receive basic training in Insjön, Sweden, similar to when we open stores in other markets. We also have experienced Clas Ohlson employees on location as support during the entire start-up phase. And, we naturally prepared a concept manual that explains how we conduct business at Clas Ohlson.

Our concept is completely new in the region. Here, we also want to inspire and offer smart solutions to practical everyday problems. The product range is largely the same, but adapted to the climate, and other factors.





The store in the Mirdif City Center was opened in April 2014. A team of experienced Clas Ohlson employees was on location in Dubai for six weeks to build up the store.





We are investing in LED with our customers

For a sustainable lifestyle

Gabriela
clas ohlson

clas
ohlson

29:-

We like doing good business

Our strong core values are the compass for all work conducted by the company and the guiding principle for how we approach and communicate with each other, our customers, suppliers and society at large.

For Clas Ohlson, it is important that our core values remain clear, alive and present in our everyday work. The Clas Ohlson spirit is one of our most valuable assets and one of our greatest challenges is establishing and developing the core values while the company expands and enters new markets. We capitalise on the diversity of our employees, and encourage exchange between countries and employees, while protecting the unique core of the Clas Ohlson spirit.

Salesmanship is the core

We have nearly one hundred years of retail tradition and we like doing good business, business that is sustainable and good for us and our customers. Salesmanship is the core of the Clas Ohlson spirit and rests on four cornerstones: drive, warmth, innovation and commitment.

Together we build the culture

Our new employees undergo an introduction course in Insjön, Sweden, to ensure deeper understanding of the Clas Ohlson brand, our history and our values. This means that all employees carry our values in their work and in meetings with customers, suppliers and other stakeholders.

The corporate culture and basic values are also the foundation for a clear, goal-oriented and committed leadership. Passing on the culture is an important part of leadership.

When we recruit new employees, it is crucial that they share our fundamental values. The Clas Ohlson spirit must permeate every store, office and warehouse throughout the company.

Values

Drive

For us at Clas Ohlson, drive means that we make things happen.

Warmth

For us at Clas Ohlson, warmth means that we radiate kindness, consideration and the desire to give good service.

Innovation

For us at Clas Ohlson, innovation means that we always look for new opportunities and simple solutions.

Commitment

For us at Clas Ohlson, commitment means undertaking a personal responsibility.



A broad offering

Clas Ohlson offers smart and simple, practical and affordable solutions for the home and office. Solutions that simplify and improve everyday life. The product range should be wide and attractive, distinctive and competitive in all of the markets in which we operate.

We have more than 15,000 articles in five different product categories: Hardware, Electrical, Multimedia, Home and Leisure. The product range includes both proprietary brands and other brands.

In addition, we offer spare parts and accessories that prolong the service life of products. Our customers receive assistance, advice, tips and repairs from our personnel in stores and our customer service in Insjön, Sweden.

Thousands of new products every year

For a product to be included in our product range, we place high demand on function, price, quality and sustainability. We actively seek new products that contribute to a sustainable daily life for our customers.

The products are monitored with respect to demand, customer satisfaction and profitability. We retain some products for a long time, for example, products that are not design-sensitive. Every year, we replace about 2,000 products in our product range.

Many of our products are technologically advanced and our objective is to be at the forefront and offer our customers cutting-edge products.

We carefully monitor trends and consumption patterns and adapt the offering and product range accordingly. For example, during the year, we supplemented the product range with paint, which is a product group that has long been requested by our customers.

The DIY trend remains strong in all our markets. The higher demand trend for sustainable products and smart solutions that save energy is also clear.

Tests provide safe and secure products

Before new products are added to our range, they undergo advanced testing of quality, function, safety and service life. Clas Ohlson also works to minimise the use of hazardous substances in the company's product range.

Testing is carried out mainly in Clas Ohlson's own workshops. However, we also submit products to independent testing institutions, including Intertek Semko and the Technical Research Institute of Sweden.

Environmental and climate smart

Consumers are demanding to a greater extent products that are environmental and climate smart. The entire production chain, from raw materials to recycling, must be sustainable. In addition, interest is increasing for products that contribute to a sustainable daily life at

home. Environmental awareness is a strong trend and Clas Ohlson is making a considerable investment in many new products. LED lamps and solar cells are examples of product areas that have expanded rapidly.

Part of our quality concept is that products must be manufactured, distributed and recycled taking into consideration both people and the environment.

→ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

Clas Office

Clas Ohlson has many companies, both small and large, as customers. They shop in our easily accessible stores, which are often close to the office, or on the Internet, for direct delivery. We have an excellent range in office products, which has now been honed and developed.

In autumn 2014, Clas Office will be launched in Sweden and Norway, an investment in mainly small and mid-size companies. At the same time, we are making it easier for companies to become customers, by offering simple registration and invoicing procedures.

Smart packaging

Packaging material and packaging have an important function to fulfil. They must highlight the product in the store, provide information about important product features and protect the products all the way home to the customer. Clas Ohlson and its customers believe that good packaging is easy to transport, manage and open.

The environmental aspect is important; it must be easy to sort at source and recycle. We continuously work to improve packaging and make them more attractive, informative and sustainable.

Success for spare parts

The use-it and lose-it mentality has no place at Clas Ohlson and we have now highlighted our range of spare parts in our online store, with effective search words and clear images to make it easier for customers to find.

Clas Ohlson has 9,500 spare parts in stock. We are the only retail company with this offering and it is a unique service that is appreciated by an increasing number of our cost and environmentally conscious customers. In the 2013/14 financial year, sales of spare parts rose by more than 50 per cent. Spare parts have become a major success and are an important part of our investment in the sustainable offering.

2,000
new products



Hardware

In the Hardware category, we sell tools and material that make it easier and more enjoyable to renovate, build, paint and repair. A new feature at Clas Ohlson is the proprietary range of paint that includes gloss, ceiling and wall paint in beautiful colours. The paint is Eco-labelled and has high hiding power and washability.



Electrical

Clas Ohlson has many smart, safe and energy-efficient solutions for an electrical-smart home or office. Products that light, charge, drive, warm, cool, control, monitor and ventilate.

Multimedia

Our Multimedia range is continuously expanding to include smart, usable and fun products and accessories. We sell products for all purposes and wallets, including computer and telephone accessories and music equipment.



Home

We have thousands of smart and affordable products that make everyday life, in the home and office, easier. Products for kitchen and bathroom, cleaning, laundry and storage, hygiene and health, school work and leisure.

Leisure

We want to enjoy our leisure. Carefully selected products contribute to active leisure for children and adults, both outdoor and indoor, all year round. Products that brighten up weekends, holidays and vacations and valuable hours after school and work.

Our cornerstones in the quality effort



Brand	Description	Category
1 	Product range for outdoor life, training, cycling and travel accessories to inspire to an active life.	Leisure
2 	Fittings, hooks, hangers and bathroom furnishing with a focus on design.	Home
3 	Problem solver, smart Clas Ohlson kits and consumables, for example, paint, cleaning articles and office material.	Hardware, Home
4 	Tools, painting accessories, gardening tools, garage storage and padlocks. Selected tools are of such high quality that we offer ten years guarantee.	Hardware
5 	Kitchen equipment and electrical appliances, household products and products for hygiene and health.	Home
6 	Electrical hand tools, stationary equipment, work light fittings, digital measuring instruments and electrical installation material. The electrical hand tools have high quality and five years' guarantee.	Hardware
7 	Multimedia products such as sound systems, earphones, cables and telephone accessories. The brand also includes office equipment and alarm products.	Multimedia
8 	Fishing products such as fishing rods, bags, spinners, lines and floats.	Leisure
9 	Designed products in lighting, as well as energy efficient products and light fittings.	Electrical
10 	Water-sports equipment including bathing toys, snorkel, swimming goggles and wet suits.	Leisure
11 	Watches, clocks and alarm clocks, as well as weather stations.	Home
12 	Art supplies such as panels, brushes, water colours, acrylic and oil paint.	Home

Inspiring shopping experience

We want to make the daily meeting with customers as beneficial as possible, in all our sales channels. The shopping experience will be simple and efficient, inspiring and affordable. Customers are requesting to a greater extent products that are produced in an environmentally and socially responsible manner.

We offer accessibility, service, inspiration and smart solutions through an attractive mix of various sales channels. Stores, online shopping, catalogue and telephone will combine to provide our customers with a Clas Ohlson experience, irrespective of where and how they choose to shop.

We greet customers with a smile

The total service concept is based on the energy and competence that exists in Clas Ohlson. Our personnel in stores, on the telephone or in chat-rooms, who meet customers every day, are important brand bearers and brand builders.

Consumers of the future will impose even higher demand on commitment and proactivity in customer meetings. Our new introduction programme will ensure that all new employees receive a broad understanding of Clas Ohlson's history and values. And will carry our values to meetings with customers: drive, warmth, innovation and commitment.

10-15
new stores
2014/15

Expansion is part of our strategy

Expansion is an important part of our growth strategy. We are opening more stores, in new and existing markets, but we are also

expanding by refining our sales channels to reach more customers in various different ways.

Sales through our online store and telephone are a key supplement to the stores, particularly in markets where knowledge of Clas Ohlson is low

Online shopping and trading via mobiles are now being offered to customers in all our markets, a cost-efficient way to increase brand awareness and expand in new markets.

Sales channels that interact

We work continuously to develop our various sales channels and offer customers an efficient and inspiring purchase experience. Our new shopping platform improves interaction between catalogue, store and sales through the online store. During the financial year, traffic to our online store increased by 35 per cent.

Many consumers search for information on the Internet, and visit to the website also contributes to more visits and higher sales in our stores. The various sales channels interact to provide customers with the best purchase experience, in the industry referred to as the omni-channel strategy.

35%
increase in online
store traffic

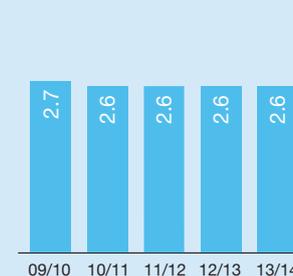
Number of visitors in stores, millions



Sales, store/m², SEK 000s



Sales per average employee, MSEK





Clas Ohlson catalogue

The classic Clas Ohlson catalogue, which was published for the first time in 1918, is available in our stores for customers to take home. It can also be ordered from our website.

1,000,000

 members


Club Clas for loyal members

Club Clas, Clas Ohlson's customer loyalty programme for everyone who appreciates useful and practical solutions to everyday problems, was launched in the Swedish market in March 2013 and already has more than a million members. Membership includes discounts, special offers and invitations to various store events.

All purchases earn points that can be utilised for shopping. Purchase history is saved and customers appreciate receiving more accurate offerings. Stores with many Club Clas members have a high average purchase rate and high turnover. Club Clas will now be launched in other markets, starting with Finland.

Clas Ohlson on the computer, the mobile and tablets

The largest and most popular store is on the Internet and is open around the clock. Our online store is accessible in all markets, and customers are able to easily and efficiently shop from their computers, tablets or mobiles. The online store contains all of our 15,000 products, but also thousands of spare parts, buying guides and inspirational videos. Customers are able to ask questions and receive responses, upload shopping lists, view expanded product information, as well as purchase products that are delivered directly home to the door.



Clas Ohlson in social media

Clas Ohlson is also available on Facebook and Twitter. This provides us and our customers with the opportunity to share what the brand represents and offer tips and inspiration. Facebook is also used as a channel for customer service.



Stores in prime locations

Our store concept is continuously developing, with new solutions and ideas to make life easier for customers and employees. It shall be easy for customers to find what they are looking for and we invest a great deal in product display and navigation to save time for both customers and employees. Clas Ohlson stores should be located in central shopping centres or attractive retail centres, where the company works together with other stores and chains to bring about repeat visits.



Clas Ohlson has 186 stores. During the financial year, 11 new stores opened, of which five in Sweden, two in Norway, three in Finland and our first franchise store opened in Dubai in April. During the next financial year, we plan to open between 10 and 15 new stores.

Efficient logistics and supply chain

Clas Ohlson does not conduct any manufacturing activities and owns no plants. Instead, we sweep the market to find the best offerings based on the needs of our customers. The product range is continuously renewed. Clas Ohlson and its customers place high demand on function, price, quality and sustainability throughout the value chain.

Clas Ohlson purchases products from some 600 suppliers and 700 manufacturers in more than 30 countries. The product range includes nearly 15,000 articles and approximately 2,000 are changed every year. Everything passes our major distribution centre in Insjön, Sweden, where products are repackaged and dispatched to our 186 stores in five countries, or directly to customers. Logistics are at the heart of the Clas Ohlson brand.

Customers' needs are our starting point

When we select new products, we examine function, price, quality and sustainability performance. Consumers demand to a greater extent products that are sustainable throughout their lifecycle and products that contribute to a sustainable everyday lifestyle.

We continuously search for better offerings for our customers and work has commenced to establish the criteria for sustainable offerings in all our product categories.

Close cooperation with suppliers

Clas Ohlson is working on concentrating purchases to fewer suppliers and increasing the proportion of direct purchases. Close and long-term cooperation with both suppliers and manufacturers will reduce our purchasing costs and enable us to exert more influence over product design and quality. This will also facilitate monitoring our Code of Conduct.

Approximately 65 per cent of our products are manufactured in Asia. Clas Ohlson has proprietary purchasing offices in China and cooperates with agents who contribute valuable experience and access to a major contact network.

Increased presence in Asia, primarily in China, our largest purchasing market, generates increased opportunities to find smart and affordable products and provides us with the opportunity to exert control and influence on social and environmental conditions.

Higher efficiency in logistics

A sustainable flow of goods, with efficient logistics and low environmental impact, is one of Clas Ohlson's most important success factors.

The distribution centre in Insjön is the logistics hub for the entire Group, through which nearly all products pass on route to our stores and our customers who shopped via the telephone, catalogue or online. The turnover rate is high. Orders from stores occur automatically when an article reaches its re-order point, and products reach stores in one to three days. Every day, approximately 1,000 pallets are delivered to stores and 800 deliveries are made directly to customers.

Stock turnover
DC
6.9
times per year

Distribution centre in Insjön, Sweden

77,000 square metres of floor space

150,000 storage spaces in the stacker-crane warehouse

250,000 storage spaces in the mini-load warehouse

250,000 pallets to stores annually

185,000 mail-order dispatches annually

3,200 containers unloaded annually





Smart transports

We re-direct our transports to more environment-friendly transport methods to reduce Clas Ohlson's emission of CO₂, from air to sea and from road to rail. Clas Ohlson's overall environmental objective is to reduce the relative emissions of CO₂ by 30 per cent during the 2007-2020 period.

From January 2013, all goods arriving from Asia to Gothenburg by sea are transported by rail to Insjön. Goods from European suppliers are transported by truck,

but collectively loaded to increase efficiency and reduce the environmental impact.

During the financial year 2013/14, parts of the outward deliveries from Insjön to stores, were relocated from trucks to rail. This is expected to result in a 30-per cent reduction in CO₂ emissions. Clas Ohlson won the PostNord Logistics Award for 2014 for this fine improvement.

➔ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

Audits of compliance with the Code of Conduct

Clas Ohlson's audit team in China is responsible for verifying, assessing and monitoring suppliers' compliance with Clas Ohlson's Code of Conduct.

Before we purchase products from new suppliers, an assessment is made to ensure that our requirements are fulfilled, and if not, the supplier is willing and able to manage the problem areas we identified.

Active suppliers are audited periodically, at least once every other year. The goal is to conduct 400 audits every year. During the 2013/2014 financial year, 371 audits were conducted.

In cases where we detect deviations from our Code of Conduct, an action plan is prepared and an agreement



signed with the supplier about the measures that must be taken within an established time frame.

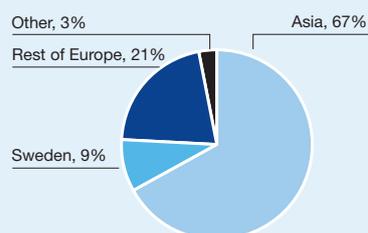
Stock turnover rate DC, times/year



Gross margin, %



Country of origin



Together we will identify smart solutions

Committed and goal-oriented employees are the core of our brand and fundamental to the company's continued expansion and development. Together, we will find new, smart solutions to practical everyday problems.

Clas Ohlson's aim is to recruit, develop and retain qualified and committed employees, both in established and new markets. It is the key to continued successful expansion.

This is achieved by being a modern, responsive and exciting employer that offers challenging assignments, international career opportunities, continuous skills development and good working conditions.

We understand the customer

Our strong core values are the compass for all work conducted in the company and the guiding principle for how we approach each other, our customers, suppliers and society at large.

Our core values rest on commercial awareness. It has permeated our operation from its inception in 1918 and is the basis of everything we do. We understand customers' needs and have a passion for doing business that is good for us and good for our customers.

Commercial awareness rests on four values: drive, warmth, innovation and commitment. Together, they form our corporate culture, the Clas Ohlson spirit.

➔ [Read more about Clas Ohlson's values on page 19](#)

We will find the solutions together

We have great confidence in the ability of the individual to contribute and assume responsibility. Together, we will find the best solutions for our customers. Leadership at Clas Ohlson involves primarily capitalising on and developing the enthusiasm, focus and commitment of our employees.

Our leaders bear a great responsibility for creating a culture where we are always open to opportunities to develop the company based on our commercial awareness, customer focus and desire to do good business.

We believe that good relationships and ways of cooperation generate a goal-oriented, innovative and open climate. We challenge ourselves and each other to jointly find new and easier solutions and work methods. Our leaders are also responsible for utilising and developing, in the best possible manner, the competency and abilities of individuals. It is central to our business.

Increased diversity

All Clas Ohlson employees have the same rights, opportunities and obligations. Diversity is a central force for our continued growth. No one shall be discriminated due to gender, age, religion, ethnic origin, disability or sexual orientation.

We work to increase diversity through recruitment and focused competency development. One of our goals is that neither gender will account for less than 40 per cent of each professional category.



“ Attractive products and a social daily life with a great deal of customer contact suits me perfectly.

Peter Lindqvist, Seller at the store in Insjön, Sweden



We receive many nice e-mails from **customers who express thanks** for very pleasant customer care

Ruth Crabtree, Regional Manager in the UK

Skills development and career routes

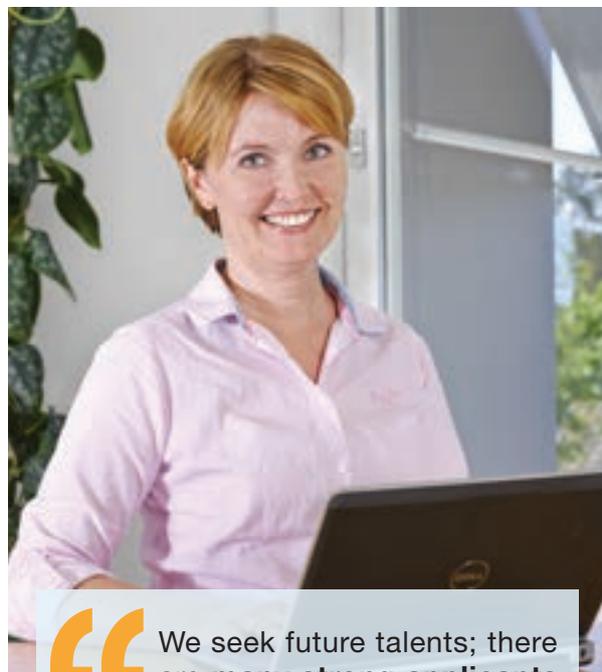
Business-orientated skills development is vital for our continued growth and to increase employee's commitment, motivation and job satisfaction.

All recruitment is aligned with our growth strategy and our diversity objective. Firstly, we strive to recruit internally and career planning is an important part of employee discussions. New work assignments are a path to new challenges within the Group and there are major opportunities in the Group to advance skills or change direction and to work internationally.

We also offer an international trainee programme, with store training and exciting project work, for enterprising new graduates who share our values and our interest in retail.

New employees undergo training in Insjön, Sweden, to get to know each other and to learn about Clas Ohlson's corporate culture and core values. Each employee will receive skill development and continuous further development, aimed at developing the employee's own professional role and within the company at large. The Clas Ohlson Academy coordinates and offers competence development at all levels and in all markets.

➔ Read more in Clas Ohlson's sustainability report on about.clasohlson.com



We seek future talents; there are **many strong applicants** to Finland's first trainee programme

Marika Jirout, Marketing Manager in Finland

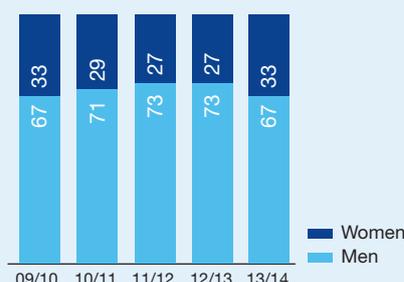
Healthy employees

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 security and belonging. We work actively and preventively to improve the company's sickness absence numbers, through initiatives such as training courses and preventive healthcare. Employees who are contented and happy work well, stay longer and are important ambassadors for Clas Ohlson.

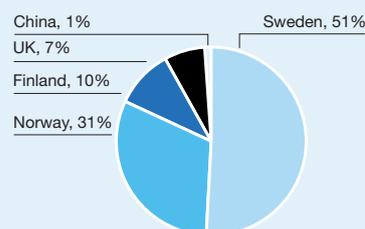
Employees, proportion of women/men, %



Managers, proportion of women/men, %



Employees by country, %



We collaborate with Save the Children for children's rights

Clas Ohlson supports the The Children's Rights and Business Principles and cooperates with Save the Children in several projects for the children of the world. This pertains to efforts including young migrant workers in China. Starting from the perspective of children and young people highlights our responsibility and our opportunities to influence their living conditions.

Clas Ohlson places a great deal of emphasis on matters relating to the rights of children and our suppliers must sign our Code of Conduct, which is based on the UN Declaration on Human Rights and Rights of the Child and the ILO Core Conventions. For several years, we have also been focusing on prevention of child labour, child-proofing our products and responsible marketing directed at children.

Together with the children's rights organisations, the UN has prepared new guidelines that have increased pressure on companies to assume responsibility, in their companies, for how children are affected, at workplaces, in the market and in society.

The Children's Rights and Business Principles provide us with an excellent tool for working more systematically to improve the living conditions of children and young people.

Preschools in Nepal

In 2011, Clas Ohlson initiated cooperation with Save the Children in Nepal. To date, the project has reached approximately 18,000 preschool children, who, with our

support and that of our customers, were able to provide a creative and safe learning atmosphere. Fund-raising campaigns in our stores generated a total of 4.4 MSEK between 2011 and 2013, which was used to build and refurbish schools, purchase furnishings and material, as well as to train parents and teachers.

The project was highly successful and it is now time for the next phase. In 2015, the operation will be successively taken over by local authorities and organisations.

Migrant workers in China

China is our largest purchasing market and Clas Ohlson has purchasing offices in Shanghai and Shenzhen, with its own personnel on location, to gain better opportunities to exert control and influence on working conditions in the production facilities.

In China, there are currently 260 million migrant workers, representing 80 to 90 per cent of the labour force. They moved from the countryside, often very far from the district where the production facility is located, and many only go home once per year, to celebrate the Chinese New Year. The right to education and healthcare





Photo: Save the Children

Together with Save the Children, we assist young migrant workers in China to get an education.

is connected to the home district, which creates major problems for migrant workers and their children. Many children live with their grandparents.

Since 2012, Clas Ohlson has been working with Save the Children in China to support young migrant workers and families with directed investments, such as training in parenthood, health and safety, as well as labour-law issues.

With the eyes of a child

Sustainability is one of the cornerstones in our business strategy and an integral part of our operation. Viewing our company from a child's perspective helps us to focus on long-term important issues. The cooperation with Save the Children helps us to manage these issues.

➔ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

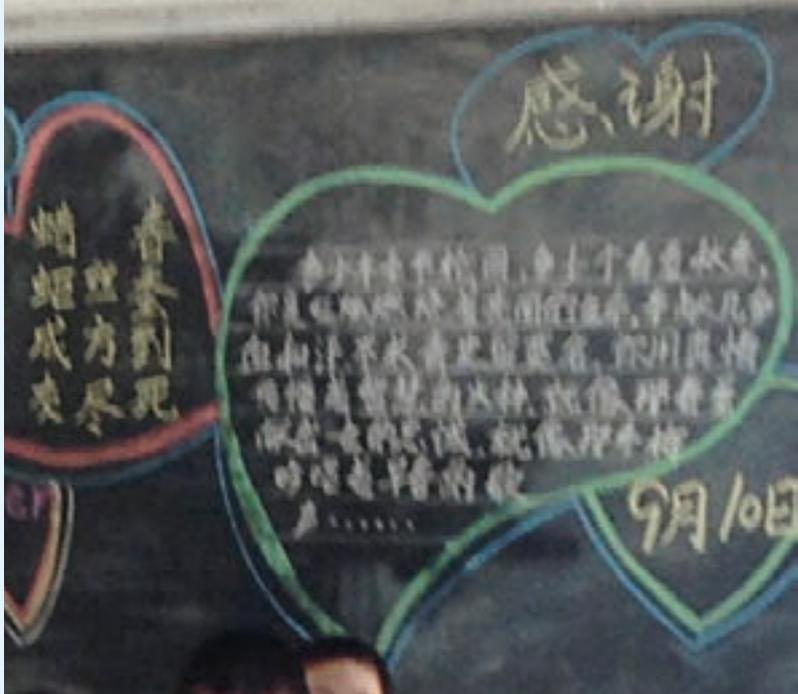


Photo: Save the Children



“ Finally, lots of attractive quality paint in our product range

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Director's Report

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

The Board of Directors and Chief Executive Officer of Clas Ohlson AB (publ), with registered office and head office in Insjön, in the Municipality of Leksand, Sweden, hereby present the annual accounts for the financial year 1 May 2013 to 30 April 2014. 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

Operations comprise the sale of house and home, technology and leisure products through the company's own stores and via mail order/Internet sales channels. The product range focuses on attractively priced products for everyday use. The company has operations in Sweden, Norway, Finland and the UK. The number of stores at the end of the year was 185, of which 78 were in Sweden, 64 in Norway, 30 in Finland, 12 in the UK and a franchise store in Dubai.

The product range includes approximately 15,000 articles that are purchased from a large number of suppliers in some 30 countries. The products are bought in to the distribution centre in Insjön, Sweden, and from there are distributed through proprietary stores in Sweden, Norway, Finland and the UK, via franchising or mail order/Internet directly to the customers.

Significant events

During the financial year, 11 new stores (17) opened; five in Sweden, two in Norway, three in Finland and one franchise store in Dubai. Through franchising, as a complement to Clas Ohlson's primary establishment strategy based on wholly owned sales channels, additional growth opportunities are created in new markets. A franchising agreement has been signed with SYH Retail regarding the establishment of Clas Ohlson's retail concept in the Gulf region, which includes the United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Oman and Bahrain. Following an evaluation of the initial stores to be established there, the aim is to establish at least 20 stores in the region over a five-year period. SYH Retail is owned by the Al Homaizi Group, a family business based in Kuwait, which was founded in 1961 and has long-standing experience of franchise operations in the Gulf region, with concepts including IKEA, Burger King and Pizza Hut.

The partnership opens up potential for complementary business opportunities in an attractive region with more than 40 million inhabitants and an expansive retail market experiencing strong growth. Clas Ohlson has a unique and attractive concept that will satisfy a growing need in the region to find smart solutions to everyday practical problems.

On 30 April, 2014, Clas Ohlson opened its first franchise store in the Mirdif City Centre in Dubai, the United Arab Emirates. The store was well received and there was significant interest in the Clas Ohlson concept and broad range.

Preparation to enter the German market, initially with one to two stores in northern Germany and online shopping, is progressing according to plan. Clas Ohlson's

first store in Germany is scheduled to be opened during the 2015 calendar year.

Clas Ohlson has chosen Microsoft Dynamics AX to satisfy future business support software needs. The decision is part of the planning process for a new IT platform that will support Clas Ohlson's operations and future growth and development. In preparation for a decision on the implementation of a new IT platform, a feasibility study was initiated to determine the cost and time frames for the implementation.

The total investment need for Clas Ohlson's IT systems, including the implementation of new business support software, is estimated to be 50-70 MSEK per year over a five-year period.

Sales and profits

Sales increased to 6,808 MSEK up 4 per cent compared with 6,519 MSEK in the preceding year. In terms of local currencies, sales increased 7 per cent.

Mail order/Internet sales totalled 122 MSEK (122). Mail order/Internet sales in the preceding year were positively impacted by the launch of the new online shopping platform with various opening offers.

Sales were distributed by sales areas as follows:

	2013/14	2012/13	Percentage change	Percentage change, local curr.
Sweden	3,167	3,028	+ 5	+ 5
Norway	2,697	2,665	+ 1	+ 8
Finland	658	563	+ 17	+ 14
Outside Nordic countries	285	263	+ 9	+ 9
	6,808	6,519	+ 4	+ 7

The sales increase of 4 per cent from stores was distributed as follows:

Comparable stores in local currency	+ 2 per cent
New stores	+ 5 per cent
Exchange-rate effects	- 3 per cent
Total	+ 4 per cent

The gross margin increased to 42.6 per cent, up 1.0 percentage point year-on-year (41.6). The gross margin was positively impacted by a favourable sales mix and lower costs for inward freight, and negatively impacted by exchange-rate effects. The share of selling expenses declined 0.2 percentage points to 32.1 per cent (32.3). Start-up costs for new and refurbished stores amounted to 26 MSEK (44). Depreciation for the year amounted to 209 MSEK (198). Operating profit rose 23 per cent to 531 MSEK (431). The operating margin rose 1.2 percentage points to 7.8 per cent (6.6). Profit after financial items rose 26 per cent to 530 MSEK (420). Spot exchange rates for key currencies averaged 1.08 for NOK and 6.54 for USD, compared with 1.16 and 6.66 respectively, in the preceding year. Currency hedging was undertaken in USD and

NOK. The company hedges 50 per cent of the expected flow, normally in January/February and June/July, for forthcoming six-month periods.

Starting in the 2014/2015 financial year, Clas Ohlson will refrain from reporting separately sales from individual sales channels.

Prospects for the next financial year

Clas Ohlson's business concept of offering a broad and attractively priced product range to solve the practical problems of everyday life is highly attractive in established markets. The concept is unique and offers the potential for expanding into new markets and new customer segments, while increasing the company's market shares in existing markets.

Clas Ohlson's long-term financial targets consist of a sales target and a profitability target. The sales target is an annual sales growth of at least 2 per cent in local currency and comparable units. In addition, continued establishment of new stores in existing and new markets will be announced annually, in which the number of planned new stores will be stated as a range. The profitability target is an annual operating margin of at least 10 per cent. Growth in new markets will occur in accordance with the long-term financial objectives. In the years ahead, establishment in new markets is expected to have a negative impact of up to 2-3 percentage points on Clas Ohlson's operating margin over a financial year.

The continued development of Clas Ohlson's product range, sales channels and new customer segments (corporate customers) will provide additional growth opportunities, in both established and new markets. Launch of the corporate Clas Office concept is scheduled for 2014, starting in Sweden and Norway. A store has been established in Dubai through a franchise partnership and another store is scheduled to be opened during the financial year. Following an evaluation of the initial stores to be established there, the aim is to establish at least 20 stores in the region over a five-year period.

Clas Ohlson is preparing for entry into the German market, initially with one to two stores in northern Germany, and the launch of online shopping is planned for the 2015 calendar year.

Preparations for the implementation of a new IT platform to support Clas Ohlson's operations and future growth and development are ongoing.

Financing and liquidity

Cash flow from operating activities during the financial year totalled 689 MSEK (518). After investments and financing activities, cash flow for the year was 234 MSEK (17). The cash dividend paid to Clas Ohlson's shareholders in September 2013 totalled 268 MSEK (269).

The average 12-month value of inventories was 1,406 MSEK (1,336). Over a rolling 12-month period, the stock turnover rate at the distribution centre was 6.9 times (6.9). At the end of the financial year, the value of inventories was 1,348 MSEK (1,304). Compared with the preceding year, ten proprietary stores were added.

During the year, repurchase of the company's own shares to secure the LTI 2013 (Long Term Incentive Plan

2013) amounted to 22 MSEK (36).

The Group's net cash holdings, meaning cash and cash equivalents less interest-bearing liabilities, amounted to 358 MSEK (125). The equity/assets ratio was 58 per cent (59).

Investments

During the financial year, investments totalled 172 MSEK (167). Of this amount, investments in new or refurbished stores accounted for 64 MSEK (103). Other investments were primarily IT and replacement investments. During the financial year, investments in IT systems amounted to 41 MSEK (37).

The Share and share capital

Clas Ohlson B shares are listed on the Nasdaq OMX Nordic Exchange 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 2014, the company had a total of 24,975 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 26,449 on 30 April 2013. The ten largest shareholders at that time held 57 per cent of the capital and 76 per cent of the votes. For the summary, see pages 71-73 of the printed Annual Report.

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 67, 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 2014, the company held 2,459,006 shares (2,312,192), corresponding to 4 per cent of the total number of registered shares (4 per cent). The number of shares outstanding, net after repurchase, was 63,140,994 (63,287,808) 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 2013, Clas Ohlson bought back shares during the first quarter of 2013/14 for a total of 22 MSEK.

Employees

The number of employees in the Group averaged 2,629 (2,524), of whom 1,120 (1,097) were women. The distribution by country was 1,471 (1,397) in Sweden, 677 (665) in Norway, 246 (223) in Finland, 186 (191) in the UK and 50 (48) in China. Further information about employees is found in Notes 6 and 31 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.

→ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

Environmental impact

The company has a duty of notification with respect to the activity relating to the temporary storage of electronic waste. This duty of notification applies to any Swedish municipality in which Clas Ohlson has a store. The company does not otherwise have any operations for which there is a duty of notification or for which it is mandatory to obtain a permit under the Environmental Code. With regard to electrical and electronic waste, the company cooperates with the Elkretsen organisation in Sweden, which is the joint company owned by the electrical industry for waste disposal. The company is affiliated to the recycling organisation REPA. In Norway, the company is affiliated to the recycling organisations AS Batteriretur, Renas AS, Elektronikkretur AS and Hvitvareretur AS. In Finland, there is equivalent cooperation with Serty and in the UK with Valpak.

Environmental work is undertaken continuously in the Group.

→ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

Guidelines for remuneration of senior executives

The following principles were adopted at the most recent Annual General Meeting and are proposed to remain essentially unchanged until the next Annual General Meeting.

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

Long-term incentive programmes that entitle employees to acquire share are subject to AGM approval. LTI 2011, LTI 2012 and LTI 2013 were in effect during the financial year. LTI 2011 was concluded after the close of the financial year and LTI 2014 was launched. LTI 2011, LTI 2012, LTI 2013 and LTI 2014 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 Annual General Meeting.

➔ **Read more about remuneration in Note 6 on page 58**

Parent Company

Parent Company sales amounted to 5,395 MSEK (5,157) and profit after financial items totalled 441 MSEK (307). During the financial year, investments totalled 135 MSEK (83). The Parent Company's contingent liabilities amounted to 288 MSEK (275).

Events after the end of the year

The qualification and performance periods for Clas Ohlson's long-term incentive programme LTI 2011 were valid from 1 May 2011 until 30 April 2014. A total of 34,050 shares were allotted on 2 May, after the close of the reporting period, 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. Following the end of the qualification period, the Board of Directors resolved to award 7.6 options per purchased share (5-15 options in cases of target fulfilment), based on established criteria for sales and profit growth. A total of 258,780 options were awarded. The employee stock options were exercisable as of 16 June 2014 but not later than 27 April 2018, and entitle participants to purchase Clas Ohlson shares at the price of 108.10 SEK per share.

In May 2014, the long-term incentive plan LTI 2014 was introduced, following the same structure as previously implemented LTI plans. The exercise price for the conditional employee stock options is set at 153.60 SEK per share, with exercise possible, following the three-year qualification period, between June 2017 and April 2021. On 7 September 2013, the Annual General Meeting of Clas Ohlson authorised the Board of Directors to acquire a maximum of 862,000 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 2014. The total number of shares required to secure the undertaking for LTI 2014 is estimated at 575,000. Part of the undertaking for LTI 2014 may be secured through the use of shares (400,000) that were bought back to secure LTI 2011, where matching shares and options have been allotted after expiration of three-year performance period, and shares bought back for LTI 2012 where the need has been recalculated taking into account participants no longer employed (75,000). The Board of Directors has decided to use the authorisation received from the AGM to buy back the remaining 100,000 shares required to secure the company's obligation in respect of LTI 2014. Acquisition will be conducted via Nasdaq OMX Nordic Exchange

Stockholm during the period up until the 2014 AGM, at a price within the quoted price span. As per 30 April 2014, the company's holding of Clas Ohlson shares amounted to 2,459,006 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 4.75 SEK per share (4.25) be paid for 2013/14. The proposed dividend totals 312 MSEK (279), which represents 77 per cent (84) of the financial year's profit.

Proposed allocation of earnings

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

Profit brought forward	318,343
Profit for the year	233,300
Total	551,643

The Board and Chief Executive Officer propose:

Dividend payable to shareholders	
4.75 SEK per share	311,600 ¹
Carried forward to new account	240,043
Total	551,643

The record date for payment of the dividend is proposed as 17 September 2014. It is anticipated that the dividend decided upon by the Annual General Meeting will be despatched on 22 September 2014.

With reference to the information presented above and what has otherwise come to the knowledge of the Board, the view of the Board is as follows: A comprehensive assessment of the financial position of the Parent Company and Group indicates that the dividend is justifiable with reference to the demands made by the nature, size and risks of the operation on the equity and liquidity of the Parent Company and Group. The Group's equity/assets ratio is 58.3 per cent before payment of dividend and 49.1 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the future expansion has been taken into account.

Regarding the company's earnings and position in other respects, reference should be made to the following income statements and balance sheets and the accompanying notes to the accounts.

¹ The amount can change depending on the repurchase of shares.

Risks and uncertainties

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

Operational and financial risks can have both a short and long-term impact on the ability to achieve set objectives in accordance with the company's business plan. Clas Ohlson works continuously to update the Group's risk situation by conducting a documented, systematic process in which risks are identified, measured, monitored and reported. Priority is assigned to risks considered most negative in terms of probable occurrence and their conceivable effects on the operations. This work is performed in each function based on the composition of Senior Management. Reporting of the implementation of activities and changes in risk assessments is done internally twice per year and when necessary, on a continuous basis.

The risks are compiled in risk maps to provide a compilation of the overall exposure. Maps are compiled at Group level and are a key component of the Senior Management and Board's strategic and operational control. The Group's Risk Committee performs the work involved in compiling, monitoring and developing the risk management process. These efforts will remain a high priority as the company continues to grow and develop.

Operational risks

Expansion in the UK and Germany

Expansion in the UK and Germany presents opportunities for Clas Ohlson, but also entails risks. One risk is that the brand is relatively unknown and establishment is expected to take a long time.

Expansion through franchising

A franchising agreement has been signed with SYH Retail regarding the establishment of Clas Ohlson's retail concept in the Gulf region. The region includes the United Arab Emirates, Kuwait, Saudi Arabia, Qatar, Oman and Bahrain.

 [Read more about the franchise collaboration on pages 16-17](#)

Working with franchise entails risks that are primarily related to the Clas Ohlson brand and concept.

Purchasing in Asia

Clas Ohlson currently purchases about 35 per cent of the company's products in Asia, mostly from China. The proportion of purchases from Asia will further increase through the company's own purchasing company. This will boost the company's competitiveness in the ongoing expansion process. Increased single-country exposure entails greater risk (political risk, transport risk, currency risk and so forth).

IT systems

Clas Ohlson's operations are highly dependent on IT support. As a result, it is essential that IT systems provide

effective support for the company's day-to-day operations and maintain a high level of reliability. Clas Ohlson has chosen Microsoft Dynamics AX to satisfy future business support software needs.

Competition

A clear trend in the European retail market is that major nationwide chains are growing, usually at the expense of smaller, individual specialist retailers. The major chains and retailers are establishing themselves in several countries through both proprietary stores and acquisitions. As a result, market players have become fewer and larger. During the past years, competition intensified due to more stores and shopping centres, particularly in the Nordic region.

Logistics

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

Key individuals

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

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

Social responsibility

The company's stakeholders are imposing increasingly higher demand on the company's social responsibility. Clas Ohlson works actively on sustainability issues that are integrated in the operation and highly prioritised. Should the company default in its sustainability work, there is a risk of negative impact on sales and market shares.

 [Read more in Clas Ohlson's sustainability report on \[about.clasohlson.com\]\(http://about.clasohlson.com\)](#)

Product range and communication

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

Shrinkage

Clas Ohlson is exposed to shrinkage on a daily basis,

including shoplifting and theft. We work to reduce shrinkage through long-term preventive measures such as training programmes, technical equipment and ongoing monitoring, assessment and adaptation of security measures.

Financial risks

Economic climate

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

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

Wage inflation in manufacturing countries

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

Raw-material prices

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

Transport costs

Freight shipping prices can vary considerably depending on the global spot market price, thus entailing a risk. During the financial year, Clas Ohlson started to hedge prices for freight shipping prices for long-term contract periods of three to six months.

Currencies

The company's currency exposure is relatively high, primarily due to sales in Norway and the Group's purchasing. About 50 per cent of purchasing is 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 is increasing its sales in EUR through its expansion in the Finnish market. The Group is also increasing its exposure to the

Sensitivity analysis		
Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 77
USD	+/- 5	-/+ 55
HKD	+/- 5	-/+ 7
EUR	+/- 5	-/+ 2
GBP	+/- 5	+/- 2

pound sterling (GBP) as its sales in the UK grow.

The table below shows how profit is affected by a change in exchange rates for the principal currencies excluding currency hedging.

Currency hedging

Estimated exchange rates for each currency, set in June and January each year, are used when pricing the product range. In connection with this, about 50 per cent of the expected flow is hedged six months ahead. As a result, the company is guaranteed the estimated exchange rate for a large proportion of its purchases, but at the same time takes the risk of paying for the remaining purchases at the current rate.

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

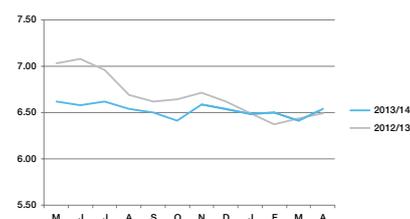
Currency movements

During the financial year, the NOK weakened against the SEK. The exchange rate for the NOK averaged 1.08, down 7 per cent compared with the 2012/13 financial year when the rate was 1.16. This has had a negative impact on sales in SEK, since about 40 per cent of sales are denominated in NOK.

The USD weakened slightly against the SEK during the past financial year. The average exchange rate during the financial year was 2 per cent lower than the previous year (6.54 compared with 6.66). The average exchange rate for the HKD during the financial year was 0.84, or 2 per cent lower compared with the 2012/13 financial year, when it was 0.86. The average exchange rate for the Chinese currency (CNY) was 1 per cent higher than in the preceding year (1.07 compared with 1.06).

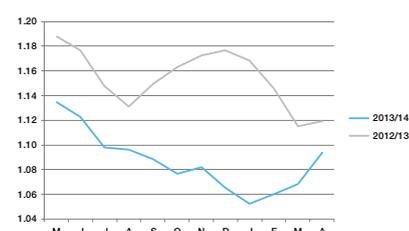
The EUR strengthened against the SEK during the past financial year. The average exchange rate during the financial year was 8.79 compared with 8.59, or 2 per cent up. The average exchange rate for the GBP was 1 per cent lower than the previous year (10.45 compared with 10.51).

Monthly average, USD/SEK



USD is our most important purchasing currency. At the beginning of the financial year, on 1 May 2013, the exchange rate for USD was 6.51 SEK. During the financial year, trading in the USD/SEK currency pair was relatively stable around 6.50, with a few exceptions. On 30 April 2014, it was noted at 6.57, meaning up 1 per cent. The highest exchange rate was 6.84 and was noted in July 2013, while the lowest exchange rate was 6.32 and noted in October 2013.

Monthly average, NOK/SEK



The graph shows the average exchange rate for the NOK/SEK currency pair. At the beginning of the financial year, on 1 May 2013, the exchange rate for NOK was 1.13. The exchange rate weakened during the first nine months of the financial year, then increased during the final quarter of the financial year. On 30 April 2014, it was noted at 1.10, meaning down 3 per cent. The highest exchange rate was 1.14 and was noted in May 2013, while the lowest exchange rate was 1.04 and noted in February 2014.

Source: Riksbanken

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 the Nasdaq OMX Nordic Exchange Stockholm and the Swedish Corporate Governance Code (the Code). In addition, governance follows the Articles of Association, internal instructions and policies, and recommendations issued by relevant organisations. The corporate governance report has been prepared in accordance with the Code.

The Swedish Corporate Governance Code

The Swedish Corporate Governance Code is applicable to all companies listed on the Nasdaq OMX Nordic Exchange Stockholm. The aim is to improve corporate governance in listed companies and foster trust in companies among the general public and in the capital market. The Code is based on the "comply or explain" principle, which means that it is possible to deviate from the Code if an explanation is provided as to why the deviation has been made. Clas Ohlson had the following deviations from the Swedish Corporate Governance Code during the financial year.

Board member Edgar Rosenberger received a consultant's fee of 0.5 MSEK during the financial year and, consequently, was deemed by the Nomination Committee to be dependent in relation to the company and executive management. Edgar Rosenberger's participation in the Remuneration Committee is a deviation from regulation 9.2 of the Code since he was deemed to be dependent in relation to the company and executive management. In the Board's opinion, Edgar Rosenberger's knowledge of remuneration principles, his international perspective and experience of remuneration structures in the retail sector in general are highly valuable contributions to the Committee's overall ability to appropriate and rationally address remuneration issues. Accordingly, the Board has made the assessment that the value of Edgar Rosenberger's

participation in the Remuneration Committee outweighs any disadvantages of him not being deemed to be independent in relation to the company and executive management. On these grounds, the Board believes that the deviation from regulation 9.2 of the Code can be justified.

Compliance with applicable regulations for stock exchange trading

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

Annual General Meeting

Shareholders exercise their influence through participation in the company's Annual General Meeting (the ordinary annual general meeting). The Annual General Meeting is the ultimate decision-making body and since the initial public offering in 1999, has always been held in Insjön, Sweden, on a Saturday in early September. The Notification of the AGM, which is normally prepared about four weeks prior to the Meeting 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 or letter. Each year, the AGM appoints the Board, the Chairman of the Board and the auditors for Clas Ohlson. In addition, the Annual General Meeting decides how profits are to be appropriated. Other issues that arise are mandatory items under the Companies Act and Clas Ohlson's Articles of Association (the full text can be found at about.clasohlson.com). Clas Ohlson's AGMs are very well attended, and the latest one attracted about 1,800 participants, making it one of the largest in Sweden.

On 30 April 2014, the company's largest shareholders, each representing at least 10 per cent of the votes, were Helena Ek Tidstrand (16.9 per cent), Johan Tidstrand (12.7 per cent), Björn Haid (12.6 per cent), Peter Haid (11.8 per cent) and Claus-Toni Haid (11.8 per cent).

Corporate governance in Clas Ohlson



Nomination Committee

The Nomination Committee's task is to submit proposals for Board members or auditors, as well as fees to Board members (including committee work) and fees to auditors, to the next Annual General Meeting at which the Board or auditors are due to be elected. The Nomination Committee also proposes the Chairman of the AGM.

At 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 Swedish Corporate Governance Code, shall not be the Chairman of the Board or other Board members.

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

Nomination Committee prior to the 2014 Annual General Meeting

Prior to the Annual General Meeting held on 13 September 2014, a Nomination Committee was elected comprising Johan Held, Chairman (representing AFA Försäkring), Anders Moberg (Chairman of the Board of Clas Ohlson), Carl von Schantz (representing the owner-family Haid), Göran Sundström (representing the owner-family Tidstrand) and Ricard Wennerklint (representing If Skadeförsäkring).

The basis of the Nomination Committee's work is that the Board is to have the expertise, experience and background required by the assignment. Particular emphasis 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 Group worked on the nominating procedure for Clas Ohlson's Annual General Meeting and held seven meetings that were recorded, where the Board's composition was evaluated, considered and discussed.

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

- Interviews with Board members to gain an in-depth picture of the functioning of the Board work
- Report on the Board's work from the Chairman of the Board
- Evaluation of the Board's work
- Nomination of the Chairman of the Board and Board members
- Position concerning the 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 Annual General Meeting.

Auditors

The Annual General Meeting appoints auditors for the Parent Company each year. The Annual General Meeting held on 7 September 2013 appointed Deloitte the new 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 2014 Annual General Meeting. Payment for audit engagements in the Group in the past three years totalled 2.7 MSEK, 2.4 MSEK and 2.9 MSEK, respectively. Remuneration for other assignments in the past three years totalled 0.7 MSEK, 0.8 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 Annual General Meeting. The Board comprises nine members, including the CEO, who are elected by the AGM. In addition to these members, the Board includes two representatives and two deputies for the trade-union organisations in the company. These individuals are elected by their own organisations.

The Board fulfils the independence requirement of the Code. All members, with the exception of Björn Haid, Edgar Rosenberger and Klas Balkow, 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 on the Board. Gender distribution on the Board among the members elected by the AGM in the past financial year was six men (66.7 per cent) and three women (33.3 per cent). In the preceding year, the corresponding distribution was five men (62.5 per cent) and three women (37.5 per cent). Kenneth Bengtsson and Katarina Sjögren Petrini were elected to the Board of Directors at the 2013 AGM after Lottie Svedenstedt declined re-election.

 [Read more about Clas Ohlson's Board of Directors on pages 46–47](#)

Board meetings

Immediately following the AGM, the statutory Board meeting is held, at which the rules of procedure for the Board and instructions to the company's CEO are approved. The members of the Board's Audit and Remuneration Committees and authorised signatories for the company are also appointed at this meeting. In addition to this meeting, the Board holds at least seven further meetings during the year. These are held quarterly in conjunction with the publication of the company's financial reports, once in June prior to concluding the Annual Report, once in connection with the Annual General Meeting and once during the autumn for strategic discussions. The strategy meeting usually takes place over two days, while other meetings are held on one day. The strategy meeting mainly discusses issues relating to the Group's goals and strategies, product range, store establishment strategy, major investments and so forth. Other meetings primarily deal with the usual Board issues, the company's reports and reporting by the Board committees. The company's auditors attend two of the Board meetings to report on what has emerged during

the audit. The Board meets the auditors once annually without the presence of executive management. The Board held eight Board meetings during the financial year, of which one was a strategy meeting. The Board assesses its work annually.

How the Board works

The rules of procedure for the Board of Directors stipulate which items on the agenda are to be fixed and which may vary. Each Board meeting is normally to be devoted to a specific topic so that the Board can gain more in-depth knowledge and understanding of the various parts of the company's operations. There are also presentations on these topics by employees of the company.

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

The work of the Board's committees is an important element of the Board's work. The Board has prepared instructions for the committees' work. The Remuneration Committee and Audit Committee discuss issues that fall within the committees' remit. Issues that have been addressed in the committee meetings are minuted and notified to the other Board members at the Board meetings.

The rules of procedure also state that the Board must meet with the company's auditors at least twice per year. In addition, the rules of procedure also regulate certain formal matters, such as rules for the notification of meetings and secrecy.

Audit Committee

At its first meeting following the AGM, the Board established an Audit Committee comprising Urban Jansson, Chairman, Cecilia Marlow and Katarina Sjögren Petrini. The Board has issued instructions for the committee work. The Audit Committee fulfils the guidelines regarding independence in the Swedish Corporate Governance Code. The Audit Committee is responsible for the quality assurance of financial reporting. In addition, the Audit Committee is responsible for supervising the effectiveness of risk management and internal control of the financial reporting. The members of the Audit Committee met the auditors on two occasions during the financial year to learn about the focus of the audit and discuss views on the risks faced by the company. In addition, the auditors attended several

of the committee's other meetings. Important tasks for the Audit Committee are to serve as a communication link, between the Board and the company's auditors and to establish what services over and beyond auditing can be procured from the company's auditors. The auditing effort is evaluated annually, after which information is passed to the Nomination Committee on the outcome.

The Audit Committee held eight meetings during the financial year. Attendance is shown in the table on page 43. The meetings are minuted and reported at the next Board meeting. Representatives of the company's management and the company's internal controller attended the committee's meetings as co-opted members. The meeting also addressed issues aimed at quality assuring risk management and internal control 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

A specific Remuneration Committee was appointed by the Board comprising the Chairman of the Board Anders Moberg and three other Board members, Sanna Suvanto-Harsaae, Björn Haid and Edgar Rosenberger. The Board has issued instructions for the committee work. Board member Edgar Rosenberger received a consultant's fee of 0.5 MSEK during the financial year and, consequently, was deemed by the Nomination Committee to be dependent in relation to the company and executive management. Consequently, Edgar Rosenberger's participation in the Remuneration Committee is a deviation from regulation 9.2 of the Code since he was deemed to be dependent in relation to the company and executive management. In the Board's opinion, Edgar Rosenberger's knowledge of remuneration principles, his international perspective and experience of remuneration structures in the retail sector in general are highly valuable contributions to the Committee's overall ability to appropriate and rationally address remuneration issues. Accordingly, the Board has made the assessment that the value of Edgar Rosenberger's participation in the Remuneration Committee outweighs any disadvantages of him not being deemed to be independent in relation to the company and executive management. On these grounds, the Board believes that the deviation from regulation 9.2 of the Code can be justified.

The Remuneration Committee submits proposals for guidelines pertaining to basic salary and variable remuneration for senior executives. The process regarding

The Board's working schedule



variable remuneration for all staff works in a similar way. The Committee met nine times during the financial year. Attendance is shown in the table on page 43. The meetings are minuted and reported at the next Board meeting. The Remuneration Committee addressed such issues as fixed and variable remuneration, and evaluated the current long-term incentive programme (LTI).

Distribution of work between the Board and CEO

The Board appoints the 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 goals are attained. The CEO ensures that the control environment is favourable and that the Group's risk-taking at any time is compatible with the Board's guidelines. Any deviations have to be reported to the Board. The Board also receives regular information from the CEO through a monthly report.

CEO and 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 ten individuals and meetings were held monthly and as otherwise necessary. The meetings focus primarily on strategic and operative monitoring and development, as well as results follow-up. In addition to these meetings, there is close daily cooperation within management.

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

External and internal control instruments

Clas Ohlson's governance occurs within the framework for external control instruments, such as Nasdaq OMX Nordic Exchange 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.

➔ Read more about Clas Ohlson's values on page 19

Remuneration

Fees paid to the Board during the financial year totalled 3.3 MSEK, in accordance with the resolution by the AGM. Of the fees paid, 0.6 MSEK pertained to remuneration for work on the Board's Remuneration and Audit Committees. Of the Board's total fee, 0.7 MSEK was paid to the Chairman of the Board. In 2013, the Board decided on a consultant's fee for Edgar Rosenberger's company Retail Brand Services for work performed on behalf of the company associated with the establishment in Germany, an area in which Edgar Rosenberger possesses extensive experience and expertise. The consultant's fee amounting to 0.5 MSEK was paid in accordance with the opportunities stipulated in the guidelines for remuneration of senior executives, approved by the 2013 Annual General Meeting, to deviate from these guidelines where warranted by specific reasons. No fee is paid to Board members who are employees of the company.

Composition of the Board and attendance during the financial year¹

Member ^{2,3}	Elected	Independent ⁴	Independent ⁵	Board meetings	Audit Committee	Remuneration committee
Anders Moberg	2003	Yes	Yes	8/8 ⁶		9/9 ⁶
Klas Balkow	2007	No ⁷	Yes	8/8		
Kenneth Bengtsson	2013	Yes	Yes	4/4 ⁸		
Björn Haid	1990	Yes	No ⁹	7/8		9/9
Urban Jansson	2005	Yes	Yes	8/8	8/8 ⁶	
Cecilia Marlow	2007	Yes	Yes	8/8	8/8	
Katarina Sjögren Petrini	2013	Yes	Yes	4/4 ⁸	4/4 ⁸	
Edgar Rosenberger	2009	No ¹⁰	Yes	8/8		9/9
Sanna Suvanto-Harsaee	2010	Yes	Yes	7/8		9/9
Lottie Svedenstedt	2004	Yes	Yes	3/4 ⁸	2/4 ⁸	

¹ The trade-union organisations have had two representatives on the Board.

For further information on Board members, see pages 46–47. The work of the Board and its committees is described on pages 41–42.

² For information on date of birth, work experience, assignments and shareholdings, see pages 46–47.

³ Remuneration of Board members is stated in Note 6, see page 58.

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 President and CEO.

⁸ Kenneth Bengtsson and Katarina Sjögren Petrini were elected to the Board of Directors at the 2013 AGM after Lottie Svedenstedt declined re-election.

⁹ Major shareholder, see pages 71–73.

¹⁰ Performed consultancy services and received remuneration of 0.5 MSEK during the financial year.

No remuneration is paid to members of the Nomination Committee.

The company's CEO received pay totalling 6.9 MSEK during the financial year, of which 2.2 MSEK was in the form of variable remuneration (STI refer to Note 6). Variable remuneration of 0.9 MSEK pertaining to an expensed but not definitive portion of long-term incentive programmes (LTI 2011, LTI 2012 and LTI 2013) was calculated for the CEO. Remuneration to the other nine senior executives totalled 18.3 MSEK, of which 4.1 MSEK was in the form of variable remuneration. Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive programmes was calculated at 2.2 MSEK. All of Senior Management receive the additional benefit of a company car. The 2013 Annual General Meeting decided on guidelines for remuneration to senior management pertaining to the 2013/14 financial year.

Severance pay

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

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 was paid during the year. Other members of Senior Management receive pension entitlements based on their applicable ITP plan, which also covers other salaried staff in Sweden.

Remuneration principles

The general principles of remuneration for senior 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.

➔ Read more about remuneration in Note 6 on page 58

Risk management

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

➔ Read more about risk management on pages 38–39 and in Note 2 on page 57.

Sustainability

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

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

➔ Read more in Clas Ohlson's sustainability report on about.clasohlson.com

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 includes the Board's Remuneration and Audit Committees.

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

The Group has regulations governing decision-making and authorisation levels that parallel the Group's organisational structure. The focus is on clarifying who has a mandate to decide on investments, activities, signing of contracts and so forth in each function and the limits in terms of the amounts involved. In the event that the amount exceeds the function's mandate, the decision is assigned to the next level in the organisation. This has been done in order to further improve the 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 executive management is responsible for implementing guidelines for the maintenance of good internal control. An ongoing work is being done in developing and improving internal control. The executive management and the Audit Committee report continuously to the Board according to approved procedures.

All activity is undertaken in accordance with the ethical guidelines drawn up in the Group's Code of Conduct.

Risk assessment and control activities

A model has been devised in the company to assess the risk of errors in financial reporting. The purpose of the model is to identify a number of items in the income statement and balance sheet and processes for preparation of financial information where the risk of errors is judged to be elevated.

The Group's income consists of 98 per cent of sales in stores where payment is principally made 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. Forecasts pertaining to income and expenses have been distributed to each store and department. The outcome is checked monthly against both the forecast and the preceding year. Deviations are reviewed by the immediate superior.

More than 80 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 analysed. An assessment is then made of whether the controls that take place are adequate. If there is a need, further compensatory controls are introduced to reduce the risk to an acceptable level.

The subsidiaries have accounting managers and controllers who ensure that financial reporting is correct and complete. In addition, they ensure that legislation is observed and that financial reporting is completed within the time frames to executive management and to the Group accounting function. Moreover, there are controllers at major Group functions 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 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 communicating material issues to the Senior Management, Board and auditors. An important aspect is to ensure that any viewpoints from the auditors are rectified.

Twice a year, the entire Board meets the company's auditors to be informed of the external audit and discuss relevant issues. On the basis of the auditors' reporting, the Board forms a picture of the internal control and the correctness of the financial information. The CEO does not take part in any issues that relate to company management.

Internal 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 on the company's 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 and auditors



Anders Moberg

Born in 1950.

Chairman of the Board since 2004. Board member since 2003.

Professional experience: CEO of the retail company Majid Al Futtaim Group in Dubai, CEO of Royal Ahold. Division President of Home Depot. CEO and several senior positions at IKEA.

Other significant directorships:

Chairman of the Board of OBH Nordica AB. Board member of Ahlstrom OY, Amor GmbH, Bergendahls och Son AB, Byggmax AB, HemA B.V., ITAB Shop Concept AB, Rezidor AB Suomen Lähikauppa Oy, ZetaDisplay AB.

Shareholding¹: 1,400,000²

Independent in relation to the company, executive management and major shareholders³.



Klas Balkow

Born in 1965.

President and CEO. Board member since 2007.

Professional experience: Managing director of Aximage, a subsidiary of the Axel Johnson Group, various positions at Bredbandsbolaget and senior positions in Procter & Gamble in Nordic countries and the US.

Other significant directorships:

Board member of Inflight Service Group.

Shareholding¹: 26,000

Dependent in relation to the company and executive management³.

Independent in relation to major shareholders³.



Kenneth Bengtsson

Born in 1961.

Board member since 2013.

Professional experience: CEO and various executive positions in ICA for more than 30 years.

Other significant directorships:

Chairman of the Board of Ahlsell AB, Ersta Hospital, Suomen Lähikauppa Oy, Systembolaget and World Childhood Foundation. Board member of Mekonomen AB.

Shareholding¹: 8,000

Independent in relation to the company, executive management and major shareholders³.



Björn Haid

Born in 1945.

Board member since 1990.

Professional experience: Executive management and product range development at Clas Ohlson during the years 1965-2006.

Shareholding¹: 5,740,794

Dependent in relation to major shareholders³.

Independent in relation to the company and executive management³.



Urban Jansson

Born in 1945.

Board member since 2005.

Advanced bank training, SEB.

Professional experience: CEO of Ratos, Executive Vice President of Incentive, CEO of HNJ Intressenter, various senior positions in SEB.

Other significant directorships:

Chairman of the Board of HMS Networks and EAB. Deputy Chairman of SEB. Board member of Lindéngruppen.

Shareholding¹: 20,000

Independent in relation to the company, executive management and major shareholders³.



Cecilia Marlow

Born in 1960.

Board member since 2007.

MSc in Business and Economics, Stockholm School of Economics.

Professional experience: Head of Operational Support, Swedish eHealth Agency. CEO of Kronans Droghandel, CEO of JC/J-Store, CEO of Polarn O. Pyret, CEO of Ordning & Reda, CEO of Publicis Welinder.

Other significant directorships:

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

Shareholding¹: 500

Independent in relation to the company, executive management and major shareholders³.

¹ Own shareholdings as of June 2014.

² Owned via endowment insurance.

³ According to the Swedish Corporate Governance Code.



Edgar Rosenberger

Born in 1953.

Board member since 2009.

Master of Business Administration, Mannheim University.

Professional experience: CEO of consultancy company Retail Brand Services, CEO of IPURI GmbH, CEO of Esprit Europe GmbH and CEO of H&M Germany GmbH.

Other significant directorships:

Member of REIMA OY, Basler GmbH and German-Swedish Chamber of Commerce.

Shareholding¹: 0

Dependent in relation to the company and executive management³.

Independent in relation to major shareholders³.



Katarina Sjögren Petrini

Born in 1964.

Board member since 2013.

Degree in Business Administration from Luleå Technical University.

Professional experience: CEO of Ticket Leisure Travel Group. Executive positions in the Ticket Group and various positions involving finance at Kuwait Petroleum Svenska.

Other significant directorships:

Board member of Ticket Leisure Travel Group, Arken Zoo Holding and the Association of Swedish Travel Agents and Tour Operators.

Shareholding¹: 500

Independent in relation to the company, executive management and major shareholders³.



Sanna Suvanto-Harsaae

Born in 1966.

Board member since 2010.

Master of Business Administration, Lund University.

Professional experience: CEO of ReckittBenckiser Nordic, Marketing and Business Development Director of Synoptik, European Marketing Manager and other executive positions of Procter & Gamble Nordic, Germany and Europe.

Other significant directorships:

Chairman of the Board of Babysam AS, Sunset Boulevard AS, Best Friend Oy, VPG AS. Member of the Board of CCS AB, Paulig Oy, SAS AB, Altia AB and Upplands Motor AB.

Shareholding¹: 0

Independent in relation to the company, executive management and major shareholders³.



Henrik Andersson

Born in 1971.

Board member since 2012.

Employee representative (Unionen).

Shareholding¹: 0



Johan Åhlberg

Born in 1969.

Board member since 2009.

Employee representative (Handels).

Shareholding¹: 100



Lars Zwetsloot

Born in 1976.

Deputy member since 2012.

Employee representative (Handels).

Shareholding¹: 0



Josefin Salminen

Born in 1980.

Deputy member since 2012.

Employee representative (Handels).

Shareholding¹: 80

Auditor

Deloitte

Kent Åkerlund

Authorised Public Accountant
Auditor in Charge

Auditor of Clas Ohlson AB since 2013.

¹ Own shareholdings as of June 2014.

² Owned via endowment insurance.

³ According to the Swedish Corporate Governance Code.

Senior Management



Klas Balkow

President and CEO. Employed in 2007. Born in 1965.

Professional experience: Managing director of Aximage, a subsidiary of the Axel Johnson Group, various positions at Bredbandsbolaget and senior positions in Procter & Gamble in Nordic countries and the US.

Shareholding¹: 26,000



Tony Dahlström

Director of Purchasing. Employed in 1982 and 2009. Born in 1964.

Professional experience: Category Manager at Clas Ohlson. President of OS Technology Nordic. Product Manager and various positions in store, warehouse and customer service at Clas Ohlson.

Shareholding¹: 8,033



Ulrika Göransson

Director of Business Development. Employed in 2008.

Born in 1970.

MSc in Business and Economics, Stockholm University.

Professional experience: Marketing Director at Clas Ohlson. Head of Marketing Nordics, Novartis. Brand Strategist, LynxEye. Consumer Insight Specialist Asia Pacific, Kraft Foods. Senior Marketing Manager, General Mills.

Shareholding¹: 9,629



Bo Heyman

Director of Establishment. Employed in 1983. Born in 1952.

Professional experience: Director of Establishment, Head of Marketing and Business Area Clas Ohlson Sweden. Sales Manager and Store Manager for Swedish stores. Establishment Manager in Sweden. Head of Store and various in-store positions.

Shareholding¹: 8,306

¹ Own shareholding as of June 2014.



Magnus Højman

Director of Supply Chain. Employed in 2011. Born in 1967. MSc in Business and Economics, Lund University and University of California.

Professional experience: Consultant at Accenture. Venture Manager, Real Venture Group and various positions in sales and management at Procter & Gamble Scandinavia.

Shareholding¹: 3,912



Peter Jelkeby

Deputy CEO. Employed in 2008. Born in 1963. MSc in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

Professional experience: Deputy Head and senior positions in sales and marketing of IKEA in the UK. Senior positions in purchasing at IKEA in the Russian and Asian markets.

Shareholding¹: 9,737



Sara Kraft Westrell

Director of Information and Investor Relations. Employed in 2013. Born in 1974. MSc in Business and Economics, Lund University and National University of Singapore.

Professional experience: Director of Information at Hexagon AB. Director of Market and Communication at JB Education. Communications advisor at Kreab Gavin Anderson.

Shareholding¹: 840



Göran Melin

CFO. Employed in 2010. Born in 1962. MSc in Business and Economics, School of Business, Economics and Law at the University of Gothenburg.

Professional experience: Authorised Public Accountant and Partner at Öhrlings PwC.

Shareholding¹: 8,149



Lars-Johan Strand

Director of Marketing. Employed in 2014. Born in 1978.

Professional experience: Marketing Director at Stadium AB. Marketing and PR director at H&M Asia. Online Director at H&M. Product Development and Project Management at Spray/Razorfish.

Shareholding¹: 0



Karin Svenske-Nyberg

Director of HR. Employed in 2013. Born in 1966. MSc in Engineering, Royal Institute of Technology.

Professional experience: Director of HR at Stora Enso at business area and country level, and various positions in the areas of research, development, production and HR.

Shareholding¹: 2,741

¹ Own shareholding as of June 2014.

Group

Income statement

MSEK	Note	1 May 2013 –30 Apr 2014	1 May 2012 –30 Apr 2013
	1, 2		
Sales		6,807.7	6,518.9
Cost of goods sold	4,5,6	-3,905.3	-3,809.5
Gross profit		2,902.4	2,709.4
Selling expenses	4, 5, 6	-2,188.1	-2,103.4
Administrative expenses	4, 5, 6, 7	-178.6	-173.9
Other operating income	3	24.3	24.5
Other operating expenses	3	-29.5	-26.0
Operating profit		530.5	430.6
<i>Financial items</i>			
Financial income	8	2.0	1.9
Financial expense	8	-2.3	-12.6
Profit before tax		530.2	419.9
Income tax	9	-124.8	-88.4
Profit for the year		405.4	331.5
Number of shares, millions		63.1	63.3
Earnings per share before dilution, SEK	10	6.42	5.23
Earnings per share after dilution, SEK	10	6.41	5.23
Proposed dividend per share, SEK	11	4.75	4.25

Statement of consolidated comprehensive income

MSEK	1 May 2013 –30 Apr 2014	1 May 2012 –30 Apr 2013
Profit for the year	405.4	331.5
Other comprehensive income, net after tax:		
Items that can later be reversed in the consolidated income statement:		
Exchange-rate differences	6.8	-37.2
Cash-flow hedging	-8.4	2.6
Items that cannot later be reversed in the consolidated income statement:		
Remeasurement of defined-benefit pension obligations	1.0	0.0
Other comprehensive income, net after tax:	-0.6	-34.6
Comprehensive income for the year	404.8	296.9

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

Cash-flow statement

MSEK	1 May 2013 –30 Apr 2014	1 May 2012 –30 Apr 2013
<i>Operating activities</i>		
Operating profit	530.5	430.6
<i>Adjustment for non-cash items</i>		
– depreciation	209.5	197.7
– loss from sale/disposal of non-current assets	-0.2	-0.5
– other non-cash items	22.7	5.8
Interest received	2.0	1.9
Interest paid	-2.4	-12.6
Tax paid	-90.1	-172.7
Cash flow from operating activities before changes in working capital	672.0	450.4
<i>Cash flow from changes in working capital</i>		
– accounts receivable	0.1	-4.5
– inventories	-44.8	-91.8
– other receivables	-13.1	-17.7
– accounts payable	32.7	117.2
– other current interest-free operating liabilities	42.2	64.2
Cash flow from operating activities	689.1	517.8
<i>Investing activities</i>		
Investments in intangible assets	-40.9	-36.8
Investments in tangible assets	-131.2	-130.3
Sale of equipment	0.3	0.6
Cash flow from investing activities	-171.8	-166.5
<i>Financing activities</i>		
Change in current interest-bearing liabilities	-	-30.0
Bank loans		
– new loans	200.0	150.0
– repayment of loans	-200.0	-150.0
Repurchase of own shares	-21.7	-35.4
Sales of own shares	6.2	-
Dividend to shareholders	-268.1	-269.0
Cash flow from financing activities	-283.6	-334.4
Cash flow for the year	233.7	16.9
Cash and cash equivalents at the start of the year	124.6	111.8
Exchange-rate differences in cash and cash equivalents	0.0	-4.1
Cash and cash equivalents at the end of the year	358.3	124.6

Group

Balance sheet

MSEK	Note	30 Apr 2014	30 Apr 2013
Assets			
Non-current assets	12		
<i>Intangible assets</i>			
IT and software costs		133.0	111.0
<i>Tangible assets</i>			
Land and buildings		488.1	514.8
Construction in progress		17.2	0.0
Equipment, tools, fixtures and fittings		785.9	835.8
Total tangible assets		1,291.2	1,350.6
<i>Non-current receivables</i>			
Deferred tax assets	9	6.8	3.1
Other non-current receivables		1.3	0.1
Total non-current receivables		8.1	3.2
Total non-current assets		1,432.3	1,464.8
<i>Current assets</i>			
Inventories	13	1,348.2	1,303.9
Accounts receivable	14	21.2	21.3
Tax assets		23.3	20.7
Other receivables	17	23.4	19.3
Prepaid expenses and accrued income	15	161.6	153.6
Cash and cash equivalents	16	358.3	124.6
Total current assets		1,936.0	1,643.4
Total assets		3,368.3	3,108.2

Balance sheet

MSEK	Note	30 Apr 2014	30 Apr 2013
Equity and liabilities			
Equity	18		
<i>Capital and reserves attributable to Parent Company shareholders</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25 SEK		82.0	82.0
Other contributed capital		90.4	90.4
Other reserves		-83.2	-81.6
Profit brought forward including profit for the year		1,875.7	1,745.7
Total equity		1,964.9	1,836.5
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	201.5	180.5
Pension obligations	19	-	0.2
Other non-current liabilities		5.0	5.0
Total non-current liabilities		206.5	185.7
<i>Current liabilities</i>			
Accounts payable	20	545.8	511.8
Tax liability		44.5	38.1
Other current liabilities	17, 20	79.3	75.9
Accrued expenses and deferred income	21	483.2	431.0
Other provisions	22	44.1	29.2
Total current liabilities		1,196.9	1,086.0
Total equity and liabilities		3,368.3	3,108.2
Pledged assets	28	0.0	0.0
Contingent liabilities	29	287.7	275.3

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 2012	82.0	90.4	-50.1	3.1	1,718.4	1,843.8
<i>Comprehensive income</i>						
Profit for the year	0.0	0.0	0.0	0.0	331.5	331.5
<i>Other comprehensive income</i>						
Cash-flow hedging after tax	0.0	0.0	0.0	2.6	0.0	2.6
Exchange-rate differences	0.0	0.0	-37.2	0.0	0.0	-37.2
Total other comprehensive income	0.0	0.0	-37.2	2.6	0.0	-34.6
Total comprehensive income	0.0	0.0	-37.2	2.6	331.5	296.9
<i>Transactions with shareholders</i>						
Repurchase of own shares	0.0	0.0	0.0	0.0	-35.4	-35.4
Employee stock options plan: value of employees' service	0.0	0.0	0.0	0.0	0.2	0.2
Dividend	0.0	0.0	0.0	0.0	-269.0	-269.0
Total transactions with shareholders	0.0	0.0	0.0	0.0	-304.2	-304.2
Closing balance at 30 April 2013	82.0	90.4	-87.3	5.7	1,745.7	1,836.5
Opening balance at 1 May 2013	82.0	90.4	-87.3	5.7	1,745.7	1,836.5
<i>Comprehensive income</i>						
Profit for the year	0.0	0.0	0.0	0.0	405.4	405.4
<i>Other comprehensive income</i>						
Cash-flow hedging after tax	0.0	0.0	0.0	-8.4	0.0	-8.4
Exchange-rate differences	0.0	0.0	6.8	0.0	0.0	6.8
Remeasurement of defined-benefit pension obligations	0.0	0.0	0.0	0.0	1.0	1.0
Total other comprehensive income	0.0	0.0	6.8	-8.4	1.0	-0.6
Total comprehensive income	0.0	0.0	6.8	-8.4	406.4	404.8
<i>Transactions with shareholders</i>						
Repurchase/sales of own share ¹	0.0	0.0	0.0	0.0	-15.5	-15.5
Employee stock options plan: value of employees' service	0.0	0.0	0.0	0.0	7.2	7.2
Dividend	0.0	0.0	0.0	0.0	-268.1	-268.1
Total transactions with shareholders	0.0	0.0	0.0	0.0	-276.4	-276.4
Closing balance at 30 April 2014	82.0	90.4	-80.5	-2.7	1,875.7	1,964.9

¹ Repurchase 21.7 MSEK, sales 6.2 MSEK.

Parent Company

Income statement

MSEK	Note	1 May 2013 –30 Apr 2014	1 May 2012 –30 Apr 2013
	1, 2		
Sales	23	5,394.8	5,157.4
Cost of goods sold	4, 5, 6	–3,772.7	–3,738.8
Gross profit		1,622.1	1,418.6
Selling expenses	4, 5, 6	–1,037.5	–967.7
Administrative expenses	4,5,6,7	–140.6	–134.1
Other operating income	3	24.3	24.1
Other operating expenses	3	–27.8	–24.9
Operating profit		440.5	316.0
<i>Financial items</i>			
Interest income	8	6.3	6.9
Interest expense	8	–6.0	–15.9
Profit after financial items		440.8	307.0
Appropriations	25	–139.2	–100.9
Profit before tax		301.6	206.1
Income tax	9	–68.3	–60.1
Profit for the year		233.3	146.0
Proposed dividend per share, SEK (before and after dilution)	11	4.75	4.25

Comprehensive income, Parent Company

MSEK		1 May 2013 –30 Apr 2014	1 May 2012 –30 Apr 2013
Profit for the year		233.3	146.0
Other comprehensive income, net after tax:			
Items that can later be reversed in the consolidated income statement:			
Profit/loss from hedging of net investments in foreign operations		14.0	–21.0
Comprehensive income for the year		247.3	125.0

Cash-flow statement

MSEK		1 May 2013 –30 Apr 2014	1 May 2012– 30 Apr 2013
<i>Operating activities</i>			
Operating profit		440.5	316.0
<i>Adjustment for non-cash item</i>			
– depreciation		139.5	129.5
– loss from sale/disposal of non-current assets		–0.2	–0.2
– other non-cash items		24.2	5.4
Interest received		6.3	6.9
Interest paid		–6.0	–15.9
Tax paid		–58.6	–149.8
Cash flow from operating activities before changes in working capital		545.7	291.9
<i>Cash flow from changes in working capital</i>			
– accounts receivable		0.0	–2.6
– inventories		–17.0	–28.5
– other receivables		–0.1	–98.9
– accounts payable		26.3	116.6
– other current interest-free operating liabilities		83.0	–111.9
Cash flow from operating activities		637.9	166.6
<i>Investing activities</i>			
Investments in intangible assets		–40.9	–36.8
Investments in tangible assets		–94.5	–46.6
Sale of equipment		0.3	0.3
Cash flow from investing activities		–135.1	–83.1
<i>Financing activities</i>			
Repurchase of own shares		–21.7	–35.4
Sales of own shares		6.2	-
Repayments from subsidiaries		35.5	191.6
Change in current interest-bearing liabilities		-	–30.0
Bank loans – new loans		200.0	150.0
– repayment of loans		–200.0	–150.0
Dividend to shareholders		–268.1	–269.0
Cash flow from financing activities		–248.1	–142.8
Cash flow for the year		254.7	–59.3
Cash and cash equivalents at the start of the year		26.8	86.1
Cash and cash equivalents at the end of the year		281.5	26.8

Parent Company

Balance sheet

MSEK	Note	30 Apr 2014	30 Apr 2013
Assets			
Non-current assets			
<i>Intangible assets</i>			
IT and software costs	12	133.0	111.0
<i>Tangible assets</i>			
Land and buildings		487.3	513.8
Construction in progress		17.2	0.0
Equipment, tools, fixtures and fittings		464.2	485.0
Total tangible assets		968.7	998.8
<i>Financial non-current assets</i>			
Receivables, Group companies		192.2	200.6
Participations in Group companies	24	20.2	33.3
Total financial non-current assets		212.4	233.9
Total non-current assets		1,314.1	1,343.7
Current assets			
<i>Inventories</i>			
Merchandise	13	884.0	867.0
Total inventories		884.0	867.0
<i>Current receivables</i>			
Accounts receivable	14	14.8	14.8
Tax assets		22.2	20.7
Receivables from Group companies		171.0	175.2
Other receivables		2.7	3.9
Prepaid expenses and accrued income	15	83.2	79.2
Total current receivables		293.9	293.8
Cash and bank balances	26	281.5	26.8
Total current assets		1,459.4	1,187.6
Total assets		2,773.5	2,531.3

Balance sheet

MSEK	Note	30 Apr 2014	30 Apr 2013
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25 SEK		82.0	82.0
Statutory reserve		106.8	106.8
Total restricted equity		188.8	188.8
<i>Non-restricted equity</i>			
Fair value fund		-39.0	-53.0
Profit brought forward		357.4	487.8
Profit for the year		233.3	146.0
Total non-restricted equity		551.7	580.8
Total equity		740.5	769.6
Untaxed reserves	27	963.2	824.0
Provisions			
Other provisions	22	31.4	18.2
Total provisions		31.4	18.2
Non-current liabilities			
Other non-current liabilities		5.0	5.0
Total non-current liabilities		5.0	5.0
Current liabilities			
Accounts payable	20	484.8	458.5
Liabilities to Group companies		241.8	199.9
Other current liabilities	20	31.4	12.9
Accrued expenses and deferred income	21	275.4	243.2
Total current liabilities		1,033.4	914.5
Total equity and liabilities		2,773.5	2,531.3
Pledged assets	28	0.0	0.0
Contingent liabilities	29	287.7	275.3

Change in Parent Company equity

MSEK	Share capital	Statutory reserve	Non-restricted equity	Total
Opening balance at 1 May 2012	82.0	106.8	760.0	948.8
Dividend			-269.0	-269.0
Repurchase of own shares			-35.4	-35.4
Employee stock options plan: value of employees' service			0.2	0.2
Other comprehensive income			125.0	125.0
Closing balance at 30 April 2013	82.0	106.8	580.8	769.6
Opening balance at 1 May 2013	82.0	106.8	580.8	769.6
Dividend			-268.1	-268.1
Repurchase/sales of own shares ¹			-15.5	-15.5
Employee stock options plan: value of employees' service			7.2	7.2
Other comprehensive income			247.3	247.3
Closing balance at 30 April 2014	82.0	106.8	551.7	740.5

¹ Repurchase 21.7 MSEK, sales 6.2 MSEK.

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) as approved by the EU. The financial statements were prepared in accordance with the cost method, apart from financial assets and liabilities measured at fair value.

The annual accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The application of RFR 2 means that as far as possible the Parent Company applies all IFRSs approved by the EU within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and taking into account the connection between accounting and taxation. The differences that occur between the accounting policies of the Parent Company and the Group are described below.

The following new and amended IFRSs and interpretations came into effect and impacted the Group in the 2013/2014 financial year.

The amendments to IAS 1 Presentation of Financial Statements requires additional disclosures in other comprehensive income such that the items in other comprehensive income are grouped into two categories: a) items that cannot later be reversed in profit or loss and b) items that can be reversed in profit or loss if certain criteria are fulfilled. The amendment is shown in the presentation of consolidated other comprehensive income on page 50.

The amendments in IAS 19 change the recognition of defined-benefit pension plans and severance pay. The most significant amendment pertains to defined-benefit pension obligations and plan assets. The amendments require that actuarial gains and losses are immediately recognised in other comprehensive income, meaning that the corridor method is removed. Furthermore, interest expense and expected return on plan assets are replaced by a "net interest income," which is calculated using a discount rate on the net defined-benefit pension liability or asset. Now that the Group is applying the IAS 19 amendments, it has stopped applying UFR 4 Accounting for special employer's contribution and tax on returns, which has been repealed by the Swedish Financial Reporting Board. Instead, the Group recognises special employer's contributions in accordance with the rules for IAS 19, which means that actuarial assumptions to be made when calculating defined-benefit pension plans also include taxes accruing on pension benefits. The amendment had a marginal effect since only a small number of individuals are affected.

IFRS 13 Fair Value Measurement establishes a framework for fair value measurement as required by other standards. The standard applies to measuring the fair value of both financial and non-financial items. Fair value is defined as the price would be received to sell an asset or paid to transfer a liability in a normal transaction between market players on the measurement date ("exit price"). IFRS 13 also requires additional quantitative and qualitative disclosures regarding fair value measurement.

The above amended/new standards were applied from 1 May 2013 but did not have any material impact on the consolidated financial statements.

New and amended standards that have not yet come into effect

On 30 April 2014, the International Accounting Standards Board (IASB) issued a number of standards that have not yet come into effect but that are deemed to be relevant to the Group:

Standards	To be applied to financial years beginning on:
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12 (Transitional requirements)	1 January 2014
IFRS 9 Financial Instruments	Not decided

IFRS 10 Consolidated Financial Statements replaces IAS 27 Consolidated and Separate Financial Statements that addresses when and how an owner company is to prepare consolidated financial statements. The aim of IFRS 10 is that there is only one basis for the consolidation of all companies regardless of the nature of the investee. The basis is controlling influence ("control"). IFRS 10 contains detailed guidance on how a company is to apply the principle of control in a variety of different situations, including

agent relationships and holdings of any voting rights.

IFRS 12 Disclosure of Interests in Other Entities is to be applied to companies' interests in subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. IFRS 12 establishes disclosure objectives and specifies the disclosures that a company is to submit as a minimum for meeting these objectives. In June 2012, the IASB published amendments to IFRS 10, IFRS 11 and IFRS 12 to clarify certain transitional requirements in conjunction with first-time adoption of these standards.

The Group is currently evaluating the effect that IFRS 10 and IFRS 12 are deemed to have on the financial statements for the period in which they are applied for the first time.

IFRS 9 Financial Instruments addresses the rules on the recognition, measurement and classification of financial liabilities and assets. IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and Measurement. Not all parts of IFRS 9 have been completed. The Group will evaluate the effects of IFRS 9 once all parts of the standard have been published in the final version.

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

Basis of preparation

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

The accounting policies for the Group indicated below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated. The Group's accounting policies have been applied consistently to the reporting and consolidation of the Parent Company and subsidiaries.

Estimates and assumptions

Preparing the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that impact upon the application of the accounting policies and the carrying amounts for assets, liabilities, income and expenses. These are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The estimates and assumptions are reviewed regularly and are not judged to entail any significant risk of material adjustment of carrying amounts for assets and liabilities during the next financial year. Any changes to estimates are recognised in the period in which the change is made if the change has only impacted upon this period, or in the period in which the change is made and future periods if the change impacts upon both the current period and future periods. Further information on estimates and assumptions made is presented in Notes 13 and 22.

Consolidated financial statements

The consolidated financial statements pertain to the Parent Company and all companies over which the Parent Company directly or indirectly has controlling influence. The consolidated financial statements include the wholly owned subsidiaries Clas Ohlson AS, Clas Ohlson OY, Clas Ohlson Ltd (UK), Clas Ohlson GmbH and Clas Ohlson Ltd (Shanghai). The purchase method has been applied in preparing the consolidated financial statements. The annual accounts of the foreign subsidiaries have been translated using the current rate method, which means that assets, liabilities and equity have been translated from the functional currency to Swedish kronor at the exchange rate prevailing on the balance-sheet date and income statements at the average monthly exchange rate for the year. The translation difference resulting from this, and resulting from the net investment having been translated at a different exchange rate at the end of the year than at the start of the year, is recognised in other comprehensive income. Intra-Group sales and inter-company profits have been eliminated in full from the consolidated financial statements.

Translation of foreign currencies

Transactions in foreign currencies are translated to the functional currency at the exchange rates applicable on the transaction date. Exchange-rate gains and losses arising from the payment of such transactions and from the translation of monetary assets and liabilities in foreign currency at the

rate prevailing on the 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 and net investment in non-Swedish operations in which case gains/losses are recognised in other comprehensive income. For derivatives, refer to the section on financial instruments.

Income

The Group's income is generated through the sale of products to consumers in accordance with the terms of sale. Sale income is recognised net less VAT, returns, reservations for open purchase and discounts. Income is recognised at the time of sale/delivery to the customer, when material risks and benefits associated with ownership of the goods have been transferred to the purchaser. Sales to members of Club Clas are conducted in accordance with IFRIC 13, in order to take into account club members' earning of bonus points and the opportunity to utilise points saved in the form of bonus cheques as payment 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.

Income taxes

Income taxes comprise current tax and deferred tax. Income taxes are recognised in profit or loss except when an underlying transaction is recognised directly in other comprehensive income including the associated tax effect. Current tax is tax that is due for payment or receipt in the current year, with application of the tax rates decided upon or in practice decided upon on the balance-sheet date, including adjustment of current tax attributable to prior periods. Deferred tax according to the balance-sheet method is calculated on all temporary differences arising between carrying amounts and values for tax purposes of assets and liabilities. Deferred tax is calculated with application of the tax rates and tax rules decided upon or in practice decided upon on the balance-sheet date. Deferred tax assets pertaining to deductible temporary differences and loss carryforwards are only recognised insofar as it is likely that it will be possible for these to be utilised. The value of deferred tax assets is reduced when it is no longer judged likely that it will be possible for them to be utilised. These temporary differences have mainly arisen from the depreciation of non-current assets, recognition of untaxed reserves and valuation of inventories.

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

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	5-7 years
Equipment, tools, fixtures and fittings	5-15 years
Buildings	20-33 years
Land improvements	20 years

New acquisitions and replacements are capitalised, while maintenance and repair costs are expensed. As assets are sold or disposed of, the cost and appurtenant accumulated depreciation are written off. Any profit or loss is recognised. All of Clas Ohlson's properties are owner-occupied properties.

Impairment

Depreciable assets are assessed to determine any decrease in value resulting from events or changes in circumstances indicating that the carrying amount might not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable 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).

Capitalised IT and software costs

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

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

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

Other development costs, which do not meet these criteria, are expensed when they arise. Development costs that were previously 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.

Leasing

In the Group and in the Parent Company, lease contracts occur primarily in the form of rental contracts for retail premises. All the stores, except the one in Insjön, are leased. These contracts have been classified as operational leases as they do not signify that the economic benefits and risks associated with ownership have been transferred to the tenant.

Operational leases, in which the Group is the lessee, are recognised in 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.

Loan expenses

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

Other loan expenses are charged to profit during the period they arise.

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.

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

Note 1, cont.

instrument that is essentially equivalent, analyses of discounted cash flow and options valuation methods. In this connection, market information is widely used while company-specific information is used as little as possible. Financial instruments are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all the risks and benefits associated with right of ownership.

Loan receivables and accounts receivable

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

Cash-flow hedging

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

Hedging of net investments

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

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

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

Cash and cash equivalents

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

Employee benefits

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

In defined-contribution plans, the company pays set contributions to a separate legal entity and is not obligated to pay any further contributions. Expenses are charged against Group profits as the benefits are vested.

Furthermore, long-term incentive programmes (LTI) that entitle employees to acquire shares and require the approval of the Annual General Meeting (AGM). LTI 2011, LTI 2012 and LTI 2013 are recognised in accordance with IFRS 2 Share-based Payment. The Group posts a provision for anticipated social security expenses that will be paid when the shares are allotted and when the options are exercised. The provision for social security expenses is reassessed every balance-sheet date based on the fair value.

Defined-benefit pension plans

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.

Provisions

Provisions are recognised in the balance sheet among current and non-current liabilities when the Group has a legal or informal obligation resulting from an event that has occurred and it is likely that an outflow of resources will be required to discharge the commitment and a reliable estimate can be made of the amount. Provisions are made for open purchase, unredeemed gift cards, estimated future guarantee commitments and bonus points to club members.

Accounts payable

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.

Cash-flow statement

The cash-flow statement is prepared according to the indirect method. The recognised cash flow comprises only transactions that entail receipts or disbursements. In addition to cash or bank balances, current financial investments that are subject only to an insignificant risk of fluctuation in value and have a remaining term of less than three months from the time of acquisition are classified as cash and cash equivalents.

Segment accounting

Clas Ohlson has the following segments: Sweden, Norway, 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.

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. At Clas Ohlson, the difference between the consolidated and Parent Company accounting policies is that IAS 1 is not applied with regard to preparation of the balance sheets and income statements for the Parent Company, which instead are prepared in accordance with the Annual Accounts Act. The regulations in IAS 39 pertaining to financial guarantee agreements are not applied with respect to guarantee agreements for subsidiaries. In the Parent Company, loan expenses are charged against profits for the period to which they refer. Shares in the subsidiaries are recognised at cost less deductions for any impairment.

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

The amendments to RFR 2 Accounting for Legal Entities that came into effect and apply for the financial year did not have any impact on the Parent Company's financial statements.

Note 2 Financial risks

The Group is exposed to a variety of financial risks through its operations: market risk (including currency risk, interest-rate risk and price risk), credit risk, liquidity risk and cash-flow risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and endeavours to minimise potential unfavourable effects on the Group's financial results. The Group uses derivatives to hedge certain risk exposure.

The Board 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 38-39 of the Annual Report.

MARKET RISK

Currency risk

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

About half 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 in the Finnish market. The table below shows how profit is affected by changes in the principal currencies (excluding hedging).

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 77
USD	+/- 5	-/+ 55
HKD	+/- 5	-/+ 7
EUR	+/- 5	-/+ 2
GBP	+/- 5	+/- 2

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 26.

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 58.3 per cent.

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

Note 3 Other operating income and operating expenses

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Other operating income				
Rental income	24.1	24.0	24.1	24.0
Profit on sale or disposal of tangible assets	0.2	0.5	0.2	0.1
Total	24.3	24.5	24.3	24.1
Other operating expenses				
Leasing expenses	-23.9	-23.9	-23.9	-23.9
Loss on sale or disposal of tangible assets	-5.6	-2.1	-3.9	-1.0
Total	-29.5	-26.0	-27.8	-24.9

Note 4 Depreciation

Group	2013/14	2012/13
Depreciation broken down by type of asset		
Intangible assets ¹	20.1	13.3
Land and buildings	29.3	29.1
Equipment, tools, fixtures and fittings	160.1	155.3
Total	209.5	197.7
Depreciation broken down by function		
Cost of goods sold	69.3	67.9
Selling expenses	132.5	123.8
Administrative expenses	7.7	6.0
Total	209.5	197.7
Parent Company	2013/14	2012/13
Depreciation by type of asset		
Intangible assets ¹	20.1	13.3
Land and buildings	29.0	28.9
Equipment, tools, fixtures and fittings	90.4	87.3
Total	139.5	129.5
Depreciation by function		
Cost of goods sold	69.3	68.0
Selling expenses	62.5	55.5
Administrative expenses	7.7	6.0
Total	139.5	129.5

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 1,508.7 MSEK (1,397.9) in the Group and 931.2 MSEK (845.8) in the Parent Company.

Depreciation during the financial year totalled 209.5 MSEK (197.7) in the Group and 139.5 MSEK (129.5) in the Parent Company.

Note 6 Expenses for employee benefits

	2013/14	2012/13
Salaries and other remuneration		
Parent Company	683.4	623.3
Subsidiaries	497.4	475.4
Group total	1,180.8	1,098.7

	2013/14		2012/13	
	Social security expenses	of which, pension expenses	Social security expenses	of which, pension expenses
Social security expenses				
Parent Company	247.8	45.1	222.5	39.2
Subsidiaries	80.1	22.5	76.7	20.0
Group total	327.9	67.6	299.2	59.2

Of the Parent Company's pension expenses, 2.4 MSEK (2.4) pertained to the group consisting of the Board, CEO and Deputy CEO. Of the subsidiaries' pension expenses, 1.2 MSEK (0.8) pertained to presidents of subsidiaries.

In the Group, expenses for defined-contribution pensions amounted to 57.3 MSEK (51.1) and defined-benefit pensions to 0.2 MSEK (0.2).

The Parent Company only has defined-contribution pension plans (including Alecta) for which the year's expenses was 35.0 MSEK (31.3). In the Parent Company, the year's expenses for special employer's contribution on pension premiums was 10.1 MSEK (7.9). For more information on the defined-benefit pension plans in the Group, refer to Note 19.

Remuneration of Board members, presidents and other senior executives

	2013/14	2012/13
Parent Company		
Salaries and other remuneration	28.5	25.1
– of which, variable remuneration	6.3	3.4
Pension expenses	5.6	5.7
Number of individuals in Group	18	17
	2013/14	2012/13
Group		
Salaries and other remuneration	34.9	31.5
– of which, variable remuneration	7.0	3.9
Pension expenses	6.8	6.5
Number of individuals in Group	22	21

Board remuneration

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

No director fees were paid in the subsidiaries.

	2013/14		2012/13	
	Director fees	Commit-tee fees	Director fees	Commit-tee fees
Board of Directors				
Anders Moberg, Chairman	0.60	0.12	0.60	0.12
Klas Balkow, member and CEO	0.00	0.00	0.00	0.00
Kenneth Bengtsson, member	0.30	0.00	0.00	0.00
Björn Haid, member	0.30	0.06	0.30	0.06
Urban Jansson, member	0.30	0.14	0.30	0.14
Cecilia Marlow, member	0.30	0.07	0.30	0.07
Edgar Rosenberger, member ¹	0.30	0.06	0.30	0.06
Katarina Sjögren Petrini, member	0.30	0.07	0.00	0.00
Sanna Suvanto-Harsaae, member	0.30	0.06	0.30	0.06
Lottie Svedenstedt, member	0.00	0.00	0.30	0.07
Board total	2.70	0.58	2.40	0.58

¹ In addition to Board fees, a consultant's fee of 0.5 MSEK (0.0) was paid.

Board member Klas Balkow received remuneration in his capacity of President and CEO of the company. Kenneth Bengtsson and Katarina Sjögren Petrini were elected to the Board of Directors at the 2013 AGM after Lottie Svedenstedt declined re-election.

Gender distribution on the Board among the members elected by the AGM in the past financial year was six men and three women. In percentage terms, the distribution is 66.7 per cent men and 33.3 per cent women. The percentage in the preceding year was 62.5 per cent men and 37.5 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. Eight individuals, together with the CEO and Deputy CEO, comprise Senior Management during the financial year.

For the composition of Senior Management at 30 April 2014, see pages 48-49 of the printed Annual Report.

	2013/14				2012/13			
	Vari. remu.				Vari. remu.			
	Basic salary	STI	LTI ¹	Bene-fits	Basic salary	STI	LTI ¹	Bene-fits
Salaries paid to Senior Management								
Klas Balkow, CEO	4.7	2.2	0.9	0.2	4.6	1.1	0.0	0.2
Deputy CEO	2.8	1.0	0.5	0.1	2.7	0.6	0.0	0.1
Other Senior Management (8 individuals, of whom 8 individuals in 2012/13)	11.4	3.1	1.7	0.7	11.4	1.7	0.2	0.7
Management total	18.9	6.3	3.1	1.0	18.7	3.4	0.2	1.0

¹ LTI (Long-term incentive programme) pertains to a reported cost for LTI 2011, LTI 2012 and LTI 2013. Refer below to the description of STI (Short-term incentive programme) and LTI.

	2013/14		2012/13	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
Pension expenses for Senior Management				
Klas Balkow, CEO	1.7	0.0	1.6	0.0
Deputy CEO	0.7	0.0	0.7	0.0
Other Senior Management (8 individuals, of whom 8 individuals in 2012/13)	3.2	0.0	3.4	0.0
Management total	5.6	0.0	5.7	0.0

Under the contract of employment with the CEO, the mutual period of notice is six months. Twelve months' salary is payable should employment be terminated by the company. Applicable salary and benefits are payable during the period of notice. The retirement age is 65, and the current pension contribution is equivalent to 1.7 MSEK.

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 65.

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

Further information on decision-making processes in the Group is presented on pages 40-45 of the printed annual report.

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 programmes (Long Term Incentive, LTI)

The aim of LTI programmes is to create the prerequisites for retaining and recruiting competent employees to the Group. The programmes were designed to encourage participants to become shareholders in the company, which is expected to have a positive impact on their long-term work performance. Connecting participants' rewards to the company's profit and value development will continue to promote company loyalty and thus sustainable value growth in the company.

Long-term incentive programmes that entitle employees to acquire shares are subject to AGM approval. LTI 2011, LTI 2012 and LTI 2013 were in effect during the financial year. LTI 2011 was concluded after the close of the financial year and LTI 2014 was launched. LTI 2011, LTI 2012, LTI 2013 and LTI 2014 are share matching and profit-based employee stock option plans.

Long-term incentive programmes LTI 2009, LTI 2011, LTI 2012 and LTI 2013

LTI 2011, LTI 2012 and LTI 2013 were approved at the Annual General Meetings 2010, 2011 and 2012. The programmes encompass up to 45 senior executives and other individuals regarded as having a long-term impact on Clas Ohlson's development.

To participate in the plan, employees must acquire series B shares in Clas Ohlson corresponding to a value of not less than 5 per cent and not more than 10 per cent of their annual basic salary. Participants acquired series B Clas Ohlson shares, at market price, which the company will later match (1:1) free of charge through allotment of shares. If the employee

Long-term incentive programmes LTI 2012 and LTI 2013¹

	LTI 2012			LTI 2013		
	Matching shares No. of series B shares ²	No. of employee stock options ²	Target value MSEK ³	Matching shares No. of series B shares ²	No. of employee stock options ²	Target value MSEK ³
Participants						
CEO	4,413	44,130	1.1	5,187	51,870	1.0
Other members of Senior Management	10,859	108,585	2.8	12,975	129,750	2.5
Other participants	20,021	200,210	5.1	23,252	232,520	4.5
Total	35,293	352,925	9.0	41,414	414,140	8.0

¹ Initially, at the start of the programme, the participants acquired 40,058 and 42,358 shares under the frameworks of the LTI 2012 and LTI 2013 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 86.44 SEK (LTI 2012)/73.42 SEK (LTI 2013) and the fair value of the option was 16.75/11.87 SEK. To calculate the fair value of the options, the binomial model for option valuation was used. Valuation has been conducted using an initial share price of 99.43/85.74 SEK, an exercise price of 109.10/94.30 SEK, an expected dividend per share annually, an anticipated lifetime for the options of five years, an interest rate of 1.15 per cent /1.19 per cent, a volatility of 34.00 per cent /31.57 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.

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holds the acquired shares and is still employed by the Group three years after the date of acquisition, the company will issue matching shares to the employee.

The employee may also be allotted profit-based employee stock options. Employee stock options are allocated free of charge and each stock option entitles the holder to acquire one series B Clas Ohlson share. When the option is exercised, the price per share is calculated at 110 per cent of the average of the volume-weighted average price paid for the series B Clas Ohlson share on the Nasdaq OMX Nordic Exchange Stockholm established for each day during a period of 10 trading days prior to the acquisition period. The exercise price for the LTI 2011, LTI 2012 and LTI 2013 has been set at 108.10 SEK, 109.10 SEK and 94.30 SEK. The options may be exercised not earlier than three years and not later than seven years from the date of allotment. For an option to be exercised, the holder must still be employed by the Clas Ohlson Group and have retained his/her personal investment for three years from the date of allotment. The option holdings do not provide entitlement to receive dividends on the underlying shares.

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

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

- Entry: five options per acquired series B share
- Target: 10 options per acquired series B share
- Stretch: 15 options per acquired series B share

Accordingly, the total number of employee stock options that may be exercised by each participant is limited to 15 per acquired series B share.

The qualification and performance periods for the LTI 2011 were valid from 1 May 2011 until 30 April 2014. A total of 34,050 shares were allotted on 2 May, after the close of the financial year, in accordance with the AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period. The set criteria pertaining to the average sales and profit growth per share for the period 2011 to 2014 were achieved, which resulted in participants being allotted 7.6 options per share. The value of an option is 108.10 SEK. Participants of LTI 2009 were already entitled to exercise 7 options per purchased share at an exercise price of 98.10 SEK.

It was not possible to exercise any of the options for LTI 2012 or LTI 2013 on 30 April 2014. The number that may be exercised after three years is based on the achievement of growth and profit targets in accordance with the above. The sum that is expensed is based on the level of 7 options per share for LTI 2011, 5 options per share for LTI 2012 and 10 options per share for LTI 2013.

In accordance with the above, LTI 2012 and LTI 2013 will include the following number of series B shares and employee stock options for the various participant categories if the Target level is achieved (refer to the table on the preceding page).

The total cost recognised in profit or loss for 2013/14 amounted to 10.0 MSEK (0.2), including social security contributions.

Share repurchase for LTI programmes

During 2011, 2012 and 2013, 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 or sold to participants.

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

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Remuneration for audit engagement	2.5	2.2	1.4	1.3
Remuneration for audit related services	0.2	0.2	0.0	0.1
Tax consultations	0.6	0.6	0.4	0.5
Other	0.1	0.2	0.1	0.1
Total¹	3.4	3.2	1.9	2.0

¹ The Annual General Meeting decided in September 2013 to change auditor from PwC to Deloitte. Of the total for the year, 1.4 MSEK pertained to PwC and 2.0 MSEK to Deloitte.

Note 8 Financial income and expenses

Financial income is distributed as follows:

Group	2013/14	2012/13
Interest income	2.0	1.9
Group total	2.0	1.9

Parent Company	2013/14	2012/13
Interest income	1.8	2.0
Interest income, subsidiaries	4.5	4.9
Parent Company total	6.3	6.9

Financial expenses are distributed as follows:

Group	2013/14	2012/13
Interest expense	-2.3	-12.6

Parent Company	2013/14	2012/13
Interest expense	-2.9	-12.6
Interest expense, subsidiaries	-3.1	-3.3
Parent Company total	-6.0	-15.9

Net financial items for 2012/13 were charged with a nonrecurring item totalling 6.4 MSEK, pertaining to the excessive internal interest rate recognised for the years 2007 - 2011.

Note 9 Income tax

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Tax on profit for the year				
Income tax on profit for the year	107.6	98.2	68.3	60.1
	107.6	98.2	68.3	60.1
Deferred tax				
Deferred tax pertaining to temporary differences	17.2	-9.8	0.0	0.0
	17.2	-9.8	0.0	0.0
Total recognised tax expense	124.8	88.4	68.3	60.1

<i>Reconciliation of applicable tax rate and effective rate</i>				
Recognised profit before tax	530.2	419.9	301.6	206.1
Income tax calculated according to national tax rates pertaining to profit in each country (20-27%)	-122.1	-114.0	-66.4	-54.2
<i>Tax effect of:</i>				
Non-deductible expenses/non-recognised income	-2.4	-4.2	-2.3	-2.6
Temporary differences	-0.6	0.8	0.4	-1.2
Effect of changed tax rates in Sweden	0.0	31.1	0.0	0.0
Effect of changed tax rates in Norway	1.5	-	-	-
Other	0.2	0.0	0.0	0.0
Adjustment earlier taxation	-1.4	-2.0	-	-2.0
Recognised tax expense	-124.8	-88.4	-68.3	-60.1
Applicable tax rate for income tax, %	23.0	26.6	22.0	26.3
Effective tax rate, %	23.5	21.0	22.7	29.2
Deferred tax items recognised directly in equity	0.0	0.0	0.0	0.0

Group	2013/14	2012/13
<i>Recognised deferred tax assets and tax liabilities</i>		
Equipment, tools, fixtures and fittings	-0.3	-1.9
Inter-company profit in inventories	4.6	-3.9
Allocations	6.1	6.5
Pension	0.3	0.3
Accelerated depreciation	-85.9	-77.5
Tax allocation reserves	-126.0	-103.8
Deficit in subsidiaries	0.0	0.0
Other	6.5	2.7
Total deferred tax assets (+) deferred tax liabilities (-), net	-194.7	-177.4
Deferred tax assets	6.8	3.1
Deferred tax liabilities	-201.5	-180.5

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

Group 2013/14	Amount at start of year	Recognised in profit or loss	Amount at the end of year
<i>Change in deferred tax in temporary differences during the year</i>			
Equipment, tools, fixtures and fittings	-1.9	1.6	-0.3
Inter-company profit in inventories	-3.9	8.5	4.6
Allocations	6.5	-0.4	6.1
Pension	0.3	0.0	0.3
Accelerated depreciation	-77.5	-8.4	-85.9
Tax allocation reserves	-103.8	-22.2	-126.0
Other	2.7	3.8	6.5
Total	-177.4	-17.1	-194.7

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

Note 10 Earnings per share

	2013/14	2012/13
<i>Earnings per share before dilution</i>		
Profit for the year	405.4	331.5
Average number of shares before dilution	63.1	63.3
Earnings per share before dilution	6.42	5.23
<i>Earnings per share after dilution</i>		
Profit for the year	405.4	331.5
Average number of shares after dilution	63.2	63.4
Earnings per share after dilution	6.41	5.23

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 405.4 MSEK (331.5) and on a weighted average number of shares outstanding before and after dilution during both 2012/13 and 2013/14.

Note 11 Dividend per share

The dividends paid in 2013/14 and 2012/13 totalled 268.1 MSEK (4.25 SEK per share) and 269.0 MSEK (4.25 SEK per share). A dividend pertaining to 2013/14 of 4.75 SEK per share, totalling 311.6 MSEK, will be proposed at the Annual General Meeting to be held on 13 September 2014. The proposed dividend has not been recognised as a liability in these financial statements.

Note 12 Non-current assets

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Intangible assets				
Capitalised IT and software costs				
Opening cost	126.2	89.4	126.2	89.4
Acquisitions for the year	40.9	37.4	40.9	37.4
Reclassifications	0.3	0.0	0.3	0.0
Sales and disposals	-2.1	-0.6	-2.1	-0.6
Closing accumulated cost	165.3	126.2	165.3	126.2
Opening depreciation	15.2	2.0	15.2	2.0
Depreciation for the year	20.1	13.3	20.1	13.3
Reclassifications	-2.6	0.0	-2.6	0.0
Sales and disposals	-0.4	-0.1	-0.4	-0.1
Closing accumulated depreciation	32.3	15.2	32.3	15.2
Closing residual value according to plan	133.0	111.0	133.0	111.0
Tangible assets				
Land and buildings				
Opening cost	739.4	738.1	737.6	736.3
Acquisitions for the year	2.6	1.3	2.6	1.3
Closing accumulated cost	742.0	739.4	740.2	737.6
Construction in progress				
Opening cost	0.0	0.0	0.0	0.0
Acquisitions for the year	16.2	0.0	16.2	0.0
Reclassifications	1.0	0.0	1.0	0.0
Closing accumulated cost	17.2	0.0	17.2	0.0
Equipment, tools, fixtures and fittings				
Opening cost	1,540.6	1,462.0	919.8	890.9
Acquisitions for the year	112.5	128.3	75.8	44.6

Reclassifications	-1.3	0.0	-1.3	0.0
Sales and disposals	-28.1	-16.7	-16.9	-15.7
Translation differences	11.2	-33.0	0.0	0.0
Closing accumulated cost	1,634.9	1,540.6	977.4	919.8
Opening depreciation	704.8	577.0	434.8	362.8
Acquisitions for the year	160.1	155.3	90.4	87.3
Reclassifications	2.6	0.0	2.6	0.0
Sales and disposals	-24.2	-15.8	-14.6	-15.3
Translation differences	5.6	-11.7	0.0	0.0
Closing accumulated depreciation	848.9	704.8	513.1	434.8
Closing residual value according to plan	785.9	835.8	464.2	485.0
Financial non-current assets				
Opening cost	0.1	0.3	233.9	446.7
Increase/decrease in non-current receivables	1.2	-0.2	-21.5	-212.8
Closing accumulated cost	1.3	0.1	212.4	233.9
Fair value	1.3	0.1	212.4	233.9

Investment commitments

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

Land and buildings	0.0	20.8	0.0	20.8
Equipment, tools, fixtures and fittings	105.1	55.5	26.3	22.5

Note 13 Inventories

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Merchandise	1,348.2	1,303.9	884.0	867.0
Total	1,348.2	1,303.9	884.0	867.0
Cost of goods sold	3,905.3	3,809.5	3,772.7	3,738.8
Of which, obsolescence	15.4	13.4	10.0	8.6

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

Note 14 Accounts receivable

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Accounts receivable	21.2	21.3	14.8	14.8
Total	21.2	21.3	14.8	14.8
Fair value	21.2	21.3	14.8	14.8

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Prepaid rent	93.0	89.7	41.2	40.6
Prepaid costs of materials	23.8	17.2	23.8	17.2
Other prepaid expenses	44.8	46.7	18.2	21.4
Total	161.6	153.6	83.2	79.2

Note 16 Cash and cash equivalents

Group	2013/14	2012/13
Cash and bank balances	358.3	124.6
Group total	358.3	124.6

At the end of the year, utilised overdraft facilities in the Group, which are not included in cash and cash equivalents, totalled 0 MSEK (0), refer to Note 20.

Unutilised overdraft facilities in the Group, which are not included in cash and cash equivalents, amounted to 350.0 MSEK (350.0).

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	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
Sell/buy						
NOK/SEK	-2.8	5.1	81.1	135.0	1.5	1.1
NOK/USD	-2.5	0.0	130.6	0.0	1.4	0.0
USD/SEK	0.0	0.4	0.0	78.7	0.0	1.1
Total	-5.3	5.5	211.7	213.7	1.5	1.1

¹ Maturity ranges from 8 May - 23 July for NOK/USD and 8 May - 16 July for NOK/SEK.

Forward contracts belong to the derivative category, which is used for hedging purposes. All derivatives are measured at fair value, established by using forward contract prices on the balance-sheet date, meaning, level 2 in the fair value hierarchy according to IFRS 7. Forward contracts with negative market values totalled 5.3 MSEK (0.0), which was recognised in the item Other current liabilities. Forward contracts with positive market values amounted to 0 MSEK (5.5), which was recognised in the item Other current receivables.

Deferred tax of negative 1.2 MSEK was taken into account and the remaining fair value of negative 4.1 MSEK was recognised in the hedging reserve within equity.

Note 18 Equity

The total number of ordinary shares is 65,600,000 (2012/13: 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 2,459,006 series B shares. The number of shares outstanding at the end of the year was 63,140,994 (63,287,808). The average number of shares before and after dilution is reported in Note 10.

The Group's reserves contain translation differences of negative 80.5 MSEK (neg: 87.3), and hedging reserve of negative 2.7 MSEK (pos: 5.7).

Note 19 Pension obligations

The Group has only defined-benefit occupational pension plans for 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 page 56.

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

	2013/14	2012/13
At the start of the year	0.2	0.3
Exchange-rate differences	-0.1	0.0
Total expense recognised in profit or loss	0.2	0.2
Contributions paid	-0.3	-0.3
At the end of the year	0.0	0.2

Recognised provision at end of the financial year:

	2013/14	2012/13
Present value of funded obligations	6.9	6.9
Fair value of plan assets	-8.0	-8.1
Non-recognised actuarial gains/losses	1.1	1.4
Asset/liability in balance sheet	0.0	0.2

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.

	2013/14	2012/13
Group	59.9	51.1
Parent Company	35.6	31.3

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 3 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 9.0 MSEK (8.6).

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 2013, Alecta's surplus in the form of the collective funding ratio was 148 per cent (129).

Note 20 Financial instruments

Financial instruments per category

Assets 30 April 2014	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
Derivative instruments	0.0	0.0	0.0
Accounts receivable	21.2	0.0	21.2
Cash and cash equivalents	358.3	0.0	358.3
Total	379.5	0.0	379.5

Liabilities 30 April 2014	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	-5.3	0.0	-5.3
Bank loans	0.0	0.0	0.0
Accounts payable and other liabilities	0.0	625.1	625.1
Total	-5.3	625.1	619.8

Assets 30 April 2013	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
Derivative instruments	0.0	5.5	5.5
Accounts receivable	21.3	0.0	21.3
Cash and cash equivalents	124.6	0.0	124.6
Total	145.9	5.5	151.4

Liabilities 30 April 2013	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	0.0	0.0	0.0
Bank loans	0.0	0.0	0.0
Accounts payable and other liabilities	0.0	587.7	587.7
Total	0.0	587.7	587.7

Financial liabilities

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Accounts payable	545.8	511.8	484.8	458.5
Other current liabilities	79.3	75.9	31.4	12.9
Total	625.1	587.7	516.2	471.3
Fair value	625.1	587.7	516.2	471.3

The average period of credit is 45 days (45 days) for accounts payable and 19 days (21 days) for other current liabilities

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Non-current portion				
Bank loans	0.0	0.0	0.0	0.0
Current portion				
Overdraft facilities	0.0	0.0	0.0	0.0
Total borrowing	0.0	0.0	0.0	0.0

All bank loans and overdraft facilities are denominated in SEK. During the current financial year, the Parent Company had a bank loan that was repaid. During the financial year, the bank loan carried an average annual interest rate of 1.64 per cent.

The overdraft facility carries floating interest rates. During the year, the average interest rate was 1.55 per cent.

Collateral for bank loans consisted of the reporting of financial covenants. The credit limit on the overdraft facilities totalled 350 MSEK (350).

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	
	2013/14	2012/13	2013/14	2012/13
Accrued payroll expenses	108.4	88.1	61.4	48.4
Accrued holiday pay expenses	159.1	150.6	92.6	87.9
Accrued social security contributions	101.7	73.7	88.6	60.8
Other items	114.0	118.6	32.8	46.1
Total	483.2	431.0	275.4	243.2

Note 22 Other provisions

Pertains to provisions for guarantee commitments, unredeemed gift cards, open purchase and estimated bonus points to customer club members, which are all expected to be utilised during the subsequent financial year. The provision for estimated future guarantee commitments is equivalent to the guarantee expenses for the year with respect to the length of the warranty period. Ninety days open purchase is applicable in the terms of purchase. The provision for open purchase is calculated according to these terms, with respect to the estimated return rate.

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Guarantee commitments				
Opening provisions	10.2	8.6	6.2	4.6
Utilised during the year	-10.2	-8.6	-6.2	-4.6
Allocated during the year	9.2	10.2	5.4	6.2
Total	9.2	10.2	5.4	6.2
Open purchase, unredeemed gift cards and bonus points				
Opening provisions	19.0	17.8	12.0	9.3
Utilised during the year	-19.0	-17.8	-12.0	-9.3
Allocated during the year	34.9	19.0	26.0	12.0
Total	34.9	19.0	26.0	12.0

Note 23 Inter-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for 2,220.0 MSEK (2,129.1). Of this sum, 1,841.0 MSEK (1,789.5) related to sales to Clas Ohlson AS in Norway, 362.1 MSEK (323.8) to sales to Clas Ohlson OY in Finland and 16.9 MSEK (15.8) to sales to Clas Ohlson Ltd in the UK. No purchases were made from subsidiaries.

Note 24 Participations in Group companies

All of the subsidiaries are wholly owned and, with the exception of the Company in Germany, the opening balance is the same as the closing balance.

The subsidiary Clas Ohlson AS in Norway, with corporate registration number NO 937402198 and registered office in Oslo; 10,000 shares with a quotient value of NOK 100. Shareholding 100 per cent. Carrying amount 50,475 NOK (50,475).

The subsidiary Clas Ohlson OY in Finland, with corporate registration number FI 1765891-7 and registered office in Helsinki; 500,000 shares with a quotient value of 1 EUR. Shareholding 100 per cent. Carrying amount 4.7 MSEK (18.0), of which the value of shareholder contributions was 0 MSEK (13.3).

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

The subsidiary Clas Ohlson Ltd in Shanghai, with corporate registration number 3110000400574190, 1,500,000 shares with a quotient value of USD 1. Shareholding 100 per cent. Carrying amount 11.3 MSEK (11.3).

The subsidiary Clas Ohlson GmbH in Germany, with corporate registration number HRB 130004, 1 share with a quotient value of 100,000 EUR (of which 25,000 EUR comprises the paid portion). Shareholding 100 per cent. Carrying amount 0.2 MSEK (0).

Note 25 Appropriations

Parent Company	2013/14	2012/13
<i>The difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	-39.2	-29.9
– land and buildings	1.0	1.0
<i>Provision for tax allocation reserves</i>		
Provisions for the year	-101.0	-72.0
Parent Company total	-139.2	-100.9

Note 26 Cash and bank balances

Parent Company	2013/14	2012/13
Cash and bank balances	281.5	26.8
Parent Company total	281.5	26.8

Utilised overdraft facilities, which are not included in cash and bank balances, totalled 0 MSEK (0) at the end of the year. The credit is included in a cash pool for the Group in which utilised credit totalled 0.0 MSEK.

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

Note 27 Untaxed reserves

Parent Company	2013/14	2012/13
<i>Accumulated difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	386.8	347.6
– land and buildings	3.8	4.8
<i>Provision for tax allocation reserve</i>		
Tax 2010	71.6	71.6
Tax 2011	158.0	158.0
Tax 2012	63.0	63.0
Tax 2013:1	107.0	107.0
Tax 2013:2	72.0	72.0
Tax 2014	101.0	0.0
Parent Company total	963.2	824.0

Note 28 Pledged assets

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Cash and cash equivalents	14.6	14.9	0.0	0.0
Property mortgages	0.0	0.0	0.0	0.0
Floating mortgages	0.0	0.0	0.0	0.0
Total pledged assets	14.6	14.9	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. At year-end, overdraft facilities totalled 0.0 MSEK (0.0) in the Group and Parent Company. During the year, unutilised overdraft facilities amounted to 350 MSEK (350) in the Group and Parent Company.

Note 29 Contingent liabilities and commitments

	2013/14	2012/13
Contingent liabilities, Parent Company		
Guarantee in favour of Group companies pertaining to future rental commitments	287.7	275.3

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 2014 was six years.

Contracted leases were calculated according to rent levels for 2014.

Parent Company	2013/14	2012/13
Rents and lease payments in financial year	260.6	242.2

	2014/15	2015/16	2016/17	2017/18	2018–
Contracted future rents ¹	260.8	234.8	225.2	200.7	619.4

The Group has no contingent liabilities.

Commitments

All store premises, with the exception of Insjön, are leased and treated as operating leases. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30 April 2014 was five years.

Contracted leases were calculated according to rent levels for 2014.

Group	2013/14	2012/13
Rents and lease payments in financial year	661.5	622.2

	2014/15	2015/16	2016/17	2017/18	2018–
Contracted future rents ¹	676.4	621.5	577.2	496.0	1,363.2

¹ Non-terminable

Note 30 Related-party transactions

The number of shareholders in the company totalled 24,975. The major shareholders are Clas Ohlson's descendants Helena Ek-Tidstrand, Björn Haid, Peter Haid, Claus-Toni Haid and Johan Tidstrand, who hold 39 per cent of the capital and 66 per cent of the votes. No transactions with related parties took place during the financial year. Remuneration of the Board and senior management is presented in Note 6 to the Annual Report.

Note 31 Average number of employees

	Group		Parent Company	
	2013/14	2012/13	2013/14	2012/13
Total Sweden	1,471	1,397	1,471	1,397
– of whom, women	(618)	(587)	(618)	(587)
Total Norway	677	665		
– of whom, women	(257)	(259)		
Total Finland	246	223		
– of whom, women	(116)	(122)		
Total UK	186	191		
– of whom, women	(93)	(99)		
Total China	50	48		
– of whom, women	(36)	(30)		
Total	2,629	2,524	1,471	1,397
– of whom, women	1,120	1,097	618	587

The average number of employees is based on the total number of hours worked in relation to total annual working time.

Note 32 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.

	2013/14	2012/13
Sales per segment		
Sweden	3,167.3	3,028.3
Norway	2,696.7	2,664.5
Finland and Outside Nordic countries	943.7	826.1
Group-wide	2,220.0	2,129.1
Eliminations of sales to other segments	–2,220.0	–2,129.1
Total	6,807.7	6,518.9

Operating profit per segment

Sweden	122.8	91.3
Norway	108.3	107.5
Finland and Outside Nordic countries	25.5	19.5
Group-wide	273.9	212.3
Total	530.5	430.6

Assets per segment

Sweden	718.6	588.9
Norway	513.7	521.5
Finland and Outside Nordic countries	396.7	399.8
Group-wide	1,381.0	1,473.4
Total	3,010.0	2,983.6

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

Investment and depreciation per segment

	Investments		Depreciation	
	2013/14	2012/13	2013/14	2012/13
Sweden	36.5	29.2	35.0	32.8
Norway	29.5	61.3	41.8	40.6
Finland and Outside Nordic countries	6.7	22.1	34.4	32.5
Group-wide ¹	99.1	53.9	98.3	91.8
Total	171.8	166.5	209.5	197.7

¹ Investments in intangible assets amounted to 40.9 MSEK (36.8).

Depreciation attributable to intangible assets amounted to 20.1 MSEK (13.2).

Note 33 Events after the end of the period

Sales in May increased 12 per cent to 512 MSEK (455). In local currencies, sales rose 13 per cent.

Compared with the same month in the preceding year, 9 new stores (17) were added and the total number of stores on 31 May 2014 was 185. Sales in May were distributed as follows:

MSEK	2014	2013	Percentage Change	Percentage change, local currency
Sweden	243	215	+ 13	+ 13
Norway	195	180	+ 9	+ 11
Finland	50	42	+ 17	+ 11
Outside Nordic countries	24	17	+ 38	+ 26
Total	512	455	+ 12	+ 13

The qualification and performance periods for Clas Ohlson's long-term incentive programme LTI 2011 were valid from 1 May 2011 until 30 April 2014.

The qualification and performance periods for the LTI 2011 were valid from 1 May 2011 until 30 April 2014. A total of 34,050 shares were allotted on 2 May, after the close of the reporting period, 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.

Following the end of the qualification period, the Board of Directors resolved to award 7.6 options per purchased share (5-15 options in cases of target fulfilment), based on established criteria for sales and profit growth. A total of 258,780 options were awarded. The employee stock options were exercisable as of 16 June 2014 but not later than 27 April 2018, and entitle participants to purchase Clas Ohlson shares at the price of 108.10 SEK per share.

In May 2014, the long-term incentive plan LTI 2014 was introduced, following the same structure as previously implemented LTI plans. The exercise price for the conditional employee stock options is set at 153.60 SEK per share, with exercise possible, following the three-year qualification period, between June 2017 and April 2021.

On 7 September 2013, the Annual General Meeting of Clas Ohlson AB authorised the Board of Directors to acquire a maximum of 862,000 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 2014. The total number of shares required to secure the undertaking for LTI 2014 is estimated at 575,000. Part of the undertaking for LTI 2014 may be secured through the use of shares (400,000) that were bought back to secure LTI 2011, where matching shares and options have been allotted after expiration of three-year performance period, and shares bought back for LTI 2012 where the need has been recalculated taking into account participants no longer employed (75,000).

The Board of Directors has decided to use the authorisation received from the AGM to buy back the remaining 100,000 shares required to secure the company's obligation in respect of LTI 2014. Acquisition will be conducted via Nasdaq OMX Nordic Exchange Stockholm during the period up until the 2014 AGM, at a price within the quoted price span. As per 30 April 2014, the company's holding of Clas Ohlson shares amounted to 2,459,006 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, Sweden, 25 June 2014

Anders Moberg
Chairman of the Board

Kenneth Bengtsson

Björn Haid

Urban Jansson

Cecilia Marlow

Edgar Rosenberger

Katarina Sjögren Petrini

Sanna Suvanto-Harsaae

Klas Balkow
Chief Executive Officer

Henrik Andersson
Employee representative (Unionen)

Johan Åhlberg
Employee representative (Handels)

Our audit report was submitted on 27 June 2014

Deloitte AB

Kent Åkerlund
Authorised Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting on 13 September 2014.

Auditor's report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Clas Ohlson AB (publ) for the financial year 2013-05-01 - 2014-04-30. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 33-68.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President 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.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

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

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2014 and of its financial performance and its cash flows 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 2014 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A Cor-

porate Governance Report has been prepared. The statutory administration report and the Corporate Governance Report are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

Other matters

The audit of the annual accounts for the financial year 2012-05-01 - 2013-04-30 were performed by another auditor who submitted an auditor's report dated 5 July 2013, with unmodified opinions in the Report on the annual accounts and consolidated accounts.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Clas Ohlson AB (publ) for the financial year 2013-05-01 - 2014-04-30.

Responsibilities of the Board of Directors and the President

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

Auditor's responsibility

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

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

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

Opinions

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

Insjön, Sweden, 27 June 2014
Deloitte AB

Kent Åkerlund
Authorized Public Accountant



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The Clas Ohlson share

Clas Ohlson series B shares have been listed on the Nasdaq OMX Nordic Exchange Stockholm since 1999. The share is included in the Consumer Services sector index. The share price increased by 64 per cent during the financial year. Clas Ohlson's total market capitalization amounted to 9.4 billion SEK (5.7) calculated on the most recent price of 143 SEK paid for the share on 30 April 2014.

Share trend

The Clas Ohlson share rose 64 per cent to 143 SEK (87) during the period, while the SIX General Index increased 18 per cent. The total return for the share, including re-invested dividends, amounted to 69 per cent.

The highest price paid was 143.75 SEK, recorded in April 2014, while the lowest price paid was 83.75 SEK, quoted in June 2013.

Share turnover

During the financial year, 23,416,512 Clas Ohlson shares were traded, representing a turnover rate of 36 per cent. The total turnover rate on the Nasdaq OMX Stockholm during the same period was 70 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 amounts to 65,600,000, of which 2,459,006 shares (2,312,192) 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 repurchase, was 63,140,994.

To safeguard the company's commitment regarding conditional matching shares and employee stock options

in connection with LTI 2013, Clas Ohlson repurchased 236,581 shares during the first quarter of the 2013/14 financial year for a total of 22 MSEK at an average price of approximately 92 SEK per share

➔ [Read more about Clas Ohlson's LTI 2013 incentive programme on page 59](#)

Shareholding structure

On 30 April 2014, the company had a total of 24,975 shareholders (26,449). Non-Swedish shareholders accounted for 34 per cent (30) of the capital and 34 per cent (31) of the votes.

Swedish ownership is dominated by private individuals and companies, owning 38 per cent (36) of the capital, while institutions own 28 per cent (34).

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.

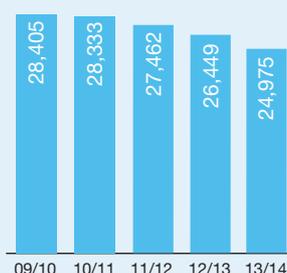
The Board of Directors proposes that a dividend of 4.75 SEK per share (4.25) be paid for 2013/14. The proposed dividend amounts to a total of 312 MSEK (279), corresponding to 77 per cent (84) of the financial year's profit.

Included in Sustainability Index

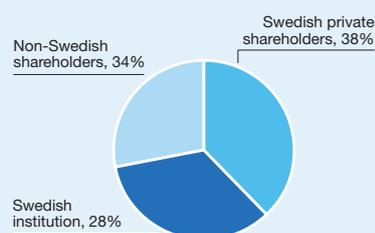
The Clas Ohlson share is included in the Nasdaq OMX Sustainability Index, which serves as a guide for sustainable investments.



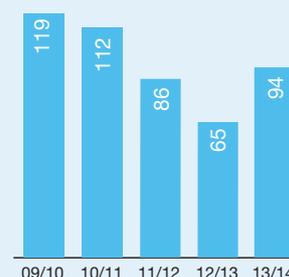
No. of shareholders



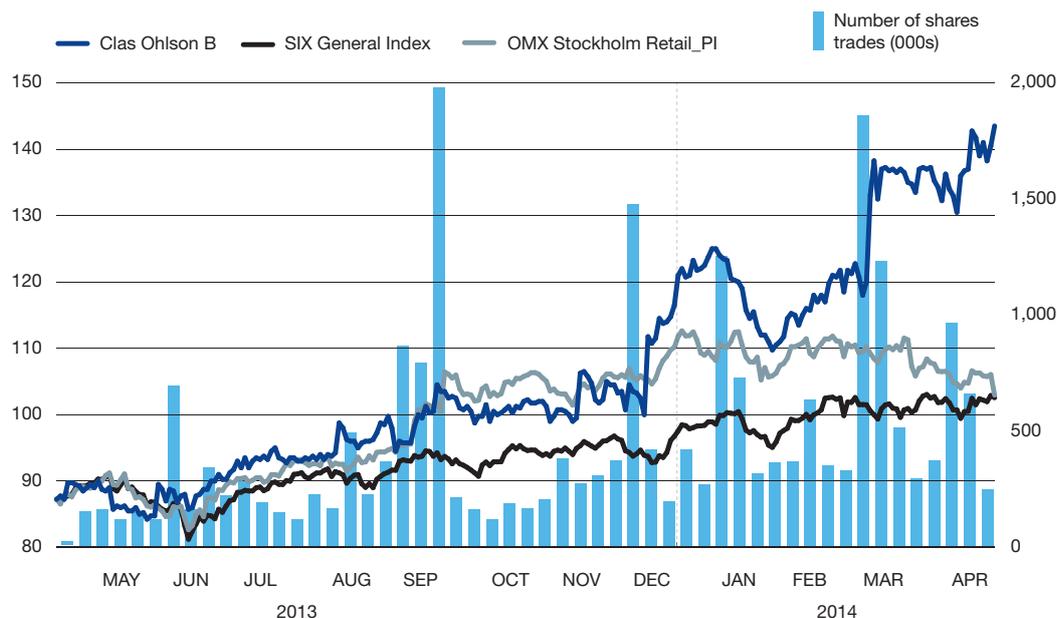
Shareholder categories, %



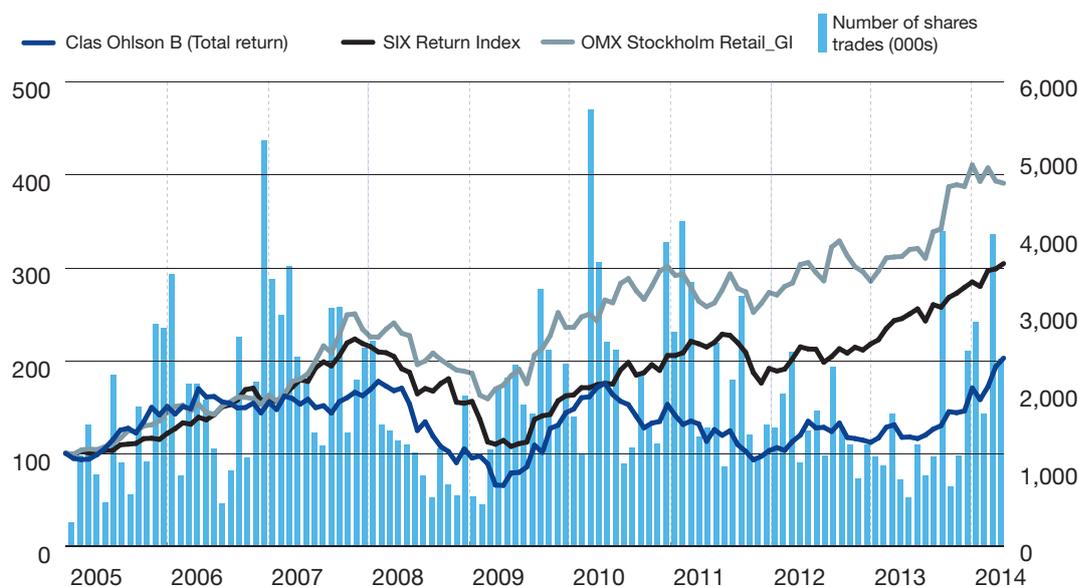
Average daily trading, thousands



The Clas Ohlson-share price and turnover trend 2013/14



Total return for the Clas Ohlson share 2005-2014



Source: Financial Information

Data per share¹

	2013/14	2012/13	2011/12	2010/11	2009/10
Number of shares, millions ²	63.1	63.3	63.6	63.8	64.4
Earnings per share, SEK	6.42	5.23	6.29	5.71	6.72
Gross cash flow per share, SEK	9.82	8.39	9.11	8.27	8.86
Equity per share, SEK	31.12	29.02	28.98	26.01	25.61
Share price at 30 April, SEK	143	87	99	98	128
Dividend per share, SEK	4.75 ³	4.25	4.25	3.75	3.75
Price/equity ratio, multiple	22	17	16	17	19
Share price/gross cash flow, multiple	15	10	11	12	15
Profit/equity ratio, %	461	301	342	375	502
Total return, %	69	-8	5	-21	39
Dividend yield, %	3.3	4.9	4.3	3.8	2.9
Payout ratio, %	74	81	68	66	56

¹ See KPI definitions on page 75.

² Average number of shares before dilution.

³ Proposed dividend.

Trend in share capital

Year	Transaction	Additional shares	Accumulated no. of shares	Total share capital
1994			48,000	4,800,000
1999	Split 10:1	432,000	480,000	4,800,000
1999	Bonus issue	6,720,000	7,200,000	72,000,000
1999	New share issue	1,000,000	8,200,000	82,000,000
2001	Split 4:1	24,600,000	32,800,000	82,000,000
2004	Split 2:1	32,800,000	65,600,000	82,000,000

Major shareholders¹

Shareholder	Number of series A shares	Number of series B share	Percentage of capital	Percentage of votes
Helena Ek Tidstrand	1,368,060	6,179,828	11.5	16.9
Johan Tidstrand	1,368,060	1,290,000	4.1	12.7
Björn Haid	1,007,960	4,732,834	8.8	12.6
Claus-Toni Haid	1,007,960	3,793,983	7.3	11.8
Peter Haid	1,007,960	3,785,243	7.3	11.8
AFA Försäkring		3,184,395	4.9	2.7
IF Skadeförsäkring		3,114,337	4.7	2.7
Nordea Investment Funds		2,478,690	3.8	2.1
Lannebo fonder		1,463,145	2.2	1.2
Anders Moberg		1,400,000	2.1	1.2
Other shareholders		28,417,545	43.3	24.2
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	21,450,459	38.4	50.2
Swedish institutions		18,592,874	28.3	15.8
Non-Swedish owners	2,015,920	19,796,667	33.3	34.0
Total	5,760,000	59,840,000	100.0	100.0

Shareholding structure¹

Size interval	Number of shares	Percentage	Number of shareholders
1–500	2,967,898	4.5	18,972
501–1000	3,004,814	4.6	3,703
1,001–5,000	4,060,106	6.2	1,898
5,001–10,000	1,411,509	2.1	189
10,001–20,000	1,206,247	1.8	83
20,001–100,000	3,383,285	5.2	69
100,001–500,000	8,191,916	12.5	41
500,001–	41,374,225	63.1	20
Total	65,600,000	100.0	24,975

¹ at 30 April 2014

Dividend per share, SEK



¹ Proposed dividend

Share data

Listing
[Nasdaq OMX Nordic Mid Cap](#)
 Ticker
[Clas B](#)
 Industry
[Consumer Services](#)
 ISIN code
[SE0000584948](#)

+64%
 Share trend for
 the year

Quarterly results

MSEK	2013/14				2012/13			
	Q1 1 May 2013 –31 Jul 2013	Q2 1 Aug 2013 –31 Oct 2013	Q3 1 Nov 2013 –31 Jan 2014	Q4 1 Feb 2014 –30 Apr 2014	Q1 1 May 2012 –31 Jul 2012	Q2 1 Aug 2012 –31 Oct 2012	Q3 1 Nov 2012 –31 Jan 2013	Q4 1 Feb 2013 –30 Apr 2013
Sales	1,506.5	1,677.7	2,237.6	1,385.9	1,462.1	1,614.2	2,169.1	1,273.5
Cost of goods sold	–878.5	–952.0	–1,258.9	–815.9	–840.3	–936.8	–1,274.8	–757.6
Gross profit	628.0	725.7	978.7	570.0	621.8	677.4	894.3	515.9
Selling expenses	–491.8	–552.6	–598.5	–545.2	–476.3	–530.8	–599.8	–496.5
Administrative expenses	–43.6	–46.5	–48.1	–40.4	–44.7	–44.6	–46.9	–37.7
Other operating income/ expenses	–0.3	–0.8	–1.7	–2.4	–0.3	0.0	–0.2	–1.0
Operating profit/loss	92.3	125.8	330.4	–18.0	100.5	102.0	247.4	–19.3
Net financial items	–0.3	–0.4	0.4	0.0	–1.2	–1.9	–6.7	–0.9
Profit before tax	92.0	125.4	330.8	–18.0	99.3	100.1	240.7	–20.2
Income tax	–22.8	–31.1	–76.7	5.8	–26.8	–27.7	–36.7	2.8
Profit/loss for the period	69.2	94.3	254.1	–12.2	72.5	72.4	204.0	–17.4
Key ratios for the period								
Gross margin, %	41.7	43.3	43.7	41.1	42.5	42.0	41.2	40.5
Operating margin, %	6.1	7.5	14.8	–1.3	6.9	6.3	11.4	–1.5
Earnings/loss per share before dilution, SEK	1.09	1.49	4.03	–0.19	1.14	1.14	3.22	–0.27
Earnings/loss per share after dilution, SEK	1.09	1.49	4.02	–0.19	1.14	1.14	3.22	–0.27

Comments to the quarterly results

Four new stores (5) were opened during the first quarter 2013/14. Three new stores (5) were opened during the second quarter. In the third quarter, one new store (5) was opened. Three new stores (2) were opened during the fourth quarter, one of which via a franchise in Dubai.

Seasonal fluctuations

Clas Ohlson's market and operations have seasonal fluctuations where the third quarter (November–January) is generally the strongest quarter of the financial year, followed by the first and second quarters and finally the fourth quarter, which is weakest in terms of sales and profits. See the above table with sales and earnings per quarter.

Definitions

Capital employed

The balance-sheet total less 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.

Comparable units

Units that have been in operation throughout the entire current period and corresponding period last year.

Dividend yield

Dividend per share divided by the year-end share price.

Earnings per share (before and after dilution)

Profit for the period in relation to number of shares (before and after dilution).

Equity/assets ratio

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

Equity per share

Equity in relation to the number of shares outstanding at the end of the period.

Gross cash flow per share

Profit after tax plus depreciation in relation to average number of shares before dilution.

Gross margin

Gross profit expressed as a percentage of sales for the period.

Operating margin

Operating profit expressed as a percentage of sales for the period.

Payout ratio

Dividend expressed as a percentage of earnings per share before dilution.

Price/equity ratio

Share price in relation to earnings per share.

Return on capital employed

Operating profit plus financial income expressed as a percentage of average capital employed.

Return on equity

Profit for the period expressed as a percentage of average equity.

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.

Total return

Total of share-price changes including re-invested dividends.

Working capital

The total of current assets, excluding cash and cash equivalents, less current non-interest-bearing liabilities.

Ten-year summary

MSEK	2013/2014	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
INCOME STATEMENT						
Sales	6,807.7	6,518.9	6,260.0	5,828.0	5,555.8	4,930.2
Operating profit	530.5	430.6	560.6	507.1	590.5	502.8
Profit before tax	530.2	419.9	551.0	499.0	588.2	503.8
Income tax	-124.8	-88.4	-150.5	-134.6	-155.4	-138.3
Profit for the year	405.4	331.5	400.5	364.4	432.8	365.5
BALANCE SHEET						
Non-current assets	1,432.3	1,464.8	1,518.5	1,480.4	1,366.5	1,197.5
Inventories	1,348.2	1,303.9	1,228.7	1,429.2	1,204.1	1,117.2
Current receivables	229.5	214.9	197.5	176.7	173.4	164.5
Cash and cash equivalents	358.3	124.6	111.8	132.6	98.8	92.0
Total assets	3,368.3	3,108.2	3,056.5	3,218.9	2,842.8	2,571.2
Equity	1,964.9	1,836.5	1,843.8	1,656.8	1,646.1	1,493.1
Non-current liabilities, interest-bearing	-	-	-	300.0	100.0	65.0
Non-current liabilities, non-interest-bearing	206.5	185.7	195.7	165.9	90.3	86.4
Current liabilities, interest-bearing	-	-	30.0	261.7	171.4	208.6
Current liabilities, non-interest-bearing	1,196.9	1,086.0	987.0	834.5	835.0	718.1
Total equity and liabilities	3,368.3	3,108.2	3,056.5	3,218.9	2,842.8	2,571.2
CASH FLOW						
Cash flow from operations	689.1	517.8	964.9	350.3	602.8	339.7
Investments	-171.8	-166.5	-206.1	-295.3	-315.8	-433.1
Cash flow after investments	517.3	351.3	758.8	55.0	287.0	-93.4
Financing activities	-283.6	-334.4	-781.5	-6.0	-267.9	-109.2
Cash flow for the year	233.7	16.9	-22.7	49.0	19.1	-202.6
KEY RATIOS						
Growth in sales, %	4.4	4.1	7.4	4.9	12.7	5.8
Gross margin, %	42.6	41.6	42.1	41.6	40.8	40.8
Operating margin, %	7.8	6.6	9.0	8.7	10.6	10.2
Return on capital employed, %	28.0	23.2	27.9	24.6	32.6	32.6
Return on equity, %	21.7	18.3	23.1	22.5	28.0	24.4
Equity/assets ratio, %	58.3	59.1	60.3	51.5	57.9	58.1
Sales per square metre in store, SEK 000s	30	31	34	34	38	38
Number of stores at year-end	185	174	157	139	120	106
Number of full-time equivalent employees	2,629	2,524	2,370	2,219	2,048	1,927
DATA PER SHARE						
Average number of shares before dilution	63,137,148	63,349,241	63,635,998	63,802,230	64,383,906	65,065,008
Average number of shares after dilution	63,243,692	63,421,154	63,702,052	63,870,584	64,432,321	65,075,701
Earnings per share before dilution, SEK	6.42	5.23	6.29	5.71	6.72	5.62
Earnings per share after dilution, SEK	6.41	5.23	6.29	5.71	6.72	5.62
Gross cash flow per share, SEK	9.82	8.39	9.11	8.27	8.86	7.04
Equity per share, SEK	31.12	29.02	28.98	26.01	25.61	22.99
Dividend, SEK	4.75 ¹	4.25	4.25	3.75	3.75	3.00
Total return, %	69	-8	5	-21	39	1

¹ Proposed dividend.

Comments

2007/2008	2006/2007	2005/2006	2004/2005
4,661.6	4,101.2	3,567.6	2,954.8
577.5	530.9	484.5	420.5
587.8	537.8	491.0	425.9
-166.0	-152.0	-138.9	-120.6
421.8	385.8	352.1	305.3
852.0	683.5	642.6	563.7
952.6	826.7	749.0	542.9
107.1	79.6	55.3	46.4
280.3	347.9	338.4	445.2
2,192.0	1,937.7	1,785.3	1,598.2
1,499.5	1,367.3	1,256.9	1,058.6
-	-	-	-
26.9	23.9	23.6	18.3
-	-	-	-
665.6	546.5	504.8	521.3
2,192.0	1,937.7	1,785.3	1,598.2
480.0	405.1	187.8	355.4
-250.6	-125.1	-140.7	-198.6
229.4	280.0	47.1	156.8
-295.2	-262.4	-164.0	-131.2
-65.8	17.6	-115.8	25.7
13.7	15.0	20.7	17.7
40.2	39.7	39.9	40.4
12.4	12.9	13.6	14.2
41.8	40.9	42.4	43.9
29.4	29.4	30.4	31.4
68.4	70.6	70.4	66.2
44	45	48	48
86	71	59	48
1,801	1,647	1,439	1,229
65,600,000	65,600,000	65,600,000	65,600,000
65,600,000	65,600,000	65,600,000	65,600,000
6.43	5.88	5.37	4.65
6.43	5.88	5.37	4.65
7.71	7.02	6.32	5.40
22.86	20.84	19.16	16.14
5.00	4.50	4.00	2.50
-32	3	9	41

Sales

Sales amounted to 6,808 MSEK, up 4 per cent compared with 6,519 MSEK in the preceding year. In terms of local currencies, sales increased 7 per cent.

Mail order/Internet sales totalled 122 MSEK (122). Mail order/Internet sales in the preceding year were positively impacted by the launch of the new online shopping platform with various opening offers.

Number of stores

During the financial year, 11 new stores (17) opened; five in Sweden, two in Norway, three in Finland and a franchise store in Dubai. The number of stores at the end of the period was 185, of which 78 were in Sweden, 64 in Norway, 30 in Finland, 12 in the UK and a franchise store in Dubai.

Operating profit

Operating profit increased 23 per cent to 531 MSEK (431). The change was largely due to higher sales in comparable stores and a higher gross margin compared with the year-earlier period.

Gross margin

The gross margin increased to 42.6 per cent, up 1.0 percentage points year-on-year (41.6). The gross margin was positively impacted by a favourable sales mix and lower costs for inward freight, and negatively impacted by exchange-rate effects.

Operating margin

The operating margin rose 1.2 percentage points to 7.8 per cent (6.6). The change was largely due to higher sales in comparable stores and a higher gross margin compared with the year-earlier period.

Cash flow

Cash flow from operating activities during the financial year totalled 689 MSEK (518). After investments and financing activities, cash flow for the year was 234 MSEK (17). The cash dividend paid to Clas Ohlson's shareholders in September 2013 totalled 268 MSEK (269).

Return

The return on capital employed amounted to 28.0 per cent (23.2) and the return on equity was 21.7 per cent (18.3).

Smart solutions - our past and future passion

Clas Ohlson, an entrepreneur with a passion for technology and innovation, founded a mail order company in 1918 in Insjön in Dalarna, Sweden. This remains the location of the company's head office and large distribution centre. Clas Ohlson now offers 15,000 products in the segments of Hardware, Electrical, Multimedia, Home and Leisure and meets customers in 186 stores in Sweden, Norway, Finland, UK and Dubai, as well as by telephone, mobile and online shopping.

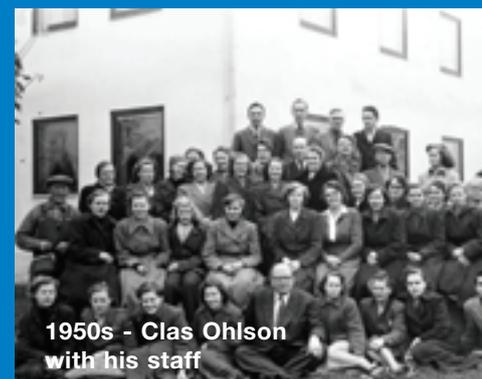
- 1895** Clas Ohlson was born in the village of Skog in Aspeboda parish southeast of Insjön in Dalarna, Sweden.
- 1918** Clas Ohlson founded the mail order company, Clas Ohlson & Co. at the age of just 22. Clas Ohlson was highly interested in technology and started selling technical handbooks. The product range was gradually expanded.
- 1925** Clas Ohlson's head office was built next to the railway in Insjön. The company was located here until 1972.
- 1972** The new head office and store along highway 70 was completed.
- 1989** Clas Ohlson opened its first store outside Insjön in central Stockholm. The store was opened on 30 June.
- 1991** The first store outside Sweden was opened in Oslo in Norway on 26 August. Clas Ohlson was a well-known name to Norwegians since the first mail order catalogue was published in 1985.
- 1995** The first stage of the Central Warehouse in Insjön was completed in May.
- 1999** Clas Ohlson was listed on the Stockholm Stock Exchange on 5 October.
- 2002** The first store in Finland was opened in Helsinki on 14 November.
- 2008** The Central Warehouse, now called the distribution centre, was expanded to meet increased volumes.
The Clas Ohlson Museum was opened in Insjön.
The expansion in the UK was started, with the first store opened in Croydon in southwest London on 27 November.
- 2009** Clas Ohlson opened its 100th store in Motala in Sweden.
- 2010** A new distribution line was installed at the distribution centre along with an additional high bay storage area and now has a capacity of a total of 120,000 pallet spaces.
The store in Insjön was expanded and became the largest in the Group with 3,197 square metres of floor space.
- 2011** Clas Ohlson opened its 150th store in Lahti in Finland.
- 2012** A new online shopping platform was launched, with extended availability, service and inspiration. A mobile version was also launched at the end of the year.
The return policy was expanded from 30 to 90 days.
Clas Ohlson now has more than 4,000 employees.
- 2013** The loyalty programme Club Clas was launched in Sweden in March 2013. A year later the club has a million members.
The company achieved a new milestone in December when monthly sales exceeded 1 billion SEK for the first time.
- 2014** Clas Ohlson's first franchise store in Dubai was opened on 30 April.



1920s - Clas Ohlson at his first head office



1930 - Mail order



1950s - Clas Ohlson with his staff



2014 - Opening of store in Kungens Kurva in Stockholm



The company's former premises were strategically located next to the railway in Insjön



2014 - Opening of the first franchise store in Dubai

The first store opened in Insjön in Dalarna in 1918. Today, Clas Ohlson is an international retail company. We offer **smart solutions to everyday practical problems** and meet customers in stores, online, catalogue and telephone sales channels.



2012 - Launch of a new online shopping platform



2010 - Re-opening of the refurbished store in Insjön



2014 - Opening of the store in Borlänge



2008 and 2010 - investments in distribution centre in Insjön



1970s - Clas Ohlson at the turf-cutting ceremony of the expansion of the head office in Insjön

Information to shareholders

Annual General Meeting

The Annual General Meeting (AGM) of shareholders of Clas Ohlson AB will be held on Saturday, 13 September 2014 at 11:00 a.m. at the distribution centre in Insjön, Sweden. Registration begins at 9:45 a.m.

Participation

Shareholders who intend to participate at the AGM must have notified the company not later than Monday, 8 September 2014 at the following address: Clas Ohlson AB, SE-793 85 Insjön, Sweden.

Notification may take place by telephone, e-mail or via the company's website: about.clasohlson.com.

Shareholders entitled to participate at the AGM are those who are listed on Euroclear Sweden AB's printed shareholder register on Monday, 8 September 2014, and those who have notified their intention to participate not later than Monday, 8 September 2014. 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 Monday, 8 September 2014.

Notification of Annual General Meeting

The 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 Meeting are available from the company's website about four weeks before the meeting.

Dividend proposal

The Board of Directors proposes a dividend of 4.75 SEK per share (4.25) for 2013/14.

- The final trading day for Clas Ohlson shares including rights to dividends is 12 September 2014
- The record date for payment of the dividend is 17 September 2014
- The payment date of the dividend is 22 September 2014

Financial information

Clas Ohlson provides financial information for the 2014/15 financial year as follows:

- Interim report May-July, 10 September 2014
- Interim report August-October, 9 December 2014
- Interim report November-January, 11 March 2015
- Interim report February-April, 10 June 2015

Distribution policy

The Annual Report is distributed only to those shareholders who request it. The Annual Report is distributed about four weeks prior to the Annual General Meeting. The Clas Ohlson Annual Report and other financial information is available at about.clasohlson.com

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For more information about Clas Ohlson, refer to about.clasohlson.com





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We offer a broad range of attractively priced products that make it easy for people to solve everyday practical projects and small problems.

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