

Annual report  
2003/2004



**CLAS OHLSON**

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**FINANCIAL INFORMATION** Our policy with regard to financial information is that it should be correct, transparent and continuous. The objective is to make it easier for both shareholders and other players in the capital market to understand and value the business activities of Clas Ohlson. In addition, our policy is that it should primarily be the CEO and Vice CEO who speak on behalf of the company in financial matters so that we achieve the best possible quality in our public relations.

We are eager to keep the market continuously informed of our sales figures and therefore report these as often as once a month. The information is issued in a press release half-way through the following month. Our financial results are presented four times a year, at the end of each quarter.

We distribute a printed annual report by post to all shareholders. We also regularly send out our interim reports to those who notify us of their interest in receiving them. The interim reports can be received by e-mail or in a printed version by post, depending on preference.

All financial information on Clas Ohlson can be found on our website. Both press releases and reports appear there the moment they are published. The website contains all the press releases, interim reports and annual reports we have published since the initial public offering in October 1999. They can be downloaded as either text files or pdf files. The initial public offering prospectus can also be downloaded as a pdf. It is possible to register to receive our press releases directly by e-mail. In addition, it is possible to view and listen to analysts' presentations held when our interim reports are published. The presentations are available about a day later on our website. Following these presentations is an excellent way of forming a picture of the company and its shares.

[www.clasohlson.se](http://www.clasohlson.se)

### THE INTERIM REPORTS FOR 2004/05 WILL BE PUBLISHED ON THE FOLLOWING DATES:

First quarter (May—July)	10 September 2004
Second quarter (Aug—Oct)	9 December 2004
Third quarter (Nov—Jan)	10 March 2005
Year-end press release 2004/05	15 June 2005

### ANNUAL GENERAL MEETING

The Annual General Meeting for the 2003/04 financial year will be held in Insjön on 11 September 2004. Notice of this meeting will be sent to all shareholders registered at the end of July 2004.

The Board has decided to propose to the Annual General Meeting that a dividend of SEK 4.00 per share be paid for 2003/04 (previous year SEK 3.20). A two-for-one split of the company's shares is also proposed.

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

Annual report 1 May 2003 to 30 April 2004.

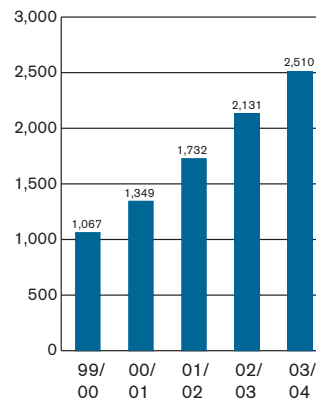


WINTER IN INSJÖN 2004—WORK ON EXTENDING OUR CENTRAL WAREHOUSE IN FULL SWING.

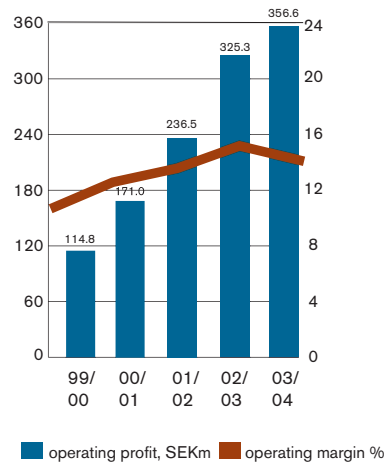
## The year in brief

- Sales increased by 18 per cent to SEK 2,510 m (SEK 2,131 m).
- Profit after financial items rose by 10 per cent to SEK 364 m (332 m).
- Operating margin was 14.2 per cent, compared with 15.3 per cent in the previous year.
- Cash flow from operating activities amounted to SEK +297 m (SEK +278 m).
- Eight new stores were opened; three in Sweden, three in Norway and two in Finland.
- The store in Malmö was moved to a better business location.
- The company's 85th anniversary was celebrated.
- Expansion of our central warehouse in Insjön started.

Sales, SEKm



Operating profit in SEKm and operating margin in per cent



## Interview with the CEO

### What were the most significant events for Clas Ohlson during the financial year?

To begin with, it's satisfying that it turned out to be yet another record year. We passed another milestone with sales in excess of 2.5 billion kronor and with continued strong profits. We also showed that we are an expanding company by opening more stores than ever before—a total of eight new ones.

For the first time we also relocated an existing store. We took this decision when the rent on our premises in Malmö was due to be increased. We looked around for alternative store locations and found one we judged to be better. As we had never previously closed a store, the Board was also involved in making an assessment of how this would be received. The decision proved to be the right one as the store has developed well since being relocated.

Another important event was the start of the third stage in the extension of our central warehouse. This investment is a direct consequence of the ever quickening pace of store openings.

Our 85th anniversary was a notable feature of 2003. We invited all the employees and their husbands, wives or partners to attend an anniversary party. The event proved a great success! As well as the actual celebrations, we sold a number of products for 85 kronor. That gave a boost to the whole product range.

We can now look back on the 86th consecutive year of trading at a profit. This, together with the fact that we have grown organically, has given the company a very strong balance sheet. How we should manage our strong cash flow is a positive issue which the Board will have to tackle over the next few years.

### What's behind the success?

Without a doubt a great effort on the part of our employees, which has resulted in many satisfied customers.

It's the sum of countless small and great efforts in a devoted and genuine spirit that enables us to look back on yet another record year.

We also identify three factors of success for our operations: the broad product range, logistic procedures that work well and customers who are happy with our sales channels. We intend to become better and better in these areas. It is my task and the task of other Clas Ohlson employees to make sure that the process runs smoothly. We want everything we do in Clas Ohlson to be notable for

simplicity and professionalism. For example, we try to keep our organisation as flat and our decision paths as short as possible, despite our rapid growth. I feel that it is becoming more and more important to retain something of the spirit of a small enterprise. My experience is that the larger a company is, the easier it becomes to make things unnecessarily complicated.

### The aim at present is to open between six and ten stores a year, will that continue to be the case?

We have judged that to be the right level at the moment. It supports our growth target of 15 per cent a year and a net margin of at least 12 per cent. The Board reviews our targets annually; these are not in any way set in stone and may well change in the future. Growth must not, however, become an end in itself. It's important that the organisation can keep up, and profitability must not suffer either.

### How has the rapid expansion in recent years affected the organisation?

As I said previously, it's important not to lose the sense of the small enterprise when growing and becoming larger. We have the same routines with regard to new employees as we had previously. We focus on training them in our concept and corporate culture. We also make sure all our employees have an opportunity to develop and establish a career in the company. Staff turnover is very low, which I see as evidence that they feel at home.

This year we have enhanced the organisation by dividing the stores in Sweden into three regions headed by three new regional managers. Their task is to look after the stores in their particular regions together with the other employees. The size of the company today makes it just as important to look after the stores we already have as to open new ones.

### How are the store openings in Finland going and what will happen next?

In just over a year we opened three stores in Finland, and I feel it's right to have a presence there with the Clas Ohlson concept. The operation is still being built up and is not yet returning a profit, but provided everything goes well, that's to say provided the brand becomes better known and sales take off, I anticipate that there is scope for ten to fifteen stores in the country. Finland is also traditionally strong in mail order, which is of interest to us.

We shall build up the operation in Finland for another three years before it's time to open stores in any new

*“It’s the sum of innumerable small and great efforts in a dedicated and genuine spirit that enables us to look back on yet another record year.”*



country. We shall also continue with the store openings in Sweden and Norway, while analysing other European countries at the same time.

We need between one and two years to make preparations before setting up in a new country, for things like translating operating instructions and product descriptions. We would prefer to have all the sales channels in place in those countries where we establish a presence, that’s to say with stores, mail order and Internet sales.

**Interest rates are currently low; what do rising interest rates mean to Clas Ohlson?**

Low interest rates are a positive factor as they lead to increased private consumption. In addition to that, more people buy their own homes when interest rates are low, and that boosts demand for our products. But our range, containing many do-it-yourself products and consumer products that are keenly priced, works in both good and not-so-good economic times. So our operations have been relatively immune to rises in interest rates over the years. Nor are we adversely affected by rising interest rates from the financial point of view, as we do not have any borrowings.

**Are you sensitive to fluctuations in exchange rates?**

Yes, we have some exposure to the US dollar, the Hong Kong dollar and the Norwegian krone. So we hedge half of future flows in foreign currencies. We do this mainly so that we have fixed prices in relation to our customers for a year from the time when we have set the prices in our catalogue. In the longer term we are nevertheless affected by fluctuations in exchange rates, and a weak US dollar and Hong Kong dollar are generally favourable because a large proportion of purchases are made in those currencies. Likewise, a strong Norwegian krone is good for us, as a third of Group sales are made in Norwegian kroner.

**Why is the investment in the central warehouse larger than planned?**

The increased target for store openings last year means that we have also had to raise the target for our warehousing and distribution capacity in Insjön along the way. We are investing a total of 100 million kronor more, and we feel very re-assured by this. The warehouse is designed to meet the needs of 90 stores plus mail-order and Internet sales.

The expansion is taking place in three phases due for completion in the autumns of 2004, 2005 and 2006, to cope with the upturns in sales during Christmas trading.

The high-bay storage facility will be ready this autumn, and next autumn the sorting equipment is due to come into service. By the autumn of 2006 the warehouse will be largely automated. The investment will total 300 million kronor, and like all our investments will be financed from our own funds.

**Have any changes taken place in logistics and transport?**

We have shifted 60 per cent of incoming container traffic from road to rail. It’s satisfying to note that we can now transport goods by rail all the way to Insjön. This is due to a new container terminal we share with the local sawmill and housebuilder. We have done this principally for environmental reasons, but it’s also cost-effective in terms of business economics.

**How do you consider the market and the competition for do-it-yourself products to have developed in the past year?**

The industry has been boosted by television programmes on carrying out home repairs, fitting units, cooking and so on. This has raised an awareness in people of the need to look after their homes and possessions better. There is no other Clas Ohlson on the market but we find that in recent years there has been increasing competition in our various product areas. Of course, I fully acknowledge that this is the case, but at the same time I think some competition is good. It focuses the attention of our sales organisation and our buyers. We need to improve the whole time so that we can face up to the competition, and ultimately that also benefits our customers.

**Finally, what does the 2004/05 financial year hold?**

It will be a very exciting financial year as we will be fine-tuning the new high-bay storage facility in our central warehouse during the autumn. We aim to have it fully operational in time for Christmas trading. We have also deliberately chosen to time most of our store openings in the spring for that reason. It will also be exciting to see whether we can repeat the sales success we achieved during 2003 Christmas trading.

Another major event in the history of the company will happen in the autumn when we publish our main catalogue in Finnish for the first time.

I’m convinced that the next financial year will be just as exciting and successful as the last one.

## Corporate governance

**ANNUAL GENERAL MEETING** The ultimate decision-making body within the Group is the Annual General Meeting of Shareholders, which since the initial public offering in 1999 has always been held on a Saturday in mid-September in Insjön. The AGM each year appoints a Board and Chairman of the Board for Clas Ohlson AB. It also appoints auditors and deputy auditors for the company at four-year intervals. In addition, the AGM decides what dividend is to be paid for the past financial year. Other matters which occur are matters which are mandatory items under the Swedish Companies Act and the articles of association of Clas Ohlson. Our AGM has always been very well attended, and the latest one attracted nearly 1,200 participants, making it one of the largest in Sweden.

**NOMINATING PROCEDURE** In the past few years, the AGM has also decided who is to sit on the Clas Ohlson nomination committee. The Committee's task is to submit proposals for Board members and auditors to the next Annual General Meeting, at which the Board and auditors are due to be elected. The Committee at present consists of three individuals who are completely independent of the Board and the company. The work of the Committee during the year is described on page 38 in the annual accounts.

**BOARD MEETINGS** The Board of Clas Ohlson comprises six members who are elected by the AGM. As well as these, it includes two representatives of the trade-union organisations within the company. The first meeting of the new Board, at which the rules of procedure for the Board

are established, is held immediately following the AGM. Authorised signatories for the company are also appointed at this meeting. In addition to this first meeting, the Board normally meets six times during the year. These take place once a quarter, at the time of the publication of the company's financial reports, once in August when the annual report is published and once on another occasion for strategic discussions. The strategy meeting usually takes place over two days, while other meetings are held on one day. The Board held seven Board meetings and one strategy meeting during the year under review. A brief summary of each ordinary Board meeting is given on page 38 in the annual accounts.

**HOW THE BOARD OPERATES** The rules of procedure 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 be given more in-depth knowledge and a greater understanding of the various parts of the company's operations. There are normally presentations on these topics by employees of the company.

The rules of procedure also indicate that the Board has to meet with the company's auditors at least once a year. No separate auditing committee is appointed within the company, and it is always the whole Board that meets the auditors. In addition, the rules of procedure deal with more formal matters such as rules for convening meetings and secrecy.



SOME OF THE AWARDS CLAS OHLSON HAS RECEIVED IN THE PAST YEAR: NOMINATED AS BEST ANNUAL REPORT BY THE STOCKHOLMS-BÖRSEN STOCK EXCHANGE, PLACED ON THE NEWSPAPER SVENSKA DAGBLADET'S MARATHON LIST OF FAST-GROWING BUSINESSES, TRIPLE-A RATING FROM D & B AND PLACED ON THE NEWSPAPER DAGENS INDUSTRI'S GASELL LIST.

*“All Clas Ohlson incentive scheme payments are made with salary. No employee receives any form of share-related remuneration.”*



THE BOARD TOGETHER WITH THE CEO AND VICE CEO.

#### **DISTRIBUTION OF WORK BETWEEN BOARD AND CEO**

The Board appoints the Chief Executive Officer of the company. The distribution of work between the CEO and the Board is also indicated in the Board's rules of procedure. These state that the Board is responsible for the governance, supervision, organisation, strategies, internal control, budget and policies of the company. In addition, the Board decides on major investments and matters of principle relating to the governance of subsidiaries, as well as election of Board members and the CEO.

The Chief Executive Officer in turn is responsible for administration of the company taking place in accordance with Board guidelines and instructions. The CEO's other responsibilities include making sure that the environment for carrying out checks is good and that the risks taken by the Group at any time are compatible with the Board's guidelines. The Board receives regular information from the CEO through a monthly letter. This also contains a report on Group financial results, in which sales are broken down into each individual store.

**GOVERNANCE OF SUBSIDIARIES** The two wholly-owned subsidiaries, Clas Ohlson AS in Norway and Clas Ohlson OY in Finland, are governed by their own boards in the countries concerned, consisting principally of the senior representatives of Clas Ohlson AB in Sweden. These subsidiaries submit a report to the Board in Sweden for every Board meeting. This report also includes the results and financial position of the company concerned.

**REMUNERATION** Fees paid to be Board during the financial year amounted to SEK 0.5m, in accordance with a decision of the AGM. Of this sum, SEK 0.2m was paid to the Chairman of the Board. The Board also received SEK 0.1m for other assignments over and above the actual Board assignment. No fee is paid to Board members who are employees of the company.

The company's CEO received pay totalling SEK 6.4m during the corresponding period, SEK 3.0m of which was in the form of a bonus. A bonus is payable to the CEO at one per cent of the Group's pre-tax profit above SEK 75.8m. The basis from which bonus is payable from the outset was SEK 70m and has since been adjusted upwards in line with the consumer price index. Pay received by the other seven members of senior management amounted to SEK 10.0m, of which SEK 2.0m was in the form of bonuses. Four of these members of senior management,

as well as the CEO, additionally receive the benefit of a free car.

#### **DECISION-MAKING PROCESS ON REMUNERATION**

The fees paid to the Board, nomination committee and auditors are decided each year by the Annual General Meeting. On the other hand, the Board decides on the remuneration of the Chief Executive Officer. A special remuneration committee, appointed by the Board and consisting of the Chairman of the Board and two other members, worked during the financial year on devising a basis for decisions on this. The Board also decides on the guidelines for bonuses paid to all officers of the company. With regard to other senior management, the Chief Executive Officer decides on fixed salary with the exception of the head of a subsidiary, whose salary is decided by the Board of the subsidiary concerned.

**SEVERANCE PAY** Under the contract of employment with the Chief Executive Officer, the period of notice is two years on the part of the company and one year on the part of the Chief Executive Officer. Applicable salary and benefits are payable during the period of notice. Three of the other senior management also have equivalent agreements relating to periods of notice.

**PENSIONS** The Chairman and other members of the Board do not receive any pension benefits for their Board assignments.

The retirement age for both the Chief Executive Officer and other senior management is 65. The Chief Executive Officer has a defined-contribution pension into which SEK 0.4m was paid during the year, equivalent to ten price base amounts. Other senior management receive pension rights principally under the applicable ITP pension plan which also covers other salaried staff.

**INCENTIVE PROGRAMMES** Every employee receives some form of performance-based pay. The standards for this are established by the Board. For employees in the stores and central warehouse, this variable part is paid monthly and is based on sales in relation to the number of hours worked. Salaried staff have a bonus system based on Group earnings, and the bonus is paid twice a year. For senior management, a bonus based on Group earnings is paid once a year. All payments under Clas Ohlson incentive programmes are made as salary. No employee receives any form of share-related remuneration.

# Aims and strategies

We intend to develop a strong retail chain with high profitability and good growth in value for our shareholders.

## Interim aims and strategies

**THE RATE OF GROWTH IS TO BE 15 PER CENT A YEAR** We are to achieve this through increased sales in our existing stores and by opening between six and ten new stores a year.

The expansion is to continue over the next two to three years in Sweden, Norway and Finland. Other countries will also be assessed during this period for the continued establishment of Clas Ohlson in Europe.

Turnover increased by 18 per cent during the financial year, and the average rate of growth in the latest five-year period has been 25 per cent.

Eight new stores were opened during the year under review; three in Sweden, three in Norway and two in Finland. In addition, we moved our store in Malmö to a better business location.

**NET MARGIN IS TO BE 12 PER CENT OVER AN ECONOMIC CYCLE** We are currently in a very profitable period. Net margin during the year under review amounted to 14.5 per cent, which means that we have surpassed the target by 2.5 percentage points. The average net margin for the latest five-year period amounts to 13.6 per cent.

**WE ARE TO OFFER A BROAD AND ATTRACTIVE PRODUCT RANGE TO OUR CUSTOMERS** The year's catalogue contained 1,600 new products. This means that 13 per cent of the catalogue range of 12,000 items has been replaced since the previous year. Many new products and product lines have been added, for instance in computer accessories, boat accessories and household items. There has also been a successful focus on products sold under the CO/TECH and Sang private labels.

**WE ARE TO STRENGTHEN THE CLAS OHLSON BRAND** We received ample proof that our brand is a strong one during the year under review when we came fifth in the annual image survey conducted by the market research company Temo in which 40 companies were surveyed.

The fact that the brand also attracts many young people was shown by a survey in the magazine Resumé in which Clas Ohlson came eleventh among Swedish students' favourite brands.

**THE LEVEL OF SERVICE IS TO REACH 98 PER CENT\*** The average level of service in mail-order and Internet sales during the financial year amounted to 96.0 per cent, unchanged from the previous financial year. Our experience is that the level of service in stores on average is 1—1.5 percentage points higher, which would result in a level of service of 97—97.5 per cent for the stores.

**THE RATE OF STOCK TURNOVER IN THE CENTRAL WAREHOUSE IS TO BE AT LEAST 6 TIMES A YEAR** The average annual turnover rate of the central warehouse amounted to 6.8 times, unchanged in comparison with the previous financial year. This means that we replace the entire central warehouse stock of all 15,000 items more often than once every two months.

**THE RATE OF STOCK TURNOVER FOR OUR STORE WAREHOUSES IS TO AVERAGE 8—10 TIMES A YEAR** The annual average rate of stock turnover for the stores is 7.0, which is unchanged in comparison with the previous financial year. Our largest stores meet the target of 8—10 times a year, while the smaller ones are lower.

**WE WANT TO HAVE MOTIVATED, KNOWLEDGEABLE AND COMMITTED STAFF** Our focus on our staff is evident in the low rate of staff turnover among employees of the Group. Staff turnover during the financial year averaged 4.6 per cent among full-time employees, which is very low in the retail sector. Staff turnover among employees at the head office and warehouse in Insjön over the same period was 1.2 per cent.

\* The customer has to receive at least 98 per cent of ordered items in the first delivery.

*“By always focusing on the main items in the business concept, i.e. price, quality and service and improving in these areas every year, we are working towards attaining the overall aim of increased trust among our customers.”*



## Foundations of the operations

Clas Ohlson's operations rest on two pillars, or foundations. One is our business concept, which has proved successful ever since Clas Ohlson founded the company more than 85 years ago. The second is our employees, who over the years have been involved in building the strong brand that Clas Ohlson has come to represent.

### Business concept

Our business concept is to sell do-it-yourself items at competitive prices in stores and by mail order and the Internet. We are to operate with good product quality and a high level of service.

The business concept is based on the original statement made by our founder, Clas Ohlson: “We are to sell dependable products at low prices and the right quality according to need.”

By always focusing on the main aspects of the business concept, i.e. price, quality and service and improving in these areas every year, we are working towards attaining the overall aim of increased trust among our customers.

**PRICE** The aim is to have prices at least 10 per cent lower than the specialist trade. In addition, the total purchase is always to be regarded as positive and good value for money.

**QUALITY** Quality is a key concept at Clas Ohlson. We adapt product quality to the needs of our customers. Infrequent users find products at low prices, yet with satisfactory quality. For professional users, there is an equivalent product from a brand manufacturer but still at a lower price than in the specialist trade.

**SERVICE** Clas Ohlson aspires to lead the market in customer service. Today we achieve a high level of service and have a very generous customer service policy. We judge that a high level of service pays for itself in the long run and results in a loyal customer base.

## Customer trust/customer benefit

- Lower prices than the specialist trade
- The total purchase is always to be regarded as something positive

Price

- Quality for both professional and infrequent users
- Quality testing in our own workshops

Quality

- High level of service
- Generous customer service policy
- 30 days open purchase/right to return

Service

## Our staff are what make Clas Ohlson

Clas Ohlson's most important resource is skilled, committed and motivated staff. We therefore aim to make sure that our employees have a good working environment, a sense of job security, opportunities for personal development and a good level of pay.

Clas Ohlson regarded his staff as one big family, and knew all the employees by name. The culture that has emerged entails a high degree of positive attitude, commitment and loyalty. Based on Clas Ohlson's way of running the business, all contacts between staff and customers are notable for warmth and service-mindedness. With the focus on the customer, we work together to meet identified aims on the principle that all staff are equally important.

It is important for us to be able to preserve this personal corporate culture in an ever larger organisation, as it contributes towards job satisfaction and, in the longer term, to a stronger company and brand.



The joint activities we organise help strengthen corporate culture. One example is our 85th anniversary which we celebrated in June 2003 at the Leksand ice rink, when we invited all the employees and their husbands, wives or partners to a major anniversary concert and dinner. An activity of that kind brings people together and is remembered for a long time.

We organise a two-week training course for all staff recruited to work in new stores in the Group, in which theory and practice are combined with activities with the aim of boosting team spirit. These training courses include lectures on the company's history and values, how to deal with customers, customer service policy, product knowledge and routines. An equivalent introduction to the corporate philosophy is offered to new staff at head office and in the central warehouse.

**RECRUITMENT** Controlled expansion creates a good basis for personal development. Vacancies that arise are largely filled through internal recruitment. In that way our staff are given an opportunity to develop in the company, and we maintain the continuity and tradition we aim for at the same time. Nine out of sixteen managerial positions which fell vacant during the year under review were filled via internal recruitment, which we regard as a highly positive factor.

**2,400 APPLICATIONS FOR 30 VACANCIES** At the same time as we encourage internal applications, we receive many applications from outside for advertised vacancies. This applies both to vacancies at our head office and central warehouse in Insjön and to our stores. We had 2,400 applications for 30 vacancies at our new store which opened in Linköping in June 2004. Around 200 of the applicants were interviewed. Many of them confirmed that they were applying largely because we are regarded as an attractive employer.

**SKILLS DEVELOPMENT** The commitment to developing skills is continuing. Every financial year a training plan

*“Thank you, my dear colleagues,  
it is you who are Clas Ohlson.”*

QUOTE FROM CLAS OHLSON HIMSELF  
IN A SPEECH TO STAFF IN 1978,  
WHEN THE COMPANY CELEBRATED  
ITS 50TH ANNIVERSARY.

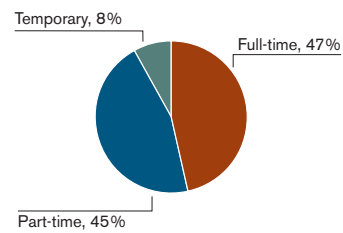


is drawn up for the whole company, giving our staff an opportunity to develop both in their specialist area and in other areas. To take an example, the in-store sales staff are given further training several times a year in our various product areas.

During the financial year we also held training courses covering subjects such as profitable customer service, the working environment, fire safety and crisis management. Our managers also received training in staff interviews.

The majority of our courses are held at the head office in Insjön, but training courses for external stores can also be held using our videoconferencing facility. As all Group stores are linked to this facility, it is also used for joint training courses and meetings.

In-store staff at 4 April 2004



**WORKING ENVIRONMENT** It is important for staff to feel involved and have an opportunity to influence their work. The overall aim of work relating to the working environment in Clas Ohlson is to create a good environment in which our staff can have a sense of security, job satisfaction and community. Change processes often take place in the form of projects so that we can make the most of the knowledge, experience and commitment of our staff. The groups include staff from various departments and with various skills. Seeing as the basis for the decisions has been created by these project groups, the change process becomes firmly established throughout the organisation, the result is better and implementation time is reduced. The expansion of our central warehouse is an example of how staff from different departments have been involved in teams working on premises and future ways of working.

**STORE MANAGERS AND SUPERVISORS**

Labour law, timetabling, rehabilitation, staff interviews, working environment etc. 3,949 hours (12%)

**SPECIALIST TRAINING COURSES**

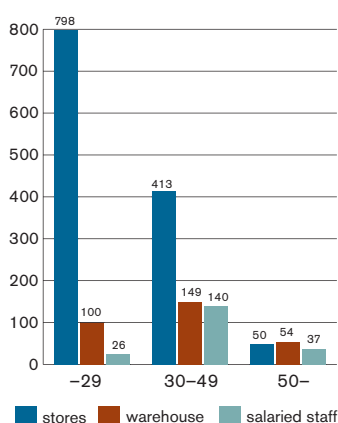
Area responsibility in stores, responsibility for training, database management. 881 hours (3%)

**BROAD-BASED SKILLS**

General product training, sales-oriented customer relations, catalogue review, induction of new staff, crisis management, fire safety etc. 29,153 hours (85%)

We divide our training courses into three segments, as illustrated above. We devoted a total of 33,983 internal hours to training during the financial year. Travel time is not included, only the hours during which our staff have attended training as participants and trainers.

Age distribution in Group



Work on equal opportunities and diversity involves teams representing different skills, genders, ages, faiths and nationalities. This creates the necessary basis for a stimulating and inspiring working environment. The work is also linked to our recruitment policy.

The company health service is another important part of our focus on working environment. The co-operation with the company health service has been developed with increased emphasis on health and preventive healthcare.

**INCENTIVE SCHEMES** Just as it pays to be a customer of Clas Ohlson, it has to pay to be an employee. All employees therefore receive some form of performance-based remuneration. For staff in the stores, a significant proportion of monthly pay is based on sales in the store concerned. A similar system of performance-based pay applies to our warehouse staff, but with the difference that pay is based on sales by the whole Group.

Salaried staff have a bonus system based on Group earnings, and the bonus is paid twice a year. A bonus is paid to senior management which is based on the Group's earnings and net margin. This bonus is paid once a year. The incentive schemes are thus not share-related. Our intention is that pay should be related to the work put in, not to share price.

### CONTENTMENT LEADS TO LOW STAFF TURNOVER

The reward for our generous personnel policy and our strong focus on staff is very low staff turnover. Staff turnover during the financial year averaged 4.6 per cent among full-time employees, which is very low in the retail sector. Turnover is higher among part-time employees, which is natural as we have a large proportion of students working part-time during their studies. Staff turnover for our staff in Insjön at the head office and the warehouse over the same period was 1.2 per cent, which is almost negligible.

#### NUMBER OF EMPLOYEES AT 30 APRIL 2004

	SWEDEN	NORWAY	FINLAND	TOTAL
Stores	867	328	66	1 261
Warehouse	303	0	0	303
Salaried staff	162	32	9	203
Total	1 332	360	75	1 767
Of whom women	36%	34%	43%	36%

#### AVERAGE PERIOD OF EMPLOYMENT IN THE COMPANY

Salaried staff	7 yrs	6 yrs	1 yr	6 yrs
Stores/warehouse	7 yrs	2 yrs	1 yr	5 yrs

#### AVERAGE RATE OF SICK LEAVE %

Total absence due to sickness	5.3	6.4	1.8	5.4
- of which long-term sick leave	56	45	18	52
- of which men	3.8	5.1	1.3	3.9
- of which women	7.9	9.1	2.7	7.9
- of which employees aged up to 29	3.2	4.5	1.4	3.4
- of which employees aged 30-49	6.5	7.5	2.5	6.6
- of which employees aged over 50	9.7	10.9	2.5	9.8

*“An entertaining episode was when a customer came along with a smoother and planer his dad had bought at Clas Ohlson in 1979 and asked for a spare part. You can imagine how surprised he was when the spare part arrived at the store the following day.”*



## Interview with Jonas Löfdahl

Jonas is 33 years old and works as the store manager in Jönköping, where Clas Ohlson is located in the A6 shopping centre just east of the town centre.

### Why did you join Clas Ohlson?

“I had been setting up and running food shops in southern Sweden for several years, and enjoyed the work. I happened to see an advertisement in which Clas Ohlson was looking for a store manager for the new store in the A6 Centre. This was to be Clas Ohlson’s first store in Jönköping, and it made me so curious that I applied for the position.”

### What happened then?

“Even at the first interview, I was impressed by the way I was treated and the serious-minded way in which the recruitment was being done. I went through to a second round of interviews and was also given an opportunity to meet a number of other representatives of the company. These too were very forthcoming, and that reinforced the favourable image I had of Clas Ohlson as an employer. As I then got the job, the people I met at the recruitment interviews now represent a good personal network for me.”

### When did your employment begin?

“I started about three months before the store opened, and before then I’d managed to be involved in the recruitment of store staff, which is a definite advantage. It really was a delicate business, choosing 30 people from among 1,200 applicants.

I began my permanent employment immediately with a one-month induction course. This included training in Insjön as well as in various stores. I was also allocated a mentor, our store manager in Norrköping. This meant that right from the start I received very good support in my role as store manager.”

### What was it like coming to Insjön for the first time?

“It’s difficult to describe, but in some ways it felt like coming home. Wherever I went and whoever I met, I was given a great welcome and felt a kind of warmth. This was later explained to me as being a natural part of the corporate culture, but to me as an outsider it felt really unusual.”

### When did the other staff start work in the store?

“The full-time staff started six weeks before the opening with a two-week course in Insjön. An important part of the Clas Ohlson spirit is community and teamwork, so many of the exercises during those two weeks were geared towards welding the group together. From our point of view this was successful, and today, about a year after the store opened, the group continues to function just as well. The importance of good customer service was also something that everyone learnt at that time.”

### What did you do during the weeks that remained before the store was officially opened?

“After the training in Insjön we travelled home to our store in Jönköping which was being built up by one of Clas Ohlson’s project groups. It was noticeable that several of the members of the project group had been involved in store openings previously. They were fully in control of every aspect and kept to the timetable throughout. Part of our role was to unpack goods and stack the shelves in the store. Alongside this work, a number of training courses continued. In the last week before the official opening our extra staff also joined in for an intensive training course.”

### How has the store developed?

“We were all very nervous in the run-up to opening day, but once the ribbon had been cut and the first customer had been welcomed everything went like clockwork. The first year has gone according to plan, you could say. The mood remains upbeat, both among our staff and among our customers. So far none of our employees have left, not even any of the part-time employees, which is quite unusual.”

### How does the co-operation with the head office in Insjön work?

“It’s always easy to make contact with head office, and we receive excellent support from there. No question is too stupid to be asked, and you’re allowed to make mistakes. That creates a great sense of re-assurance throughout the organisation.”

## Our operations show concern for the environment

Clas Ohlson pursues the overall environmental objective of having the least possible impact on nature. We adopt practical action plans in which staff take responsibility for various measures actually being carried out. Our environmental work has enabled us to score highly in Folksam's annual survey of listed companies.

**OUR ENVIRONMENTAL POLICY** Clas Ohlson sells do-it-yourself products through its own stores, mail order and the Internet. We are to help achieve sustainable development of society for future generations through active environmental work.

We mainly have an impact on the environment through

- transportation of goods, from the manufacturer via the warehouse and store to the customer
- environmentally harmful substances contained in the products
- printing and distribution of catalogues and brochures
- use of packaging
- use of energy in our operations.

We are to work actively and continually to reduce our direct and indirect impact on the environment, and support the other operational objectives at the same time. We are to take account of the environment in all decisions at all levels of our operations and comply with applicable laws and other environmental requirements.

Our environmental work is based on a life-cycle perspective. We therefore are to

- have a continuous dialogue on environmental issues with our suppliers and contractors and set relevant requirements



CLAS OHLSON HAS HAD ITS GOODS TRANSPORTATION BY GREEN CARGO REVIEWED AND APPROVED UNDER THE REQUIREMENTS OF THE SWEDISH SOCIETY FOR NATURE CONSERVATION THAT APPLY TO GOOD ENVIRONMENTAL CHOICE, GOODS TRANSPORTATION.

- increase the knowledge of our staff on environmental issues and encourage participation in environmental work
- increase the proportion of environmentally sound products and improve environment-related information supplied to customers.

### Environmental objectives

We have selected five areas for our overall environmental objectives, and our aspiration is to improve in these areas every year.

**TRANSPORTATION** In line with the development of society and technology, we are to reduce the energy consumption of our transportation and emissions of pollutants per tonne-kilometre, in the transport areas of Outgoing Freight, Incoming Freight Europe and Incoming Freight Asia.

**PRODUCTS** Where possible, we are to choose products with a known and low environmental impact.

**PACKAGING** In co-operation with our suppliers, we are to reduce the proportion of environmentally harmful product packaging.

**PRINTED MATTER** In the production of our printed matter we are to aim for technology and materials which have a low and well-documented environmental impact.

**ENERGY USE** Use of energy in our own and leased premises and properties is to be documented. It is to be guided towards specified savings targets in kWh per square metre and year for the central warehouse, the head office and our stores.

### Results of environmental work

With regard to our greatest environmental impact, transport, we noted reduced impact last year. We remain at this level this year.

*“We are to work actively and continually to reduce our direct and indirect impact on the environment, and support the other operational objectives at the same time.”*



As the table on the next page shows, our emissions per tonne-kilometre fell in 2003 in comparison with 2002 for both our outgoing freight and our incoming freight from Europe. A factor clearly bringing improvement with regard to incoming freight is that we have further increased the proportion of transportation by rail between Gothenburg and Insjön. It is satisfying to note that we can now transport goods by rail all the way to Insjön. This is due to a new container terminal we share with the local sawmill and housebuilder. We have done this principally for environmental reasons, but it is also cost-effective in terms of business economics.

With regard to incoming freight from Asia, however, the key indicators have worsened slightly as we have unfortunately been obliged to increase the number of consignments arriving by air from that part of the world. The reason why we increased the number of consignments by air was that many new items in the year's catalogue proved more popular than expected. We were in danger of running out of stock of our most important campaign products. If we had not managed to get hold of them in time this would have meant a decline in level of service, with the risk of dissatisfied customers.

## From objectives to action

To facilitate our work, we have also broken the overall environmental objectives down into detailed targets

There are a number of measures we are working on for each detailed environmental target and there is a member of staff responsible for each measure. For further informa-

tion, see our website [www.clasohlson.se](http://www.clasohlson.se), where we provide details on our environmental work.

## Top marks

Clas Ohlson received a commendation and diploma last year in the annual survey of all listed companies by the insurance company Folksam. According to the Folksam criteria we came third in the category of “climate improver of the year” and gained five stars out of a possible five. The commendation states that no less than 47 per cent of business travel by the company is made by rail, 93 per cent of goods transportation is by ship and 60 per cent of electricity consumed is hydro power.

Folksam also emphasises our co-operation with Elkretsen, the joint company owned by the electrical industry for the disposal of waste from electrical and electronic products. As we sell many such products, we have a responsibility to dispose of the waste under an ordinance relating to producer responsibility which came into effect on 1 July 2001.

OUTGOING FREIGHT		
ENVIRONMENTAL IMPACT PER		
TONNE-KILOMETRE	2003	2002
Carbon dioxide, grams	58.30	59.13
Nitrogen oxides, grams	0.597	0.620
Sulphur dioxide, grams	0.014	0.015
Total energy consumption, kWh	0.221	0.225

INCOMING FREIGHT—EUROPE		
ENVIRONMENTAL IMPACT PER		
TONNE-KILOMETRE	2003	2002
Carbon dioxide, grams	26.20	30.73
Nitrogen oxides, grams	0.268	0.344
Sulphur dioxide, grams	0.007	0.008
Total energy consumption, kWh	0.099	0.111

INCOMING FREIGHT—ASIA		
ENVIRONMENTAL IMPACT PER		
TONNE-KILOMETRE	2003	2002
Carbon dioxide, grams	9.13	8.87
Nitrogen oxides, grams	0.256	0.254
Sulphur dioxide, grams	0.144	0.144
Total energy consumption, kWh	0.035	0.034



DIPLOMA FROM FOLKSAM:  
WE CAME THIRD IN THE  
CATEGORY OF “CLIMATE  
IMPROVER OF THE YEAR”.

## Fewer and larger players in the market

Retailing in the Nordic countries continued to increase in 2003, and the trend is expected to continue in 2004. In Europe, the market is relatively mature and the industry is dominated by chains expanding primarily into neighbouring countries. Stores are becoming ever larger and as a natural consequence are located away from town and city centres.

**HOW IS DEMAND FOR CLAS OHLSON PRODUCTS AFFECTED?** Good retail trading and private consumption normally favour Clas Ohlson, as our customer base largely consists of private individuals. Good trade in consumer durables also favours us because accessories for such things as computers, mobile phones, televisions, videos, radios, cars, boats and household products form part of our product range.

Historically the downturns which have affected retailing have not had a great impact on us. This is due to our product range and pricing policy. Our product range includes do-it-yourself items and consumables. There is always demand for consumables, and demand for do-it-yourself items tends to increase when times are not so good. Our low prices also mean that our products are particularly attractive during periods of declining demand.

### Market statistics

**A GOOD YEAR FOR SWEDISH RETAILING** 2003 was another favourable year for Swedish retailing. A certain degree of reticence was notable in the first six months due to the war in Iraq and a decline in disposable income. As these factors of concern faded and interest rates continued to fall, consumption rose again and the second six months consequently turned out to be very good.

Swedish retailing on average was 4.7 per cent up in 2003 in fixed prices compared with 4.5 per cent for 2002. The same trend was also shown by trading in consumer durables, which in 2003 rose by an average of 6.4 per cent in fixed prices compared with 6.5 per cent in 2002.

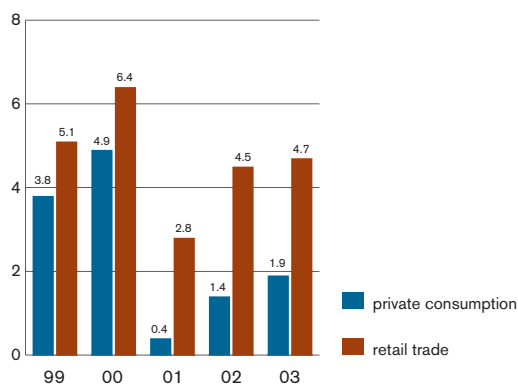
Private consumption increased in 2003 in Sweden by an average of 1.9 per cent. The equivalent increase for 2002 was 1.4 per cent. (Information from Statistics Sweden.)

Clas Ohlson sales in Sweden leapt by 19 per cent in 2003/04, with sales in like-for-like stores up 4 per cent.

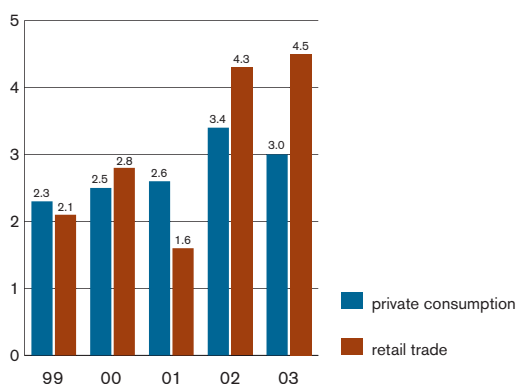
According to HUI, the Swedish Research Institute of Trade, Swedish retail trade is expected to increase by 2.5 per cent in fixed prices in 2004 and 4.0 per cent in 2005.

Trade in consumer durables is also expected to increase. HUI's forecast shows an increase of 3.0 per cent in 2004 and 5.5 per cent in 2005. The principal reason why retail trade is expected to increase is continued beneficial interest rates and low price rises. This is counteracted, however, by

Trend in private consumption and retailing in fixed prices in Sweden 1999–2003 (%)



Trend in private consumption and retail trade in fixed prices in Norway 1999–2003 (%)



*“It is becoming increasingly common for retail chains to market products under their own brands in Europe”.*



expected increases in taxes levied by many Swedish local authorities.

**TRADE IN CONSUMER DURABLES IN NORWAY REMAINS GOOD** Retail trade in Norway is also continuing to increase at the same pace as last year. According to Statistics Norway, retail trade in 2003 climbed by an average of 4.5 per cent in fixed prices. The equivalent increase for 2002 was 4.3 per cent. On the other hand, trade in consumer durables is continuing to increase at a faster pace than other retailing, and in 2003 it rose by an average of 9.8 per cent in fixed prices. The equivalent increase for 2002 was 7.5 per cent.

Private consumption was up 3.0 per cent in Norway in 2003, compared with an increase of 3.4 per cent in 2002.

Clas Ohlson sales in Norway increased in Norwegian kroner by 26 per cent in 2003/04, with sales in like-for-like stores up 6 per cent.

According to HSH, the Federation of Norwegian Commercial and Service Enterprises, retail trade is expected to develop well in Norway over the next few years. The forecast for 2004 is for retail trade to grow by 5.5 per cent and for trade in consumer durables to increase by 6.0 per cent.

**RETAIL TRADE IN FINLAND** Retail trade in Finland also increased at a stable rate. According to Statistics Finland, retail trade in 2003 increased by an average of 3.9 per cent in fixed prices. This was a slightly greater rise than in 2002,

when the equivalent increase was 3.0 per cent. Finnish retail trade has grown well in the latest five-year period, and the rate of growth amounts to 3.8 per cent a year.

Private consumption increased by 3.6 per cent in Finland in 2003, compared with an increase of 1.5 per cent in 2002.

Clas Ohlson sales in Finland in euros soared by 320 per cent in 2003/04.

## Market trends in Europe

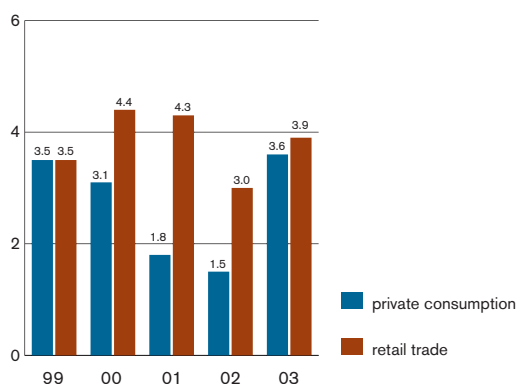
**LOCAL CHAINS LOOK BEYOND NATIONAL BORDERS** The market for Clas Ohlson products is continuing to flourish in Europe but is nevertheless beginning to reach maturity, particularly in the largest markets of Germany, France and the United Kingdom. The sector has been dominated by local chains in each country. These have been able to grow and better their market shares, chiefly at the expense of individual specialist dealers. As the rate of growth for these local chains is now starting to tail off, increasing numbers of them are looking beyond national borders. German chains, for example, have established a presence in the neighbouring countries of Austria, Belgium and Poland, and French and British chains have entered the German market.

**LARGER STORES** Another European trend is for stores to become ever larger. In the countries mentioned, it is by no means unusual to find stores of between 5,000 and 10,000 square metres, in the vast majority of cases alongside out-of-town shopping centres. This runs directly counter to the Clas Ohlson strategy which entails opening stores with good locations in town and city centres.

**PRIVATE LABELS** It is becoming increasingly common in Europe for retail chains to market products under private labels. This is a way of reducing the number of intermediaries between the producer and retailer so that chains can maintain their margins despite downward pressure on prices.

**CHAINS TAKE MARKET SHARES IN THE NORDIC REGION** The market in the Nordic countries is continuing to grow and will probably continue to do so for a few more years. The market has historically been dominated by

Trend in private consumption and retail trade in fixed prices in Finland 1999–2003 (%)



local domestic players. In the retail trade, however, large store chains have been taking market share from individual specialist dealers in recent years. This trend is due to the fact that large chains are able to offer better prices and reach further with their marketing. Larger chains are often also able to offer completely new products at an earlier stage than individual specialist dealers. Sales are consequently tending to be concentrated on a small number of large players. The chains mainly go in for large retail premises, often away from the town centre. The exception is Clas Ohlson, with stores mainly in town centres.

**INTER-NORDIC COMPETITION** International players are still quite rare in the Nordic region. An exception is the Swiss Bauhaus company, which has established a presence in the Nordic region with twenty stores, ten of which are in Sweden. Another example is the German retailer Hornbach, which has Nordic expansion plans and opened its first Nordic store in Gothenburg in the autumn of 2003. It is more common for the Nordic chains to establish a presence in neighbouring countries. Examples of cross-border players in the Nordic region, apart from Clas Ohlson, are Biltema (Sweden) with stores in Norway, Finland and Denmark, Harald Nyborg (Denmark) with stores in Sweden and K-rauta (Finland) with a number of building materials stores in Sweden.

### Competitors

There are few competitors covering the greater part of our range of 15,000 items. The ones who come closest are Jula and Biltema.

Jula has a range similar to ours, presented in a catalogue which is issued twice a year and covers more than 7,000

products. As well as mail-order and Internet operations in Sweden, there are now stores in Skara, Stockholm (2), Västerås, Malmö, Uppsala, Jönköping, Halmstad and Uddevalla. Jula's turnover in 2003 amounted to SEK 605m, broken down into SEK 95m from mail-order and Internet sales and SEK 510m from stores.

Biltema was originally a chain that sold car parts and tools. In recent years the product range has been broadened and has become increasingly similar to that of Clas Ohlson. Biltema's range at present comprises around 15,000 items. The chain has a presence in the Nordic and Baltic regions with a mail-order operation and stores, some of which are run on a franchise basis. Twelve of the Nordic stores are in Sweden, ten in Norway, four in Finland and two in Denmark. Sales to consumers, that is to say at the franchisees, exceed SEK 2.5 billion including value-added tax.

Among other competitors there are companies who can compete with one or a few of our product groups. Examples of such companies are Micro, Järnia, Bauhaus, K-rauta, Silvan, Rusta, Byggnakker, Power and Teknikmagasinet. Another group of competitors are supermarkets and department stores, such as Coop Forum, which cover part of our range. An example on the Finnish market is the Hobby Hall company, which is the leading Finnish mail-order company and has five stores in Finland. Hobby Hall forms part of the Finnish Stockmann Group.

Teknikmagasinet is the only one of the competitors mentioned to have a store-opening philosophy similar to that of Clas Ohlson, with stores located in town centres, preferably alongside strong shopping centres.

The table below shows how the ranges carried by our competitors overlap ours.

	Electrical & Electronics	Mobile phone accessories	Computer accessories	Boat accessories	Machinery	Tools	Plumbing and heating supplies	Storage	Household	Artists' materials	Clocks and watches
Clas Ohlson	○	○	○	○	○	○	○	○	○	○	○
Jula	○	○	○		○	○	○	○			○
Biltema	○	○	○	○	○	○	○	○	○		
Micro Bildelar	○	○				○		○			
Järnia					○	○	○	○	○		
Silvan	○				○	○	○	○	○		
K-rauta	○	○			○	○	○	○			
Bauhaus	○	○			○	○	○	○			
Coop Forum	○					○	○	○	○	○	○

*“The Clas Ohlson brand has been built up over generations and today is strong in both Sweden and Norway. The profile established in recent years, as the store for the whole family, has been successful. Today, the brand is very popular among young people too.”*



## Simplicity and professionalism are the guiding principles behind our operations

Clas Ohlson operates in Sweden, Norway and Finland and today employs 1,800 people. Our head office, distribution centre and warehouse for the whole Group are located in Insjön in Sweden. Our organisation is flat and features short decision paths. To retain and strengthen our position in the market, we focus on three factors of success which we endeavour at all times to improve: range, logistics and sales channels. We are guided by the principles of simplicity and professionalism in everything we do.

### Organisation

**HEAD OFFICE** The head office in Insjön contains the purchasing, marketing, sales, finance, administration, customer service and Group management functions. Insjön is also the location for our central warehouse, to which all goods are delivered for onward distribution to the Group's stores and to mail-order and Internet customers. Clas Ohlson in Sweden has a total workforce of 1,330.

**NORWAY** The Norwegian operation is run in the wholly-owned subsidiary Clas Ohlson AS, with its head office in Oslo. This is where administration, marketing, customer service and mail-order and Internet sales for the Norwegian market are located. Clas Ohlson in Norway has a workforce of 360.

**FINLAND** The Finnish operation is run through the wholly-owned subsidiary Clas Ohlson OY, with its head office in Helsinki. This is where administration and some of the marketing for the Finnish market are located. Some of the administration is also still dealt with in Sweden. Work on building up the organisation is in progress, and our aspiration in the longer term is to have an organisation similar to the one in Norway. Clas Ohlson in Finland has a workforce of 75.



## Focus on factors of success and brand-building

We consider a large part of our success to be based on a strong brand combined with continuous development work in three selected areas: range, logistics and sales channels.

We aim to become a little better every year with regard to our factors of success and are therefore constantly refining our total business concept. We believe that we will continue to have good opportunities to develop these three areas further in the future.

The principles guiding day-to-day work in the Clas Ohlson Group are and must continue to be: simplicity and



professionalism. The Group has grown rapidly in recent years. In a phase of such rapid growth it is easy for increased size to lead to longer decision paths, more routines and increased bureaucracy. Being professional and at the same time retaining simplicity in the organisation benefits our customers, staff and shareholders.

### High customer trust creates a strong brand

There is no doubt that the brand is a very significant factor in our success. The Clas Ohlson brand today is very strong in both Sweden and Norway, where a large proportion of the population are familiar with the company. In Sweden the brand has been built up over a period of more than 85 years, while we have almost 20 years of brand-building behind us in Norway. Work on establishing the brand is still in progress in Finland, and in the short time we have been there we have been relatively successful in increasing awareness.

The Clas Ohlson brand today represents:

**DIVERSITY** Our brand is noted for great diversity. Our customers assume that we have all the products they need in our product areas. They are also used to being able to choose between different versions, brands and price levels.

**CONTINUITY AND TRADITION** Our customers must always be able to recognise themselves in our marketing, in

our stores and in all the other contexts where we feature. The principal example of this is our main catalogue which has been published annually for 85 years, with similar design and similar expression throughout that time. We also have good continuity in our range despite replacing between 1,500 and 2,000 products every year.

**RE-ASSURANCE AND TRUST** With good customer service which includes humility and service-mindedness whenever our staff come into contact with customers and a generous right to return, our customers feel re-assured when they buy from us. We can develop our brand on the basis of this customer trust.

**RESPONSIBILITY OF ALL STAFF** Many things have to function smoothly in an organisation for customers to be satisfied and for the brand to be strengthened. The range must be the right one, and the logistics must work so that customers find products they are satisfied with. But this is not enough.

Every time they come into contact with a customer, the task of individual members of staff is to make sure the customer is satisfied with the whole shopping experience. Satisfied customers create a ripple effect by talking to people they know, and this boosts the brand. Contacts where customers are disappointed, by the same token, can quickly eradicate faith in the company. Our staff therefore have enormous responsibility with regard to our brand, and to date they have discharged this responsibility very well.

### Marketing

Our marketing consists firstly of information to our customers on good products at low prices, for example through our catalogues and themed campaigns, and secondly in other activities such as profile advertising and sponsorship which help reinforce the brand. Participation at trade fairs, as well as being an opportunity for direct sales, also provides us with a chance to enter into discussions with customers and distribute catalogues in a different setting.

*“Every time they come into contact with a customer, the task of individual members of staff is to make sure the customer is satisfied with the whole shopping experience.”*



THE CLAS OHLSON STAND AT THE STOCKHOLM BOAT SHOW ATTRACTED MANY VISITORS.

**MILESTONE IN FINLAND** We are in a somewhat different situation in Finland because we are relatively unknown there. Consequently we cannot rely just on our traditional marketing and the service-mindedness of our staff. The fact that we have not as yet had a Finnish product catalogue has been a limiting factor. This is being remedied in August 2004 when we will be able to present our Finnish main catalogue for the first time. This will be a milestone in our continued focus on the Finnish market.

**CATALOGUES** The main catalogue, which is published in August each year, had a print run of 2.5 million copies during the year under review. The catalogue comprises 396 pages and contains around 12,000 items. The catalogue was printed in Swedish and Norwegian and will now also be printed in Finnish.

The 64-page special catalogue of mobile phone accessories was published twice during the year under review, and the 64-page catalogue of computer accessories was published three times. The catalogue of boat accessories introduced into the range as a separate product group in the spring of 2001 is published in March and is valid until August. Since the autumn of 2003, the accessories catalogues have also been published in Finnish.

We also continued to issue a separate brochure of household products during the year under review. This brochure presents a small selection of products from our household range, focusing on pictures of environments and interiors with the aim of making the range even more attractive.

**SEASONAL CAMPAIGNS** During the year under review we continued our commitment to campaigns with seasonal themes. The campaigns contain between 100 and 250 very attractively priced products. These offers are distributed as mailshots or as a supplement to various newspapers and magazines. Altogether we had ten themed campaigns during the financial year, of which the Christmas campaign is by far the largest in terms of both size and print run. The campaigns were also sent to our 70,000 customers on the e-mail list, who have been able to learn of our special offers directly through their computers.

**AHEAD OF STORE OPENINGS** In the run-up to the opening of a new store, we market ourselves in the local area for several months before trading begins. This is done through direct advertising, advertisements in publications and radio ads. Marketing is stepped up in the last few days prior to opening.

**TRADE FAIRS** Another sales and marketing channel where we focus on contact with both present and prospective customers is our participation at trade fairs. During the year under review, we had our own stand at four large trade fairs. The largest is Noliämässan in Piteå, with more than 140,000 visitors. Another important trade fair is the Stockholm Boat Show, where we have an opportunity to present our new boat catalogue and all the new products it contains. The year's Boat Show was a great success, attracting more than 120,000 visitors, and our stand was very well attended.

**SPONSORSHIP AND BRAND PROFILING** Our policy is to support associations and events, principally in the Dalarna region. Our sponsorship is visible for example on the clothing of the Leksands Stars ice-hockey team and on ice-rink board advertising. Examples of cultural sponsorship include our support of the Dalhalla arena in Rättvik where musical events are held in the summer.

The celebration of the 85th anniversary of Clas Ohlson in June 2003 also helped market our brand. The anniversary was celebrated with an anniversary concert at the Leksand ice-rink, and the general public were also welcome to buy tickets. In the end, the audience numbered 5,500, of whom 1,900 were staff with their husbands, wives or partners. The anniversary was also celebrated locally in our stores with various customer gimmicks at various times during the year. These activities proved very popular.



THE 2003/04 CATALOGUE RAN TO 396 PAGES AND WAS VERY WELL RECEIVED BY OUR CUSTOMERS.

## Product range and purchasing

An attractive range is an important factor in our success. The Clas Ohlson product range consists of 15,000 items and is updated and renewed continuously by our buyers. As our suppliers are in 30 different countries, our product managers have to make many long trips to keep up contacts, find new products and have an opportunity to influence manufacturing methods and design.

### Range

**A BROAD RANGE** We offer products for the whole family and today have a broad customer base with an even split between old and young, male and female. Our range naturally reflects the target group and is wide-ranging, with around 15,000 products. Our various catalogues contain 12,000 of these products. As well as the ordinary catalogue range, which this year included 1,600 new items, there are a number of other products in the range such as campaign items and accessories. To coincide with the 85th anniversary of Clas Ohlson, our customers were offered a number of products at the anniversary price of 85 kronor. The products were shown on the first spread of our anniversary catalogue for 2003/04.

We do not manufacture any products ourselves and buy in all the products we sell. Nor does Clas Ohlson hold

any product patents of its own. We are not dependent on any individual product area but see our range as a good way of spreading the risks. Another characteristic feature of the range is that there is a good mix between typical Clas Ohlson products, do-it-yourself, finished products and consumables.

**PRIVATE LABELS** Clas Ohlson has traditionally been restrictive in selling products under private labels. In recent years, however, very successful efforts have been made with our private labels CO/TECH and Sang. Examples of products we sell under these labels are tools, machines, batteries, watches and phones. It is anticipated that sales of private-label products will increase further over the next few years.

TOOLS	HOME & STORAGE	ELECTRICAL & ELECTRONICS	HOBBY & HOUSEHOLD
Power tools	Cycle accessories	Electrical	Bags
Machinery	Boat accessories	Cables	Office equipment
Tools	Adhesives	Lamps	Artists' materials
Welders	Safety equipment	Batteries	Clocks
Compressed air	Gardening	Electronics	Optics
Brushes	Storage	Alarms	Household
Wheels	Hardware	Mobile phone accessories	Toys
Plumbing and heating	Locks	Computer accessories	
Pumps	Screws	Radio	
		Photography	

CLAS OHLSON'S FOUR PRODUCT AREAS.

*“We offer products for the whole family and today have a broad customer base with an even split between old and young, male and female.”*



**PRICING** The prices for our products are set in June, ahead of the publication of the main Clas Ohlson catalogue in August, and are normally valid for a whole catalogue year, that is say until August in the following year. The prices of boat, mobile phone and computer products are changed at the time when new catalogues in these areas are issued.

**QUALITY TESTS** Before a new product is added to the range, function tests and product-life tests are carried out. The products are tested in our own workshops, where stringent requirements have to be met for quality and function, etc. Several products are also passed to various testing bodies, such as Semko and the Swedish National Testing and Research Institute.



COMPOUND MITRE SAW, PROD. NO. 30-8550, SEK 1,198.



JUICE PRESS IN LIGHT METAL, PROD. NO. 34-5395, SEK 369.

## Purchasing

**FIVE PURCHASING GROUPS** The Purchasing Department has a staff of 40, divided into five groups: computer accessories and photography, electrical products and mobile phones, tools, hardware and storage and home and household.

Each group is headed by a purchasing manager who is responsible for a part of the group's product range. The groups comprise product managers, technical staff and purchasing administrators. The product managers themselves decide which products are to go into the catalogues and also decide on the selling price of the products.

Our twelve product managers attended trade fairs and visited suppliers around the world during the year under review. They travelled to major trade fairs in Asia, Europe and the United States and also visited many factories. One of the purposes of this is obviously to find new products, but it is just as important to influence the development of the products in our existing range. Visiting the manufacturers directly makes it easier for us to influence design, choice of materials and manufacturing method, to the benefit of both the quality of the product and the environment.



KITCHEN SCALES, PROD. NO. 34-5667, SEK 299.

**AN EXPERIENCED ORGANISATION** Many of our product managers have been working at Clas Ohlson for many years. Several of them were working at the company during the time when Clas Ohlson himself was active. They naturally have great knowledge and experience, which is passed on to the next generation of product managers and provides us with good continuity with regard to purchasing and range development.

We consider it important for present-day buyers and product managers to feel the same curiosity about new products as Clas Ohlson did. It is part of our culture.

**ORGANISATIONAL CHANGES** Two organisational changes were made in purchasing ahead of the year under review which to date have provided very favourable. A central head of purchasing was appointed with responsibility for general purchasing matters and with a full permanent

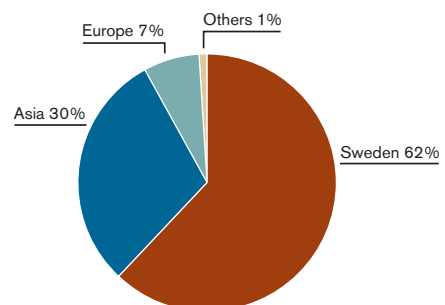
place in the management team. The work of the head of purchasing also includes organisational development and making sure that purchases are made in accordance with Clas Ohlson policy.

Secondly, the electrical and electronics group was split into two new purchasing teams, computer accessories and photography and electrical goods and mobile phones. The change means that we can work in an even more focused manner in these areas and have been able to promote two of our staff to be purchasing managers in the two teams.

**MORE THAN 800 SUPPLIERS FROM 30 DIFFERENT COUNTRIES**

Our suppliers are in 30 different countries and number around 800, most of whom are in Europe and the majority in Sweden. Swedish suppliers accounted for 62 per cent of total purchases during the year under review. This proportion is unchanged from the previous financial year. It might at first glance appear odd that we buy such a large proportion of our products from Swedish suppliers. There is a logical explanation, however, because many of the largest Swedish suppliers are trading companies or agents who hold import rights or type approvals for various products. The places of origin of these products are quite often countries in Asia or Europe. Taken together with our direct purchasing of 30 per cent from Asia, the proportion

Countries of purchase



of Asian products amounts to just over 50 per cent, which is an unchanged proportion in comparison with the previous year.

Our largest single supplier is a trading company in Hong Kong which accounts for 11 per cent (previous year 12 per cent) of our total purchases. The ten largest suppliers

*“We consider it important for present-day buyers and product managers to feel the same curiosity about new products as Clas Ohlson did.”*



account for 33 per cent of deliveries, unchanged from the previous year.

**ASIA IS BECOMING AN INCREASINGLY IMPORTANT PURCHASING MARKET** In recent years our buyers have made more and more trips to China, Hong Kong and Taiwan, while the number of trips to Japan has decreased. China is the purchasing market showing the fastest rate of growth, as the quality of Chinese products has steadily improved from year to year and price levels have not changed noticeably at the same time.

Quantity used to be a limiting factor for us in buying from Asia, as demands were often made for minimum quantities to be purchased. As the company has grown, however, the risk in buying large quantities has diminished and we are able to negotiate better terms in relation to prices.

However, our storage capacity limited purchases of large quantities from Asia during the year under review. Our new high-bay warehouse in Insjön, which will start to be used in the autumn of 2004, will therefore provide the basis for increased volumes of purchases from Asia.

**GOOD LONG-TERM RELATIONS** Many of our suppliers have been with us for a long time, which means that we have been able to establish a very good working relationship with them over the years. This also applies to suppliers from Asia, as we started to buy products from there as long ago as the early 1970s. The suppliers are eager to have Clas Ohlson as a customer and are therefore receptive to what we want.

#### PURCHASING POLICY

One of the stipulations in our purchasing policy is that we have to buy our products as close to the manufacturers as possible, in order to avoid intermediaries who add to the cost of the items. In addition, we have to avoid entering into long-term supply contracts, so that we retain flexibility with regard to suppliers and products.

#### POLICY ON CHILD LABOUR

Clas Ohlson has a policy on child labour which means that suppliers have to provide guarantees that children are not exploited at the risk of physical, mental or social ill-health. The company's representatives, on making visits, are required to pay attention as to whether the supplier complies with the guarantees given. If failure to comply is suspected, this has to be reported to the supplier, agent and Clas Ohlson management. If failings are not rectified after they have been reported, the supplier has to be replaced.



DIGITAL CAMERA, PROD. NO. 38-1145, SEK 1,995.

RUCKSACK, PROD. NO. 31-1390, SEK 110.

STEEL THERMOS, PROD. NO. 34-3701, SEK 59.

## Sales channels

Clas Ohlson's successful mail-order operation has been developed into a retailing group in which the stores today account for 95 per cent of sales. Good customer service is important in all sales, regardless of channel. This means, for instance, the right to return and the freedom to change a product at any of our sales outlets, regardless where in the company it has been purchased. At the end of the financial year there were 38 stores in the Group as well as mail order and Internet sales for the Swedish and Norwegian markets.

### **SATISFIED, RE-ASSURED CUSTOMERS ARE THE**

**AIM** Good customer service is the key element of our entire business concept. We have a customer-service policy for the whole organisation which provides us with guidelines on how to act in relation to our customers. In accordance with this policy, all staff in our stores receive training in dealing with complaints. The policy stipulates that whenever we come into contact with customers we have to aim to give an impression of humility and service-mindedness. The aim is a satisfied customer after every contact. By treating all customers in a generous way, we are to be regarded as serious-minded, humble and competent.

For extra re-assurance we also apply 30-day open purchase/right to return for customers in stores as well as mail-order and Internet customers. We are convinced that good customer care will be one of the most important competitive tools in the future, and therefore make continuous efforts to become even more professional in our contacts with customers.

**MAIL ORDER AND INTERNET** Mail-order and Internet sales amounted to SEK 121.5m, which is 12 per cent down on the previous year (SEK 138.3m). This means that mail-order and Internet shopping made up 5 per cent of the Group's total sales. The reason why sales have fallen in comparison with the previous year is that we have opened new stores in areas where mail-order sales were previously high. Many people are now opting to do their shopping in-store instead. Examples of such areas are Luleå and Jönköping, which previously were strong areas for mail-order sales. In general, however, the decline in mail-order and Internet sales has been substantially smaller than the increase in turnover generated by the new store.

The operating profit for mail-order and Internet sales amounts to SEK 11.4m, a fall of 33 per cent on the previous

year (SEK 17.1m). This means an operating margin of 9.4 per cent, compared with 12.4 per cent in the previous year.

Internet shopping accounted for more than 47 per cent of the total number of orders received by the mail order and Internet operation during the financial year (previous year 38 per cent). This is a very high proportion for a traditional mail-order company. The average proportion of Internet orders for these according to the Swedish Mail Order and Traders' Association was 19 per cent for 2003.

### **Stores**

The search for and assessment of new store locations is an ongoing process at Clas Ohlson. There is a department of five people at our head office in Insjön working on new store openings and concept matters.

Our previous estimate that the population base for a full-range store has to be in excess of 75,000 can probably be revised slightly. Our stores in Ålesund and Haugesund in Norway, for example, are showing good profitability with a population base of around 60,000. This experience indicates that we should have even more potential locations to choose between for new store openings in the future.

A new store initially means a commitment of SEK 12—14m, broken down into SEK 3m in start-up costs, SEK 5—6m in inventories and SEK 4—5m for investments in store interiors and computer systems.

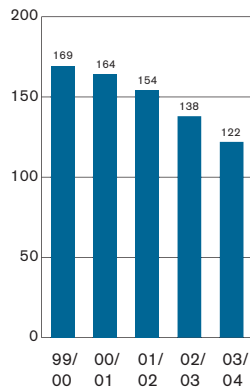
Our stores are preferably to be centrally located in towns with large catchment areas. All the stores apart from Insjön are leased on long-term contracts. The stores have to have an identical range, which means the whole of our normal catalogue range and current campaign products. In addition, all our stores have to be wholly owned, which means that we do not operate franchising.

Every new store in Sweden and Norway has already been profitable in the first twelve months of trading.

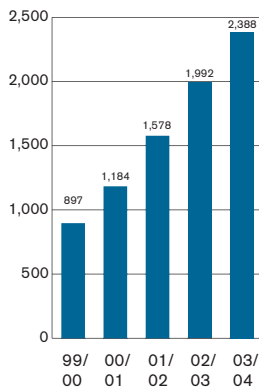
*“Every new store in Sweden and Norway has already been profitable in the first twelve months of trading.”*



Sales mail order/Internet in the last five years, SEKm



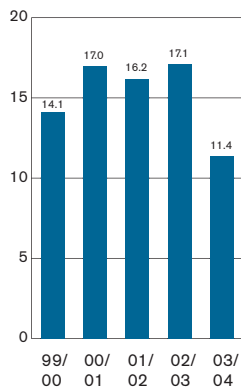
Sales in stores in the last five years, SEKm



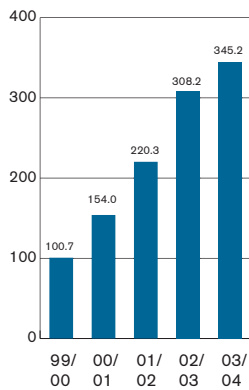
**SALES AND PROFITS** Store turnover during the financial year amounted to SEK 2,388.0m, which was a rise of 20 per cent compared to the previous year (SEK 1,992.5m). Store sales thus accounted for 95 per cent of total Group sales.

The 20 per cent rise in in-store sales is broken down as follows:	
Like-for-like stores in local currency	+ 4 per cent
New stores	+ 21 per cent
Exchange-rate effect of Norwegian krone	- 5 per cent
<b>Total</b>	<b>+ 20 per cent</b>

Operating profit from mail order and the Internet, SEKm



Operating profit from stores, SEKm



Operating profit for the stores amounted to SEK 345.2m, which was a rise of 12 per cent on the previous year (SEK 308.2m) and means an operating margin of 14.5 per cent compared with 15.5 per cent in the previous year.

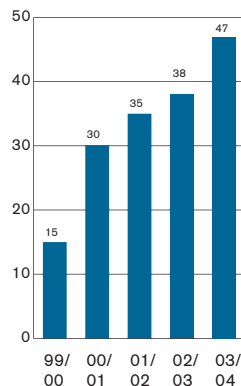
Our new stores entailed start-up costs of SEK 27.2m during the financial year (previous year SEK 26.7m). The average stock turnover rate for the store warehouses is 7 times, unchanged on the previous year. Our largest stores meet the target of 8–10 times a year, while the smaller ones are lower.

### Stores in Sweden

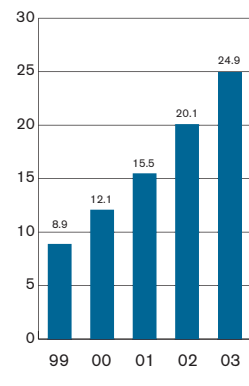
Our Swedish stores received 18.4 million visitors in 2003, an increase of 3.4 million or 23 per cent compared to 2002. Of these visitors, 9.2 million made purchases. This in turn means that 50 per cent of all who visit the stores also shop there.

The number of stores was increased by three during the financial year, and there were a total of 22 stores in Sweden at the end of the financial year.

Proportion of Internet orders in per cent



Number of visitors to stores, millions



**MORE RESOURCES FOR EXISTING STORES** With effect from May 2004, we have divided the Swedish stores into three regions with a regional manager to take principal responsibility for each region. We have done this because we regard it as just as important to attend to and work on our existing stores as to open new ones. The three regional managers will visit the various stores in their own areas. They make sure that uniformity of the Clas Ohlson concept is preserved and also pass on knowledge and ideas so that our stores can enrich each other.

The new regions are southern, central and northern, with the central region comprising our stores around the Mälardalen Valley and Stockholm.

#### **IMPORTANT STORE EVENTS DURING THE YEAR**

The 2003/04 financial year began with the opening of a store in the A6 shopping centre in Jönköping in May 2003. This shopping centre is one of the strongest in the area with sales of SEK 1.2 billion. Our 1,600 square-metre store is located alongside one of the entrances and has developed favourably.

The next store opening in Sweden took place in June 2003 in Helsingborg, in the Väla shopping centre, just outside the town centre. Our store has 1,500 square metres of floor space and is on the lower floor of the shopping centre, which is one of the strongest in Skåne with sales of SEK 1.5 billion.

In November 2003 we then opened our first store in Gävle. The store is located in Affärshuset Nian in central Gävle. The store has around 1,700 square metres of floor space and is located on the second floor of the mall. As the opening took place at the time of Christmas trading, we were off to a very good start and achieved record opening-day sales.

In Malmö, our store was re-opened in November 2003 after having been relocated to the Triangeln shopping centre. The decision to relocate was based on a judgement we had made that Triangeln would be a better trading site.

#### **STORE OPENINGS IN SWEDEN AFTER THE END OF THE FINANCIAL YEAR**

The 2004/05 financial year was ushered in with the opening of a store in the Tegnér shopping centre in Växjö in May 2004. The municipality of Växjö has a population of around 76,000. The shopping centre is centrally located on the pedestrianised street and has recently been reconstructed. Our store has to date fulfilled our expectations.

A store was also opened in June in the centre of Linköping. The municipality of Linköping is the fifth-largest in Sweden, with a population of just over 136,000.

#### **FUTURE OPENINGS IN SWEDEN ALREADY DECIDED ON**

Other store openings decided on in Sweden are Haninge outside Stockholm, opening in December 2004,

Skellefteå, which will open its doors in March 2005, Östersund which opens in April 2005 and Karlstad, which will welcome shoppers for the first time in September 2006.

#### **Stores in Norway**

Our Norwegian stores received 6.1 million visitors in 2003, an increase of 1.0 million or 20 per cent on 2002. Of these visitors, 3.6 million, equivalent to 59 per cent, made purchases during their visit to the store.

Three stores were added during the financial year, and at the end of the financial year there were 13 stores in Norway.

#### **IMPORTANT STORE EVENTS DURING THE YEAR**

In May 2003 we opened our eleventh store in Norway. The store is located outside Trondheim in the City Syd shopping centre, which is one of the best in Norway with sales of SEK 1.6 billion. The store is our second in the Trondheim area, where we have had a presence since 2000 in the central part of the town, in the Solsiden shopping centre. Our experience to date is that having several stores in the area has been a great success.

The next new store in Norway was Ski, which opened in October 2003. The shopping centre in Ski is located around 30 km south-east of Oslo and is the seventh-largest shopping centre in Norway. This is our fourth outlet in the Oslo area. The fourth store, in Oslo city centre, opened as long ago as 1991. The opening of several stores in the area has meant a boost for our brand and has produced synergistic effects in our marketing, leading to increased numbers of customers visiting all the stores.

In January we opened our store in Ålesund, or to be more precise 15 kilometres east of Ålesund, in the Stormoa centrum shopping centre. Ålesund is located on the coast between Bergen and Trondheim and has a population base of 50,000—60,000. This is one of the smallest population bases we have had to date for a new store, but despite this the store has shown good profitability.

#### **FUTURE OPENINGS ALREADY DECIDED ON IN NORWAY**

Another store opening already decided on for Norway is Åsane, north of Bergen, which opens in September 2004. This store will be our third to be opened in the Bergen area. The first store, located in the city centre, was

*“Our judgement is that we are right to focus on the Finnish market.”*



ITÄKESKUS (ÖSTRA CENTRUM) IN HELSINKI.

opened in 1999, and the second, located in the Lagune-parken shopping centre south of the city centre, opened in 2003. The trading area around Åsane is very strong and contains Ikea's only store in the area, which means that our outlet has good prospects of developing well.

Our judgement is that the Norwegian market continues to offer great potential for the opening of further new Clas Ohlson stores. Our store in Ålesund shows that we can achieve good profitability even in smaller towns.

## Stores in Finland

Our Finnish stores received around 400,000 visitors in 2003. Of these visitors, 156,000 made purchases, that is to say 39 per cent of all those who visited the stores.

Two stores were opened during the financial year, making a total of three stores in Finland at the end of the financial year. Decisions have been taken on another two stores for the 2004/05 financial year.

Sales in Finland to date represent a quite modest share of total Group sales and during the financial year amounted to SEK 33.2m, compared with SEK 7.9m in the previous financial year.

**THE STORE IN HELSINKI** A milestone in the company's history was passed during the autumn of 2002, when we opened our first store in Finland. The store is located on Mannerheimintie in central Helsinki, directly opposite the Stockmann department store. As we were unknown in Finland at the time of the opening, we gave priority to finding the best possible location from the point of view of sales and marketing for our first store. This meant opting to forego sales space and the opportunity to offer our complete range. However, change is on the way. With a new interior design for the store, we will be able to add more items and have a full-range store in Helsinki city centre too.

## IMPORTANT STORE EVENTS DURING THE YEAR

In November 2003 we opened our first full-range store in Finland. The store is located in the Itäkeskus (Östra Centrum) shopping centre 10 kilometres east of Helsinki city centre. This shopping centre is one of the strongest in northern Europe, with annual sales of six billion Swedish kronor and with around 20 million visitors a year. We are

therefore very satisfied that we were able to open our first full-range store in this particular location.

The next store to be opened in Finland was Tampere. The store in Tampere opened in March 2004 and is located right in the centre of the city, very close to the railway station and next to an H&M store. Tampere is one of the largest cities in Finland, with a population of more than 200,000. The city is entirely Finnish-speaking, which is a new situation for us and meant that there was very little awareness of Clas Ohlson prior to the opening. As we build the brand, the store has good prospects of becoming one of the best stores in Finland.

## FUTURE OPENINGS ALREADY DECIDED ON IN FINLAND

Further store openings in Finland include Vasa, where our store will be located in the Rewell Center in central Vasa. This store, which opens in October 2004, will be our fourth in Finland and has a catchment area with a population of around 120,000.

We will also be opening a store in central Kuopio in February 2005. Kuopio is located in central Finland, and the store has a catchment area with around 140,000 inhabitants.

## FINLAND SIGNIFIES OPPORTUNITIES FOR CLAS OHLSON

Our judgement is that we are right to focus on the Finnish market. As we start to become better known in the market, we are being offered more and more store locations in town centres. We therefore have great opportunities to add more stores to our operation in Finland over the next few years and henceforth with mail-order and Internet sales as well.

A landmark in our continued focus on the Finnish market will be passed in August 2004, when we will be able to present our Finnish main catalogue for the first time. It has been difficult for us to market our range in Finland solely through advertisements, themed campaigns and accessories catalogues. We now anticipate that the catalogue will substantially simplify marketing and brand-building.

Our aim is for the Finnish subsidiary in the longer term to operate independently, like our subsidiary in Norway, with its own administration, sales, customer service and marketing unit.

## The central warehouse: our logistic hub

Good profitability is dependent on logistics working smoothly. With our rapid expansion of stores, warehouse space is in short supply, and we are now extending our large terminal building in three stages.

All goods destined for all our stores and mail-order and Internet customers pass through the central warehouse in In-sjön. The average rate of turnover in the central warehouse during the financial year amounted to 6.8 times, which is unchanged on the previous year. This means that we replace the whole central warehouse stock of all 15,000 items more often than once every two months. With this high rate of turnover, the central warehouse is more comparable to a terminal than to a warehouse.

**LONG-WAITED EXPANSION** The rapid establishment of new stores has meant that warehouse capacity is now in short supply, and during the year we were forced to lease external warehousing when space ran out. We are about to boost our own storage and distribution capacity through a third extension of the central warehouse.

This will be implemented in three phases. The first phase involves extending the actual bodies of the buildings and establishing a new high-bay warehouse. It is anticipated that this phase will be completed in the autumn of 2004. The next phase comprises sorting equipment for store deliveries, and completion of this phase is anticipated in the autumn of 2005. The third phase entails installing 'mini-load' storage with associated picking equipment, and it is anticipated that this phase will be completed in the autumn of 2006 to the spring of 2007.

The investment signifies substantial expansion of the central warehouse which, when completed, will have capacity to meet the needs of 90 stores as well as mail-order/Internet sales. The investment also includes more efficient picking and sorting equipment, which will enable us to improve the efficiency of our store deliveries even further in the future. It is estimated that the investment for all three phases will total SEK 300m and will be financed from our own funds. We previously estimated the investment at SEK 200m, but the level of aspiration regarding the number of stores to be served was raised during the course of the project, meaning a further investment requirement of SEK 100m.

**DISTRIBUTION DURING THE YEAR** In our goods-inward department, where 60 members of staff work on adding goods to warehouse stock and moving them between different warehouse areas, we received around 153,000 pallets of goods during the financial year, which means around 590 pallets a day. This is a 25 per cent increase in the number of pallets compared with the previous financial year (122,000).

A total of 3.6 million picking rows were supplied to the stores during the financial year. This signifies an increase of 16 per cent on the previous financial year (3.1 million). 95 members of staff work in the department for store deliveries, providing all the Group's stores with deliveries. The normal delivery time to the stores is one day, and ordering takes place automatically in the store computer system when an item needs to be ordered in the store.

We also delivered around 191,000 mail-order consignments (previous financial year 210,000), equivalent to 730 a day. Around 25 members of staff work in the department for mail-order deliveries, putting together orders from mail-order and Internet customers.



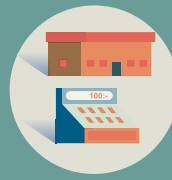


### 1. CENTRAL SYSTEM

All information relating to products, customers, suppliers and so on is registered in a common database in our central system. Purchasing routines, warehousing routines and common functions such as financial systems are run here. Many of the programs are customised and written in-house to suit our particular operation. An exception is the financial system, which is a standard system.

### 2. IN-STORE COMPUTER SYSTEM

All data relating to the flow of information within a store and to and from the store is contained in the in-store computer system. Ordering points for all items in the store are entered into the system, for instance. When an item needs to be re-ordered, an order is automatically sent to the central system. The delivery then departs from the central warehouse the following day.



### 3. CHECKOUT SYSTEM

Connected to every in-store computer system there is a special checkout system which handles the sales transactions in the store concerned. The checkout systems communicate with both the in-store computer system and the central system at all times but can also work completely independently if communication or equipment should fail.

## IT systems and security

It is vital to our operations that the handling of goods and information works without disruption, and we therefore focus on providing good IT support. To protect ourselves against fire and other damage, we make sure that we regularly review our equipment and our insurance policies.

We have been working to develop IT systems intended to support our operations for many years. These systems make it easier to handle ordering, delivery, replenishing, picking and final delivery of the goods. Our priority has always been to make use of modern technology to improve the efficiency with which both goods and information are handled. All systems affecting the handling of goods are fully integrated, that is to say the information is only registered once and is displayed in real time. To make sure of a high level of service, the systems are built up at three different levels (as illustrated).

**HIGH PRIORITY FOR IT SECURITY** Our operations are based on our integrated systems working with as few interruptions as possible, and high priority is consequently given to IT security. All systems are duplicated to make sure of high availability and short down times. This means that the time taken to re-start a system is shorter and the level of security is higher than if the systems had to run in a single-computer environment. In addition, all systems and transactions are backed up every night. Firewalls are used to protect us against intrusion. Anti-virus software is used to provide protection against viruses, which can enter for example through e-mail. We are constantly working to improve our IT security and keep a close eye on the development of technology in this area.

**OUR INSURANCE COVER** We have insurance policies which give us satisfactory cover for inventories, buildings, machinery and equipment, as well as interruptions and liability (including product liability). We review our insurance cover every year in co-operation with our insurance company.

**FIRE SAFETY** To prevent fires, there are strict regulations relating to all handling of combustible substances. All staff have received training in fire safety and are thoroughly familiar with the fire-safety rules which apply. When new members of staff are taken on, whatever their form of employment, information is provided on evacuation plans and existing fire-safety equipment.

The property containing the central warehouse is divided into two fire cells, which are separated by firewalls and fire shutters. The fire alarm, which has around 300 fire detectors, is linked directly to SOS-alarm services, as well as to our in-house duty team. The property is equipped with a sprinkler system, consisting of around 3,500 sprinkler valves fitted in the ceiling. It is supplied with water via a sprinkler unit with three direct-starting diesel pumps. The water is taken from a tank next to the boiler house. Flammable goods are placed in a special part of the warehouse adapted for the purpose.

Truck loading takes place in a newly erected truck-loading room, which meets applicable requirements.

The level of fire safety will continue to be high in the expansion of the facility now being implemented. The high-bay warehouse section will be divided into three fire cells, and fire alarms and level sprinkling will be installed in each fire cell. The service section will be equipped with the same alarms and sprinkler systems as the previous units. A special fire pond is being created next to the high-bay warehouse section to make sure that water for extinguishing is available.

## Opportunities and risks in the operations

Clas Ohlson's operations involve factors and circumstances which may represent either an opportunity or a risk for the Group. Some risks and opportunities are taken and given in the business and others are associated with financial management in the company.

### Opportunities and risks related to operations

**RANGE** Our most important task is to offer our customers a broad and attractive range. If we can further improve and develop the range, there are great opportunities to achieve a continued rise in sales and profits. On the other hand, if we misjudge new trends or product areas, this may mean that we lose growth and profitability. A strength of Clas Ohlson is that several of our buyers have been working with us for many years and can pass on knowledge, experience and corporate culture to new buyers.

**COMPETITION** There is a clear trend in European retailing for large nationwide chains to emerge, generally at the expense of smaller, individual specialist dealers. The large chains and players have also become established in several countries both with their own stores and through acquisitions. The players in the market have consequently become both fewer in number and larger in size.

We obviously also have great opportunities to boost our position even more. In Sweden, Norway and Finland, this will be done by opening more new stores. We find that there is also a large number of towns in these countries where we can establish a presence with good profitability and that there are good opportunities for profitable store openings in other European countries as well. Conversely, there is the risk of more major international players becoming established in the Nordic market, which would increase the competition and could affect our prospects of continued expansion.

**ECONOMIC CLIMATE** What affects us above all is the development of retailing and private consumption, as we principally aim at private individuals. Increased consumption usually means better sales for us too. On the other hand, it has been found that a downturn in consumption does not affect us as much as it affects the rest of the retail sector. This is because the demand for do-it-

yourself items tends to increase when times are not so good and because our low prices are then judged to be particularly keen.

**CHRISTMAS TRADING** As our largest group of customers consists of private individuals, Christmas trading is by far the most important period for sales. The third quarter, which relates to the period from November to January, accounted for 32 per cent of sales and 42 per cent of pre-tax profit during the financial year. Christmas trading went very well in 2003, and we increased sales in December in local currencies by as much as 30 per cent over the previous year. In spite of this, we believe that we have opportunities to convey to even more people that Clas Ohlson is an excellent place to buy Christmas gifts, because we carry a broad and varied range. It is also important at Christmas time to find effective ways of being visible among all the other advertising and marketing, which is particularly intensive in retailing.

### Financial opportunities and risks

Clas Ohlson does not at present have any interest-bearing liabilities. On the other hand, we have relatively great exchange-rate exposure through our sales in Norway and through the Group's purchasing. Around 40 per cent of our purchases are made in currencies other than Swedish kronor. The most important currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and the euro (principally Germany and Italy). In addition, movements of the Swedish krona against the Norwegian krone (NOK) are very important to the Group as more than a third of sales take place in Norway. Exposure to the euro will decrease in the longer term, as we will have higher sales in euros due to our expansion in the Finnish market. The table on the next page shows how profit is affected by a change in volume of sales for existing units and changes in the most important currencies.

*“We obviously also have great opportunities to boost our position even further. In Sweden, Norway and Finland, this will be done by opening more new stores.”*



#### SENSITIVITY ANALYSIS

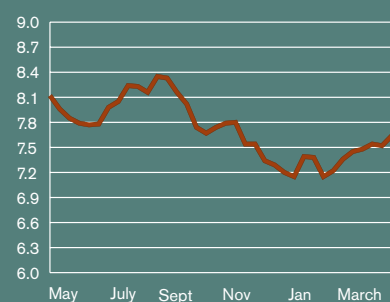
Factor	Change	Impact on pre-tax profit, SEKm
Volume of sales	+/- 5 per cent	+ 50.1/- 56.7
- NOK	+/- 5 per cent	+/- 24.0
- USD	+/- 5 per cent	-/+ 9.3
- HKD	+/- 5 per cent	-/+ 7.4
- EUR	+/- 5 per cent	-/+ 5.0

**HEDGING OF EXCHANGE-RATE RISK** Estimated exchange rates for each currency, set in June each year, are used in the pricing of products in both the Swedish and Norwegian catalogues. We hedge around 50 per cent of the expected flow one year ahead. In this way we guarantee the estimated exchange rate on a large proportion of our purchases and at the same time have the opportunity, or take the risk, of paying for the remaining purchases at the current rate. Hedging was carried out in USD, HKD and NOK during the financial year. This had an adverse impact on earnings of SEK 1.4m compared with if trading had solely been done at current rates (previous year SEK —26.6m).

**EXCHANGE-RATE MOVEMENTS** The Norwegian krone was substantially weaker than the Swedish krona during the financial year, in comparison with the previous year, which adversely affected profits from the Norwegian operation. The average exchange rate for the Norwegian krone during the 2003/04 financial year was 1.10, compared with 1.23 one year earlier, a weakening of 11 per cent. However, some stabilisation has taken place in the last few months. Levels of over 1.10 for the Norwegian krone are nevertheless relatively high from the historical point of view, and this level holds out the prospect of continued good profits in our Norwegian operation.

The US dollar for its part has continued to decline against the Swedish krona in the past year, which has been favourable to us as it has brought lower purchase prices in many cases. The average exchange rate during the 2003/04 financial year was substantially lower than one year earlier (around 7.70, compared with 9.10), which has had a positive impact on our gross margin. The same applies to the Hong Kong dollar, as it is pegged to the exchange rate of the US dollar, and both currencies therefore show an identical trend.

#### Currency USD



The exchange rate of the US dollar (USD) at the start of the financial year on 1 May 2003 was 8.22 against the Swedish krona. The exchange rate then weakened further, and at the end of the financial year, on 30 April 2004, stood at 7.64, a weakening of 7 per cent.

The highest exchange rate during the financial year was 8.55, recorded in August, while the lowest rate was 7.10 in January. The average rate for the whole of the 2003/04 financial year was around 7.70, compared with 9.10 during the 2002/2003 financial year.

#### Currency NOK



The exchange rate of the Norwegian krone (NOK) at the start of the financial year on 1 May 2003 was 1.16 against the Swedish krona. The exchange rate then weakened over a fairly long period, while it headed upwards again during the last few months, and at the end of the financial year, on 30 April 2004, the Norwegian krone stood at 1.11.

The highest exchange rate during the financial year was 1.17, recorded in May, while the lowest rate was 1.03 in February. The average exchange for the whole of the 2003/04 financial year was around 1.10, compared with 1.23 during the 2002/2003 financial year.

### SHARE CAPITAL

Clas Ohlson share capital amounts to SEK 82 million, made up of 2,880,000 A shares and 29,920,000 B shares, each with a par value of SEK 2.50.

In October 2001 a 4:1 split of all the shares was made, with the result that the number of shares was quadrupled and the par value per share fell from SEK 10 to the present value of SEK 2.50.

Each A share carries ten votes, while each B share carries one vote. All shares carry equal rights to a dividend. Holders of A shares can request that A shares be converted to B shares.

### PRICE TREND AND TURNOVER

The B shares have been listed on the Stockholmsbörsen O list since 5 October 1999. The issue price was SEK 106, which following the split in October 2001 is equivalent to SEK 26.50.

The share price rose from SEK 147 to SEK 201 over the financial year covering the period 1 May 2003 to 30 April 2004, an increase of 37 per cent. The Affärsvärlden General Index rose by 35 per cent over the same period. The lowest price paid during the period was SEK 144, recorded in May, while the high during the period was SEK 221.50, in December. Over the period, 10,295,930 Clas Ohlson shares changed hands on Stockholmsbörsen, equivalent to a turnover rate of 31 per cent. The total turnover rate on Stockholmsbörsen over the same period was 128 per cent.<sup>1</sup>

Clas Ohlson's total market capitalisation at 30 April 2004 amounted to SEK 6.59 billion.

### SHAREHOLDERS

On 30 April 2004 there were a total of 21,445 shareholders according to the register of shareholders held by VPC (the Swedish Central Securities Depository). The ten largest shareholders on the same date accounted for 69.9 per cent of the capital and 83.1 per cent of the votes. Foreign shareholders accounted for 28.9 per cent of the capital and 37.1 per cent of the votes. Swedish institutions accounted for 16.4 per cent of the capital and 9.2 per cent of the votes. Swedish private individuals accounted for 54.7 per cent of the capital and 53.7 per cent of the votes.

### DIVIDEND POLICY

It is the intention of the Board that a dividend equivalent to a minimum of 35 per cent of the Group's profit after tax will be paid. For the 2003/2004 financial year, the Board proposes that a dividend of SEK 4.00 per share be paid (previous year 3.20). The Board's proposal is equivalent to around 50 per cent of the Group's profit after tax.

### EXTERNAL ANALYSES

A number of players in the stock market regularly monitor Clas Ohlson shares and present analyses of the company and its shares to their clients. These include:

ABG Securities  
Alfred Berg  
Carnegie  
Deutsche Bank  
Enskilda  
Handelsbanken  
Kaupting  
Nordea  
Swedbank  
Öhman

Data per share<sup>2</sup>

	2003/04	2002/03	2001/02	2000/01	1999/00
Number of shares, thousands	32,800	32,800	32,800	32,800	32,800
Profit per share, SEK	7.95	7.28	5.27	3.82	2.52
Gross cash flow per share, SEK	9.10	8.24	6.09	4.51	3.04
Equity per share, SEK	26.94	22.43	17.72	13.83	10.81
Share price at 30 April, SEK	201	147	176	92	78
Dividend per share, SEK	4.00 <sup>3</sup>	3.20	2.20	1.56	1.00
P/E ratio, multiple	25	20	33	24	31
Share price/gross cash flow, multiple	22	18	29	20	26
Price-to-book-value ratio, %	746	655	993	665	719
Yield, %	2.0	2.2	1.3	1.7	1.3
Dividend payout ratio, %	50	44	42	41	40

<sup>1</sup> Source: Stockholmsbörsen.

<sup>2</sup> Data per share has been adjusted to reflect the split, bonus issue and new share issue carried out.

<sup>3</sup> Proposed dividend.



## TREND IN SHARE CAPITAL

Year	Transaction	Additional shares	Cumulative 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

## MAJOR SHAREHOLDERS AT 30 APRIL 2004\*

Shareholder	Number of A shares	Number of B shares	Percentage of equity	Percentage of votes
Johan and Helena Tidstand	1,368,060	8,209,328	29.2	37.3
Mary Haid	1,367,940	7,552,600	27.2	36.2
Håkan Thylén	144,000	656,000	2.4	3.6
Fjärde AP-fonden		724,390	2.2	1.2
Anders Moberg		656,000	2.0	1.1
Handelsbanken Fonder		624,647	1.9	1.1
AFA Försäkring		498,000	1.5	0.8
Carnegie Fonder		417,200	1.3	0.7
SEB Fonder		395,000	1.2	0.7
Nordea Bank Finland		318,500	1.0	0.5
Robur Fonder		162,600	0.5	0.3
Nordea Fonder		157,780	0.5	0.3
Other shareholders		9,547,955	29.1	16.2
<b>Total</b>	<b>2,880,000</b>	<b>29,920,000</b>	<b>100.0</b>	<b>100.0</b>

## SHAREHOLDER CATEGORIES AT 30 APRIL 2004\*

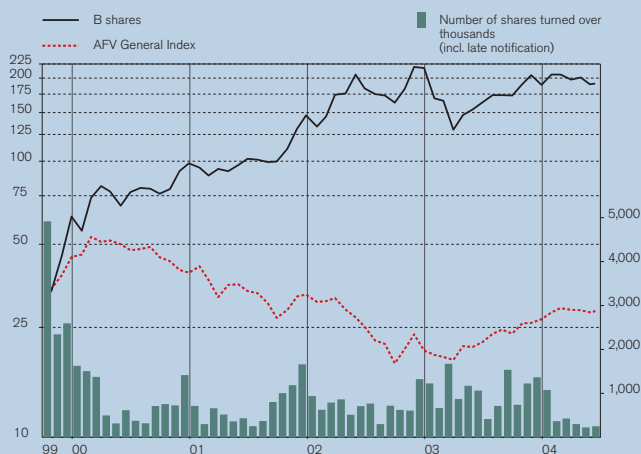
Swedish private individuals	1,512,060	16,442,919	54.7	53.7
Swedish institutions		5,378,867	16.4	9.2
Foreign shareholders	1,367,940	8,098,214	28.9	37.1
<b>Total</b>	<b>2,880,000</b>	<b>29,920,000</b>	<b>100.0</b>	<b>100.0</b>

## SHAREHOLDER STRUCTURE AT 30 APRIL 2004\*

Size class	Number of securities	Percentage	Number of shareholders
1–500	3,258,867	10.0	18,441
501–1,000	1,421,708	4.3	1,729
1,001–5,000	2,274,606	6.9	1,103
5,001–10,000	606,822	1.9	84
10,001–20,000	486,436	1.5	36
20,001–50,000	795,486	2.4	27
50,001–100,000	520,218	1.6	7
100,001–500,000	2,132,892	6.5	11
500,001–	21,302,965	64.9	7
<b>Total</b>	<b>32,800,000</b>	<b>100.0</b>	<b>21,445</b>

\* Source VPC.

## Clas Ohlson



The Board of Directors and Chief Executive Officer of Clas Ohlson AB (publ), with registered office and head office in Insjön, in the municipality of Leksand, present herewith the annual accounts for the 2003/04 financial year. Unless otherwise stated, the figures relate to the Group. Figures in parentheses relate to the previous year.

#### OPERATIONS

The operations of both the parent company and the Group consist of the sale of DIY products for house and home, technology and hobby items through the company's own retail outlets, by mail order and over the Internet. The company operates in Sweden, Norway and Finland. At the end of the period, the number of stores was 38, 22 of which were located in Sweden, 13 in Norway and three in Finland.

The product range comprises around 15,000 items bought in from a large number of suppliers in some 30 countries. The products are bought in to our central warehouse in Insjön and from there are distributed to customers by mail order or the Internet or through the company's own stores in Sweden, Norway and Finland.

The market for our products continued to develop strongly during this financial year. All parts of our product range are showing good increases in sales in all three countries. After a relatively weak summer, sales took off when we released our new main catalogue in August. Sales afterwards rose sharply throughout the autumn and a large part of the winter. We are particularly satisfied with the year's Christmas trading, which was more than 30 per cent up in local currencies.

#### MAJOR EVENTS

Eight new stores were opened during the financial year; City Syd in Trondheim and Jönköping (May), Helsingborg (June), Ski outside Oslo in Norway (October), Östra Centrum outside Helsinki in Finland (November), Gävle (November), Ålesund in Norway (January) and Tampere in Finland (March). One store was also relocated during the financial year. This is our store in Malmö, which in November was moved to the Triangeln shopping centre, judged by us to be a better business location.

We also celebrated the company's 85th anniversary during the financial year. The whole organisation met up in June 2003 for a joint celebration consisting of an anniversary concert, and the anniversary was also celebrated in the catalogue with several anniversary products. Various customer activities were also held locally in our stores.

#### SALES AND RESULTS

Sales during the financial year amounted to SEK 2,509.5m, compared with SEK 2,130.8m in the previous year, an increase of 18 per cent. The sales figure breaks down into SEK 2,388.0m (SEK 1,992.5m) from stores and SEK 121.5m (SEK 138.3m) from mail order/Internet. The breakdown by country is SEK 1,633.0m (SEK 1,374.3m) from Sweden, SEK 843.3m (SEK

748.6m) from Norway and SEK 33.2m (SEK 7.9m) from Finland.

The increase in volume during the financial year was 25 per cent. On the other hand, exchange-rate effects had an adverse impact of 5 per cent on sales in Swedish kronor. This was due to a weakening of the Norwegian krone against the Swedish krona. In addition, we lowered our prices by an average of 2 per cent.

Profit after financial items during the financial year amounted to SEK 363.6m, a rise of 10 per cent on the previous year (SEK 331.9m).

Operating profit for the financial year amounted to SEK 356.6m, a rise of 10 per cent compared with the previous year (SEK 325.3m). Operating profit was SEK 345.2m (SEK 308.2m) for the stores and SEK 11.4m (SEK 17.1m) for mail order/Internet.

Operating margin for the financial year amounted to 14.2 per cent (15.3 per cent). Operating margin was 14.5 per cent (15.5 per cent) for the stores, while it was 9.4 per cent (12.4 per cent) for mail order/Internet.

The improvement in operating profit compared with the previous year amounts to SEK 31.3m. Of the increase in profit, SEK 58.8m is due to increased sales. Profit has since been adversely affected by the costs of our 85th anniversary celebrations, which amounted to SEK 5.2m. This item has been reported under selling expenses. Profit was also reduced by SEK 2.8m by a decline in gross margin and SEK 0.5m in increased construction costs for new stores. These amount to a total of SEK 27.2m over the period. In addition, administrative expenses have risen by SEK 12.6m to SEK 61.9m and depreciation by SEK 5.9m to SEK 37.5m. In general terms, our expansion on the Finnish market also entails increased expenses during the start-up phase.

#### PROSPECTS FOR THE COMING FINANCIAL YEAR

Our target is an annual growth rate of 15 per cent. We are to achieve this through increased sales in existing stores and by opening between six and ten new stores a year. The expansion is to take place initially in Sweden, Norway and Finland and later in other parts of Europe. Our target with regard to profits is a net margin of 12 per cent.

Future store openings contracted to date are Åsane outside Bergen in Norway (September 2004), Vasa in Finland (October 2004), Haninge (December 2004), Kuopio in Finland (February 2005), Östersund (April 2005), Skellefteå (spring 2005) and Karlstad (September 2006).

The Finnish operation is continuing to run at a loss. Our aim is for it to show a profit during the 2005/2006 financial year.

# Directors' report



Stage 3 of the expansion of our central warehouse in Insjön is in progress and will be completed in three phases. The first phase involves extending the actual bodies of the buildings and establishing a new high-bay storage facility. It is anticipated that this phase will be completed in the autumn of 2004. The next phase comprises sorting equipment for store deliveries, and completion is anticipated in the autumn of 2005. The third and final phase entails installing 'mini-load' storage with associated picking equipment, due for completion in the autumn of 2006 to the spring of 2007.

We anticipate further good growth over the next financial year. We believe that our range has good prospects of continuing to generate good growth in the future. Historically, we have not been particularly susceptible to fluctuations in the economic cycle. This is because our range contains a large number of DIY products, and demand for these tends to increase even when times are not so good. Another reason is our low prices, which make our products attractive even in periods of falling demand.

## FINANCIAL POSITION

A positive cash flow from operating activities was recorded during the financial year of SEK 296.6m (SEK 277.8m). Cash flow after deducting investment operations was SEK 134.4m (SEK 192.9m).

Inventories increased during the financial year by SEK 94.6m to SEK 447.1m. Of this sum, SEK 44.6m relates to inventories in the eight new stores opened during the financial year.

Liquid assets and current investments amounted to SEK 417.9m (SEK 395.1m), while there were no interest-bearing liabilities at all. The equity/assets ratio amounted to 67.3 (69.1) per cent.

## INVESTMENTS

Net investments amounting to SEK 162.4m (SEK 85.0m) were made during the financial year. Of this sum, SEK 40.0m (SEK 40.5m) relates to investments in new and future stores. A further SEK 106.2m (SEK 1.6m) relates to investments in the expansion of the central warehouse in Insjön. Other investments are mainly replacement investments.

## THE WORK OF THE BOARD

The Board of Clas Ohlson consists of six members elected by the Annual General Meeting and two members elected by the employees. The Chief Executive Director sits on the Board.

The Board has written rules of procedure and instructions for the sharing of work between the Board and the Chief Executive Officer. The Board's meetings and work in connection with these meetings consequently follow an agenda with the aim of meeting the Board's needs for information and checking of operations and the organisation of the company.

The Board met seven times during the year. An economic and financial report on operations is presented at each ordinary meeting. The Board meets annually with the company's audi-

tors to review the audit report and the year's operations. The work of the Board is described in more detail in the Board report on the following page.

## ENVIRONMENTAL IMPACT

The company has a duty of notification with respect to activity relating to the temporary storage of electronic waste. This duty of notification applies to any Swedish municipality in which we have 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 Swedish Environmental Code. We co-operate on electrical and electronic waste with the organisation Elkretsen, which is the joint company owned by the electrical industry for waste disposal. We are also affiliated to the recycling organisation Repa. In Norway we are affiliated to the recycling organisations AS Batteriretur, Renas AS, Elektronikkretur AS and Hvitvareretur AS.

Environmental work is undertaken continuously within the Group, and this is described in greater detail on pages 14–15 of our printed annual report and on our website, [www.clasohlson.se](http://www.clasohlson.se).

## PARENT COMPANY

Parent Company turnover amounted to SEK 2,145.8m (SEK 1,768.6m), and profit after financial items amounted to SEK 303.6m (SEK 209.3m). Liquidity was good. Investments for the year amounted to SEK 138.3m (SEK 61.4m).

## ADAPTATION TO IFRS

In 2005, quoted companies in the EU will change over to reporting according to IFRS (International Financial Reporting Standards). We do not judge that this will entail any major changes in either the income statement or the balance sheet. One matter which has an impact is the calculation of pension liability, but this is expected to have a relatively marginal impact on both our income statement and balance sheet. Our judgement with regard to the adaptation of our accounts is that we are well placed and that we will therefore accomplish the change-over in time.

## PROPOSED APPROPRIATION OF PROFIT

According to the consolidated balance sheet, Group non-restricted equity amounts to SEK 513.4m. No allocation to restricted equity is proposed. The following earnings (SEK) are at the disposal of the Annual General Meeting:

Profit brought forward	128 428 317
Surplus for the year	208 737 086
<b>Total</b>	<b>337 165 403</b>

The Board and Chief Executive Officer propose:

Dividend payable to shareholders	131 200 000
Carried forward to new account	205 965 403
<b>Total</b>	<b>337 165 403</b>

## Board report

The Board held seven meetings during the financial year, one of which was the first meeting of the new Board. All the members attended each of the meetings summarised below.

### 10 JUNE 2003

The unaudited results were presented and adopted. The auditors attended during this item and reported on the auditing work for the year. A proposal to the Annual General Meeting for a dividend of SEK 3.20 per share was also adopted. A budget and business plan for the current year were adopted.

### 23 JUNE 2003 (TELEPHONE MEETING)

The Nomination Committee presented proposals for Board members and auditors and fees for the above assignments.

### 7 AUGUST 2003

Review of printed annual report. The expansion of the central warehouse was also discussed, and the Board decided that the construction work would be carried out according to the proposed staging.

### 12 SEPTEMBER 2003

The interim report for the period May—June was presented and adopted. The Board visited the central warehouse and attended the turf-cutting ceremony which marked the beginning of the expansion of the central warehouse. The Board received information on present and planned marketing activities.

### 13 SEPTEMBER 2003

First meeting of the new Board, following the Annual General Meeting. The Annual General Meeting elected Anders Moberg

as a new member of the Board. The other members were re-elected, and Nils-Erik Johansson was elected Chairman. The AGM also approved a dividend of SEK 3.20 per share. Decisions were taken at this meeting on authorised signatories, rules of procedure for the Board and dates of meetings for the financial year ahead.

### 10 DECEMBER 2003

The interim report for the period May—October was presented and adopted. The Board was also informed that the first Finnish accessories catalogue (the computer accessories catalogue) had now been printed and was ready for distribution. The Board was informed about the expansion of the central warehouse currently in progress. The Board also discussed how changed stock-exchange rules affected the Board's composition and procedures. A remuneration committee consisting of three members was formed to draw up proposals for a review of the salary and remuneration of the Chief Executive Officer.

### 11 MARCH 2004

The interim report for the period May—January was presented and adopted. The Board discussed issues relating to future goals and strategies. It was decided that our previous goals and strategies for growth and profit level would remain unchanged. The Board additionally received information on how the management deals with personnel issues within the Group. The Board discussed and decided to increase the investment in the expansion of the central warehouse. To cope with future growth, a decision was taken to invest a further SEK 100 million and increase capacity to handle up to 90 stores as well as mail order/Internet business.

## Nomination Committee report

A nomination committee comprising Nils-Erik Johansson (Leksand), Marcus Storch (Stockholm) and Lars Ädel (Falun) was elected at the Annual General Meeting on 13 September 2003.

Nils-Erik Johansson represents the Board, while the other two members are independent of the Board and company.

Marcus Storch and Lars Ädel have broad experience of the work of boards of directors and of nomination procedures. Among other positions he holds, Marcus Storch is the deputy chairman of Axfood and Axel Jonsson AB. Lars Ädel is a member of the Board of Rolf Ericsson bil in Falun, among other positions.

The Committee's task is to submit proposals for Board

members or auditors by the next Annual General Meeting, at which the Board or auditors are due to be elected.

The group has been working on a nomination procedure for the Annual General Meeting of Clas Ohlson in the autumn, and has held two meetings to date, one in April and one in May. A third is planned in July 2004. Various candidates have been considered and discussed at the meetings. The focus has been on the candidates having to bring the right skills and expertise to Clas Ohlson. In addition, the nomination of auditors has also been discussed.

All the proposals of the Nomination Committee will be presented at the beginning of August at the time when the notice of the Annual General Meeting is published.

# Five-year summary



SEKm	2003/2004	2002/2003	2001/2002	2000/2001	1999/2000
<b>Income statement</b>					
Net sales	2,509.5	2,130.8	1,732.0	1,348.6	1,067.0
Operating profit	356.6	325.3	236.5	171.0	114.8
Profit after financial items	363.6	331.9	240.1	174.1	114.9
Tax	-102.7	-93.1	-67.4	-48.9	-32.3
<b>Net profit for the year</b>	<b>260.9</b>	<b>238.8</b>	<b>172.7</b>	<b>125.2</b>	<b>82.6</b>
<b>BALANCE SHEET</b>					
Fixed assets	411.7	285.8	234.8	214.7	190.3
Inventories	447.1	352.5	306.4	265.8	197.4
Accounts receivable - trade	11.6	11.2	12.0	9.3	8.3
Other current assets	24.8	20.8	15.3	14.0	9.6
Liquid assets, current investments	417.9	395.1	285.0	149.1	112.8
<b>Total assets</b>	<b>1,313.1</b>	<b>1,065.4</b>	<b>853.5</b>	<b>652.9</b>	<b>518.4</b>
Equity	883.7	735.8	581.2	453.6	354.6
Provisions	67.3	53.9	44.1	35.9	28.6
Current liabilities					
Non-interest-bearing	362.1	275.7	228.2	163.4	123.2
Interest-bearing	-	-	-	-	12.0
<b>Total equity and liabilities</b>	<b>1,313.1</b>	<b>1,065.4</b>	<b>853.5</b>	<b>652.9</b>	<b>518.4</b>
<b>CASH FLOW</b>					
Operating cash flow	296.6	277.8	228.0	123.8	97.1
Investments	-162.2	-85.0	-44.7	-44.4	-75.0
<b>Cash flow after investments</b>	<b>134.4</b>	<b>192.8</b>	<b>183.3</b>	<b>79.4</b>	<b>22.1</b>
<b>KEY RATIOS</b>					
Growth in sales	17.8	23.0	28.4	26.4	28.6
Gross margin, per cent	40.2	40.3	37.5	36.7	35.9
Operating margin, per cent	14.2	15.3	13.7	12.7	10.8
Operating margin stores, per cent	14.5	15.5	14.0	13.0	11.2
Operating margin mail order/Internet, per cent	9.4	12.4	10.5	10.3	8.3
Net margin, per cent	14.5	15.6	13.9	12.9	10.8
Return on capital employed, per cent	45.2	51.6	47.2	43.0	40.6
Return on equity, per cent	32.2	36.3	33.4	31.0	29.9
Equity/assets ratio, per cent	67.3	69.1	68.1	69.5	68.4
Sales per square metre in store, SEK 000	49	51	51	48	45
Number of full-time equivalent employees	1,067	868	737	613	524
<b>DATA PER SHARE<sup>1</sup></b>					
Number of shares, thousands	32,800	32,800	32,800	32,800	32,800
Earnings per share, SEK	7.95	7.28	5.27	3.82	2.52
Gross cash flow per share, SEK	9.10	8.24	6.09	4.51	3.04
Equity per share, SEK	26.94	22.43	17.72	13.83	10.81
Dividend, SEK	4.00 <sup>2</sup>	3.20	2.20	1.56	1.00

<sup>1</sup> Data per share has been adjusted to reflect the split, bonus issue and new share issue carried out.

<sup>2</sup> Proposed dividend.

## Comments on the five-year trend

Sales have increased over the last five years from SEK 1,067m to SEK 2,510m, a rise of 135 per cent. As there has been little change in prices and exchange rates over the period, the conclusion to be drawn is that virtually the whole increase is explained by greater sales volumes.

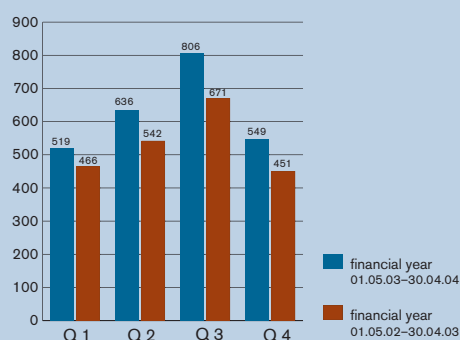
This is largely due to the sharp increase in the number of stores. Eight new stores were opened in 2003/04, seven in 2002/03, five in 2001/02, four in 2000/01 and four in 1999/2000. There were ten stores at the start of the 1999/2000 financial year, compared with 38 at the end of the 2003/04 financial year.

Operating profit has increased from SEK 115m to SEK 357m over the corresponding period, a leap of 210 per cent. Operating margin has improved from 10.8 per cent to 14.2 per cent. One of the reasons why we have been able to improve the margin so much is that our increased size has enabled us to negotiate better buying-in prices. Our increased size has also brought efficiency gains in logistics and in our internal handling. Both these factors are reflected in an improvement in gross margin from 35.9 per cent to 40.2 per cent over the period.

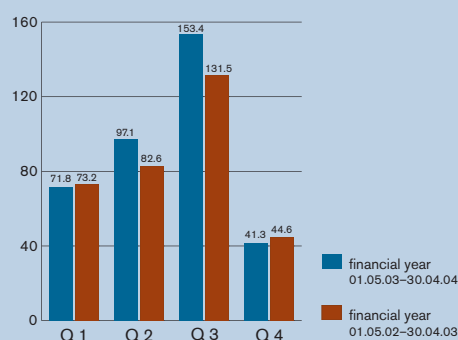
## Quarterly profits, two years

SEKm	2003/2004				2002/2003			
	Q 1	Q 2	Q 3	Q 4	Q 1	Q 2	Q 3	Q 4
	01.05.03	01.08.03	01.11.03	01.02.04	01.05.02	01.08.02	01.11.02	01.02.03
	-31.07.03	-31.10.03	-31.01.04	-30.04.04	-31.07.02	-31.10.02	-31.01.03	-30.04.03
Net sales	519.3	636.0	805.6	548.6	465.8	542.5	671.1	451.4
Cost of goods sold	-310.1	-376.5	-471.8	-342.7	-287.8	-325.1	-391.6	-267.7
Gross profit	209.2	259.5	333.8	205.9	178.0	217.4	279.5	183.7
Selling expenses	-126.0	-148.9	-164.8	-149.2	-94.1	-124.5	-136.2	-128.9
Administrative expenses	-13.5	-14.7	-17.0	-16.7	-11.0	-11.6	-13.5	-13.2
Other operating income/expense	0.1	-0.1	-0.2	-0.8	-0.2	0.3	-0.3	-0.1
Operating profit	69.8	95.8	151.8	39.2	72.7	81.6	129.5	41.5
Net financial items	2.0	1.3	1.6	2.1	0.5	1.0	2.0	3.1
Profit after financial items	71.8	97.1	153.4	41.3	73.2	82.6	131.5	44.6
Tax	-20.2	-27.5	-43.1	-11.9	-20.6	-23.1	-36.9	-12.5
Profit for the period	51.6	69.6	110.3	29.4	52.6	59.5	94.6	32.1
KEY RATIOS FOR PERIOD								
Gross margin, per cent	40.3	40.8	41.4	37.5	38.2	40.1	41.6	40.7
Operating margin, per cent	13.4	15.1	18.8	7.1	15.6	15.0	19.3	9.2
Net margin, per cent	13.8	15.3	19.0	7.5	15.7	15.2	19.6	9.9
Profit per share, SEK	1.57	2.12	3.36	0.90	1.60	1.81	2.88	0.98

Sales (SEKm)



Profit after financial items, SEKm



# Income statement



SEKm	Note	GROUP		PARENT COMPANY	
		01.05.03	01.05.02	01.05.03	01.05.02
		-30.04.04	-30.04.03	-30.04.04	-30.04.03
	1, 2				
Net sales	3	2,509.5	2,130.8	2,145.8	1,768.6
Cost of goods sold	3	-1,501.1	-1,272.2	-1,496.1	-1,261.9
<b>Gross profit</b>		<b>1,008.4</b>	<b>858.6</b>	<b>649.7</b>	<b>506.7</b>
Selling expenses	4	-588.9	-483.7	-389.9	-314.5
Administrative expenses		-61.9	-49.3	-52.9	-42.0
Other operating income	5	0.4	0.2	0.4	0.2
Other operating expenses	5	-1.4	-0.5	-1.2	-0.4
<b>Operating profit</b>	6, 7, 8	<b>356.6</b>	<b>325.3</b>	<b>206.1</b>	<b>150.0</b>
FINANCIAL ITEMS					
Dividend from Group companies	9	-	-	95.5	60.8
Interest income	10	9.7	14.4	4.6	6.3
Interest expenses	10	-2.7	-7.8	-2.6	-7.8
<b>Profit after financial items</b>		<b>363.6</b>	<b>331.9</b>	<b>303.6</b>	<b>209.3</b>
Appropriations	11	-	-	-50.1	-37.7
<b>Pre-tax profit</b>		<b>363.6</b>	<b>331.9</b>	<b>253.5</b>	<b>171.6</b>
Current tax	12	-92.3	-84.5	-44.8	-31.2
Change in deferred tax	12	-10.4	-8.6	-	-
<b>Net profit for the year</b>		<b>260.9</b>	<b>238.8</b>	<b>208.7</b>	<b>140.4</b>
<b>Earnings per share</b>		<b>7.95</b>	<b>7.28</b>	<b>-</b>	<b>-</b>
<b>Proposed divided per share</b>		<b>4.00</b>	<b>3.20</b>	<b>4.00</b>	<b>3.20</b>

SEKm	Note	GROUP		PARENT COMPANY	
		30.04.04	30.04.03	30.04.04	30.04.03
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
	13				
Tangible assets					
Land and buildings		123.2	126.0	122.5	125.2
Equipment, tools, fixtures and fittings		177.0	155.0	113.1	103.0
Construction in progress		107.4	4.2	107.4	4.2
<b>Total tangible assets</b>		<b>407.6</b>	<b>285.2</b>	<b>343.0</b>	<b>232.4</b>
Financial assets					
Participation in Group companies	9	–	–	19.3	10.3
Other shares and participations		0.1	0.1	0.1	0.1
Deferred income taxes recoverable	12	3.7	–	–	–
Long-term receivables		0.3	0.5	0.2	0.5
<b>Total financial assets</b>		<b>4.1</b>	<b>0.6</b>	<b>19.6</b>	<b>10.9</b>
<b>Total fixed assets</b>		<b>411.7</b>	<b>285.8</b>	<b>362.6</b>	<b>243.3</b>
<b>CURRENT ASSETS</b>					
Inventories					
Goods for resale		447.1	352.5	373.2	299.2
Current receivables					
Accounts receivable—trade		11.6	11.2	7.3	7.5
Receivables from Group companies		–	–	36.4	5.6
Other receivables		4.1	0.6	3.9	0.5
Prepaid expenses and accrued income	14	20.7	20.2	13.8	12.1
<b>Total current receivables</b>		<b>36.4</b>	<b>32.0</b>	<b>61.4</b>	<b>25.7</b>
Current investments		160.6	111.3	160.6	111.3
Cash and bank balances		257.3	283.8	63.6	121.8
<b>Total current assets</b>		<b>901.4</b>	<b>779.6</b>	<b>658.8</b>	<b>558.0</b>
<b>Total assets</b>		<b>1,313.1</b>	<b>1,065.4</b>	<b>1,021.4</b>	<b>801.3</b>
Pledged assets					
Long-term receivables		–	0.4	–	0.4
Liquid assets	15	2.1	3.5	–	–
Property mortgages	15	15.0	15.0	15.0	15.0
Floating charges	15	40.0	40.0	40.0	40.0

# Balance sheet



SEKm	Note	GROUP		PARENT COMPANY	
		30.04.04	30.04.03	30.04.04	30.04.03
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
	16				
Restricted equity					
Share capital, 32,800,000 shares, par value SEK 2.50		82.0	82.0	82.0	82.0
Restricted reserves/Share premium reserve		288.3	248.6	90.4	90.4
Reserve fund		–	–	16.4	16.4
<b>Total restricted equity</b>		<b>370.3</b>	<b>330.6</b>	<b>188.8</b>	<b>188.8</b>
Non-restricted equity					
Non-restricted reserves/profit brought forward		252.5	166.4	128.5	93.0
Profit for the year		260.9	238.8	208.7	140.4
<b>Total non-restricted equity</b>		<b>513.4</b>	<b>405.2</b>	<b>337.2</b>	<b>233.4</b>
<b>Total equity</b>		<b>883.7</b>	<b>735.8</b>	<b>526.0</b>	<b>422.2</b>
Untaxed reserves	17	–	–	245.5	195.4
Provisions					
Provisions for pensions		–	0.9	–	0.4
Provisions for taxes	12	63.3	49.2	–	–
Other provisions	18	4.0	3.8	3.2	3.2
<b>Total provisions</b>		<b>67.3</b>	<b>53.9</b>	<b>3.2</b>	<b>3.6</b>
Current liabilities					
Accounts payable—trade		124.4	77.9	110.0	64.4
Tax liability		99.0	82.9	36.8	25.1
Other current liabilities		19.3	20.0	6.6	11.2
Accrued expenses and deferred income	19	119.4	94.9	93.3	79.4
<b>Total current liabilities</b>		<b>362.1</b>	<b>275.7</b>	<b>246.7</b>	<b>180.1</b>
<b>Total equity and liabilities</b>		<b>1,313.1</b>	<b>1,065.4</b>	<b>1,021.4</b>	<b>801.3</b>
Contingent liabilities					
Guarantee to benefit Group companies relating to future rental commitments		–	–	38.3	17.2

SEKm	GROUP		PARENT COMPANY	
	01.05.03	01.05.02	01.05.03	01.05.02
	-30.04.04	-30.04.03	-30.04.04	-30.04.03
Operating activities				
Profit after financial items	363.6	331.9	303.6	209.3
Adjustment for items not included in cash flow:				
- depreciation	37.5	31.6	26.7	22.5
- profit from sale/disposal of fixed assets	0.4	-0.1	0.4	-0.1
- change in interest receivables	2.6	-	-0.3	-
- change in interest liabilities	-0.4	-	0.4	-
Tax paid	-71.4	-55.5	-29.5	-26.5
<b>Cash flow from operating activities before change in working capital</b>	<b>332.3</b>	<b>307.9</b>	<b>301.3</b>	<b>205.2</b>
Cash flow from changes in working capital:				
- accounts receivable—trade	-0.6	0.7	0.3	0.4
- inventories	-97.2	-49.2	-74.0	-33.6
- other receivables	-37.7	-8.3	-35.6	-4.8
- accounts payable—trade	47.1	1.7	45.6	-7.9
- other current interest-free operating liabilities/provisions	52.7	25.0	5.0	24.4
<b>Cash flow from operating activities</b>	<b>296.6</b>	<b>277.8</b>	<b>242.6</b>	<b>183.7</b>
Investing activities				
Investments in tangible fixed assets	-162.9	-85.6	-138.3	-61.4
Sale of equipment	0.5	0.6	0.6	0.4
Change of financial assets	0.2	0.1	-8.8	-10.1
Cash flow from investing activities	-162.2	-84.9	-146.5	-71.1
Financing activities				
Divided to shareholders	-105.0	-72.2	-105.0	-72.2
Cash flow from financing activities	-105.0	-72.2	-105.0	-72.2
<b>Cash flow for the year</b>	<b>29.4</b>	<b>120.7</b>	<b>-8.9</b>	<b>40.4</b>
Liquid assets, current investments at start of year	395.1	285.0	233.1	192.7
Exchange rate difference for liquid assets	-6.6	-10.6	-	-
Liquid assets, current investments at end of year	417.9	395.1	224.2	233.1
of which				
current investments	160.6	111.3	160.6	111.3
liquid assets	257.3	283.8	63.6	121.8
Interest received during the year	12.3	12.0	4.3	6.6
Interest paid during the year	3.1	7.8	3.0	7.8

# Accounting principles and notes



(Amounts are in SEKm unless stated otherwise)

## NOTE 1 ACCOUNTING AND VALUATION PRINCIPLES

### ACCOUNTING PRINCIPLES

Accounting principles adopted are in accordance with the Swedish Annual Accounts Act and the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. The accounting principles adopted are unchanged in comparison with the previous year. The recommendations which came into effect in 2003 have not affected the Group's income statements and balance sheets.

### CONSOLIDATED ACCOUNTS

The consolidated accounts have been drawn up in accordance with the Swedish Financial Accounting Standards Council's Recommendation 1. The consolidated accounts include the wholly-owned subsidiaries Clas Ohlson AS and Clas Ohlson OY. The purchase method has been applied in drawing up the consolidated accounts. Translation of the accounts of the foreign subsidiaries has been carried out according to the current method, which means that assets, liabilities and equity have been translated at the closing-day rate of exchange and the income statement at the average exchange rate for the year. As a result of this and as a result of the net investment having been translated at a different exchange rate at the end of the year than at the start of the year, the translation difference has reduced equity by SEK 8.0m. Inter-company profits within the Group have been entirely eliminated on assignment in the consolidated accounts.

### INCOME

Sale of goods is reported on delivery of products to the customer, in accordance with the terms of sale. Sale is reported net after VAT and discounts. Intra-Group sales are eliminated in the consolidated accounts.

### INCOME TAXES

All taxation expected to accrue on reported profits is reported in the income statement. These taxes have been calculated according to the taxation rules of the country concerned and are reported under the item of current tax. Deferred tax is calculated according to the balance-sheet method on all temporary differences which arise between reported values and values for tax purposes of assets and liabilities. These temporary differences have mainly arisen in the depreciation of fixed assets, valuation of inventories, provisions for pensions and handling of deficits for tax purposes in subsidiaries in Finland.

### FIXED ASSETS

Depreciation of the acquisition value of fixed assets has been made according to plan and is based on the useful life of the assets. The following depreciation periods are applied:

Equipment, tools, fixtures and fittings	3–15 years
Buildings	25–33 years
Land improvements	20 years

### LEASING

Leasing contracts only occur in the Group and in the parent company in the form of rental contracts for store premises. All the stores except the one in Insjön are leased. In accordance with the Swedish Accounting Standards Council's Recommendation 6, these agreements have been classified as operational leasing agreements as they do not have the effect that the financial benefits and risks associated with ownership are transferred to the tenant.

### INVENTORIES

Inventories have been valued at the lower of acquisition value and net realisable value according to the FIFO method.

### RECEIVABLES

Provision for loss risk has been made following individual examination.

### GUARANTEE EXPENSES

Provision has been made for estimated future guarantee commitments equivalent to guarantee expenses for the year taking account of the length of the guarantee period.

### LIABILITIES IN FOREIGN CURRENCIES

Liabilities in foreign currencies have been valued at the year-end exchange rate. In cases where currency hedging has been carried out, the forward rate is applied. The difference between the forward rate and current rate for forward exchange contracts has been distributed over the term of the forward exchange contract. Accrued forward premium is reported as interest income and interest expense. Exchange gains and exchange losses attributable to operating liabilities are included in operating profit.

### CASH FLOW STATEMENT

The cash-flow statement is drawn up according to the indirect method. The reported cash flow only comprises transactions which entail payments in or out. In addition to cash and bank holdings current financial investments are classified as liquid assets, i.e. those that are only subject to an insignificant risk of fluctuation in value and normally have a remaining term of less than three months from the time of acquisition.

### PENSIONS

Both defined-benefit and defined-contribution pension plans occur in the Group. The pension plans in the Norwegian subsidiary are defined-benefit, and future obligations are calculated every year. Any difference which arises in comparison with the contributions paid in is adjusted through the income statement. Pension insurance in the Finnish subsidiary is entirely defined-contribution. Most pension policies in the parent company are defined-contribution. The only exception is the ITP plan, which covers all non-manual employees except the CEO. A new recommendation from the Swedish Financial Accounting Standards Council which comes into effect for financial years starting on 01.01.2004 or later affects this item. Under this recommendation, future obligations are to be calculated at the time of each closing of accounts and reconciled with contributions paid in. Alecta, which administers these pensions, is unable to provide such information at present, but they anticipate being able to do so in the autumn of 2004. The pension liability will be converted in the year-end accounts for 2004/05, and the change in liability as of 01.05.2004 will then be taken directly to equity.

### SEGMENT ACCOUNTING

With effect from this year, a division is made into segments as additional information in accordance with the Swedish Financial Accounting Standards Council's Recommendation 25. A division has accordingly been made into primary and secondary segments of the company's operations. Choice of primary or secondary segment has been decided by which types of risks and opportunities dominate, how the company is organised and how the internal reporting system is constructed. Our view is that the business fully comprises the sale of do-it-yourself products, and it is therefore regarded as a primary segment. The division into geographical areas is regarded as a secondary segment.

## NOTE 2 FINANCIAL RISKS

Clas Ohlson does not have any interest-bearing liabilities. On the other hand, we have relatively high exchange-rate exposure through our sales in Norway and Finland and through the Group's purchasing. The following balance-sheet and income items are of such a nature as to entail some form of financial risks:

### ACCOUNTS RECEIVABLE—TRADE

Accounts receivable—trade, are characterised by a very low risk, as each sub-item is small and the Group's credit policy is restrictive. Reservation is made for doubtful debts following individual examination, but it has not been necessary for this to be done in the last two years for either the Group or the parent company.

**Cont. Note 2****CURRENT INVESTMENTS**

Current investments relate to investments in commercial papers on the Swedish interest market. The risk is low as the policy is to choose commercial papers with a very high credit rating. The following securities issued by Volvofinans (rating K2) existed at the end of the year:

Maturity	Interest rate in %	Amount (SEKm)
19.05.2004	2.58	72.5
16.06.2004	2.62	17.8
16.06.2004	2.18	9.0
18.08.2004	2.15	14.9
11.08.2004	2.71	29.6
17.11.2004	2.25	16.8

**CASH AND BANK BALANCES**

Liquid assets are invested in various bank accounts, mainly in Svenska Handelsbanken and its international branches in Norway and Finland. There is judged to be no credit risk. However, this item is subject to a currency risk as a significant proportion of the funds are invested in Norway in Norwegian kroner. Out of a total of SEK 257.3m, SEK 63.6m is invested in Sweden, SEK 185.4m in Norway and SEK 8.3m in Finland. No currency hedging is used to hedge liquid assets or equity in the subsidiaries.

**EQUITY**

A significant proportion of the Group's equity is attributable to the Norwegian subsidiary. A currency risk consequently arises when this is translated to Swedish kronor. Of the Group's non-restricted equity totalling SEK 513.4m, SEK 205.6m was in Norway. No currency hedging to hedge liquid assets or equity in the subsidiaries is used.

**ACCOUNTS PAYABLE—TRADE**

Supplier risk is regarded as very low as we buy from more than 800 suppliers. In addition, in accordance with our purchasing policy we avoid entering into long-term supply contracts, so that we retain flexibility with regard to suppliers and products. Part of accounts payable—trade, is made up of liabilities in foreign currencies and is therefore subject to currency risks. Hedging of the most important currencies is used in the Group in our purchases to reduce any currency risks. Around 50 per cent of the anticipated flow one year ahead is currency-hedged at the time when the prices in the main catalogue are set. All forward contracts had been utilised by the end of the financial year.

**OPERATING PROFIT**

Around 38 per cent of our purchases are made in currencies other than Swedish kronor. The most important currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro. In addition, movements of the Swedish krona against the Norwegian krone (NOK) are very important to the Group as more than a third of sales take place in Norway. Exposure to the euro will decrease in the longer term, as we will have higher sales in euros due to our expansion in the Finnish market. The table below shows how operating profit is affected by the most important currencies. Note that the table applies excluding currency hedging. The Norwegian krone is also hedged according to the principles outlined above.

Currency	Change	Impact on operating profit, SEKm
NOK	+/- 5 per cent	+/- 24.0
USD	+/- 5 per cent	-/+ 9.3
HKD	+/- 5 per cent	-/+ 7.4
EUR	+/- 5 per cent	-/+ 5.0

**NOTE 3 PURCHASES AND SALES BETWEEN GROUP COMPANIES**

Of the parent company's invoiced sales, SEK 512.9m (SEK 394.3m) relates to inter-Group sales. Of this sum, SEK 479.5m (SEK 386.4m) relates to sale to Clas Ohlson AS in Norway and SEK 33.4m (SEK 7.9m) concerns sale to Clas Ohlson OY in Finland. No purchases have been made from subsidiaries.

**NOTE 4 OPERATIONAL LEASING**

All store premises, with the exception of Insjön, are leased and are treated as operational leasing. The average contract period at 30.04.2003 was seven years.

	2003/04	2002/03			
Rents and leasing charges in financial years	91.2	68.5			
Agreed future rents	2004/05	2005/06	2006/07	2007/08	2008–
Agreed rental contracts are calculated at					
2004 rent level	105.0	107.7	102.4	87.0	285.0

**NOTE 5 EXCHANGE-RATE DIFFERENCES**

Other operating income includes exchange-rate differences amounting to SEK 0.4m (SEK 0.2m) for the Group and SEK 0.4m (SEK 0.2m) for the parent company. Other operating expense includes exchange-rate differences amounting to SEK 1.0m (SEK 0.5m) for the Group and SEK 0.8m (SEK 0.4m) for the parent company.

**NOTE 6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES**

Salaries and other remuneration	2003/04	2002/03
Parent Company	267.4	219.0
Subsidiaries	91.7	75.3
Group total	359.1	294.3

	2003/04		2002/03	
	Social security expenses	of which pension expenses	Social security expenses	of which pension expenses
Parent Company	110.1	19.4	87.3	14.0
Subsidiaries	15.2	2.3	12.4	2.0
Group total	125.3	21.7	99.7	16.0

Of the parent company's pension expenses, SEK 1.2m (SEK 1.3m) relates to the group of the Board, CEO and Vice CEO. Of the pension expenses of subsidiaries, SEK 0.1m (SEK 0.1m) relates to CEOs of subsidiaries.

Salaries and other remuneration broken down by country into Board members etc. and employees

	2003/04		2002/03	
	Board, CEO and Vice CEO	Other employees	Board, CEO and Vice CEO	Other employees
Parent Company	13.6	253.8	11.7	207.3
—of which bonuses	(4.4)		(3.8)	
Subsidiaries in Norway	2.4	79.9	2.4	70.0
—of which bonuses	(0.4)		(0.5)	
Subsidiaries in Finland	0.5	8.9	0	2.9
—of which bonuses	(0.1)		0	
Group total	16.5	342.6	14.1	280.2
—of which bonuses	(4.9)		(4.3)	

**BOARD REMUNERATION**

Fees are paid to the members of the Board as decided by the Annual General Meeting. If work over and above the actual Board work is done on behalf of the company, separate remuneration is paid for this. Board members who are employed in the company do not receive a director's fee. No pensions or other remuneration under incentive schemes are paid to the company's Board. No director's fees are paid in the subsidiaries.

**Cont. Note 6**

	2003/04		2002/03	
	Director's fee	Other salaries	Director's fee	Other salaries
Chairman of the Board	0.2	0.1	0.2	0.2
Other Board members elected by the AGM	0.3	0.0	0.2	0.0
Board total	0.5	0.1	0.4	0.2

Other salaries to the Chairman of the Board relate to extra remuneration for strategic assignments and additional representative assignments on behalf of Clas Ohlson.

The gender distribution among the Board members elected by the AGM during the financial year was five men and one woman. The distribution is thus 83 per cent male and 17 per cent female. The equivalent distribution in the previous year was 80 per cent male and 20 per cent female.

**REMUNERATION OF SENIOR MANAGEMENT**

Remuneration paid to the Chief Executive Officer and other senior management is made up of basic salary, bonuses and pension contributions. Other senior management relates to the seven individuals who together with the Chief Executive Officer make up the Group management. For the composition of the senior management, see page 53 of the printed annual report.

	2003/04		2002/03	
	Salaries	Bonuses	Salaries	Bonuses
Chief Executive Officer	3.4	3.0	2.8	2.6
Other senior management (7)	8.0	2.0	9.0	2.4
Total management	11.4	5.0	11.8	5.0

	2003/04		2002/03	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
Chief Executive Officer	0.4	0.0	0.4	0.0
Other senior management (7)	1.4	0.4	1.1	0.2
Total management	1.8	0.4	1.5	0.2

Under the contract of employment with the Chief Executive Officer, the period of notice is two years on the part of the company and one year on the part of the Chief Executive Officer. Applicable salary and benefits are payable during the period of notice. The retirement age is 65, and the present level of pension contribution is equivalent to ten price base amounts per year. Salary and other remuneration payable to the CEO are decided by the Board and prepared by a remuneration committee appointed within the Board. The salary is revised at the end of each calendar year. A bonus is payable at one per cent of the Group's pre-tax profit above SEK 75.8m. The base amount from which bonus is payable from the outset was SEK 70m and has been adjusted upwards with the consumer price index. Three of the other senior management have separate agreements relating to periods of notice, two years in the case of notice by the company and one year for notice by the employee. Applicable salary and benefits are payable during the period of notice. Salaries and other remuneration payable to CEOs of subsidiaries are decided by the Board of the subsidiary concerned.

Salaries and other remuneration for other senior management are decided by the Chief Executive Officer. Bonuses payable to other senior management are decided by the Board. The bonus is based on the Group's net margin and increases as a percentage on a sliding scale. Reservation is made continuously for bonuses in the closing accounts of the year concerned. All senior management are entitled to annual pension contributions, principally in accordance with the applicable ITP plan. The retirement age is 65.

The gender distribution among the senior management during the financial year was seven men and one woman. The distribution is thus 87 per cent male and 13 per cent female. This is unchanged in comparison with the previous financial year.

In addition to ordinary salary, there are three types of performance-based pay. For staff in the stores, a significant proportion of pay is based on sales in the store concerned. The same pay system is used in the company's central warehouse, but there pay is based on sales by the whole Group. Non-manual staff have a bonus system based on Group profits. Senior management receive bonuses based on the Group's profits and net margin. These bonuses can amount to a maximum of around 40 per cent of annual salary. They amounted to around 25 per cent during the financial year.

Further information on decision-making processes in the Group can be found on pages 6–7 of the annual report.

**NOTE 7 REMUNERATION OF AUDITORS**

Öhrlings Pricewaterhouse Coopers	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Remuneration for audit assignments	1.0	1.1	0.6	0.6
Remuneration for other consultancy	0.3	0.4	0.2	0.2
Total	1.3	1.5	0.8	0.8

**NOTE 8 DEPRECIATION**

Depreciation of tangible fixed assets amounts to SEK 37.5m (SEK 31.6m) in the Group and SEK 26.7m (SEK 22.5m) in the parent company.

**NOTE 9 PARTICIPATIONS IN GROUP COMPANIES**

The subsidiary Clas Ohlson AS in Norway, with corporate identity number NO 937402198 and registered office in Oslo, 10,000 shares with a par value of SEK 100. Shareholding 100 per cent. Book value SEK 50,475. A dividend has been paid by the Norwegian subsidiary to the parent company amounting to SEK 95.5m (SEK 60.8m). The subsidiary Clas Ohlson OY in Finland, with corporate identity number 1765891-7 and registered office in Helsinki, 500,000 shares with a par value of EUR 1. Shareholding 100 per cent. Book value SEK 19.3m, of which value of shareholders' contribution SEK 14.6m.

**NOTE 10 INTEREST INCOME AND INTEREST EXPENSE**

The interest expense of the Group and parent company for the year includes interest compensation on forward exchange deals amounting to SEK 2.6m (SEK 7.4m).

**NOTE 11 APPROPRIATIONS**

	Parent Company	
	2003/04	2002/03
Difference between book depreciation and depreciation according to plan on:		
- equipment, tools, fixtures and fittings	-6.8	-8.5
- land and buildings	1.1	1.1
Change in tax allocation reserve	-44.4	-30.3
Total	-50.1	-37.7

**NOTE 12 TAXES**

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Current tax				
Current tax on profit for the year	92.3	84.5	44.8	31.2
	92.3	84.5	44.8	31.2
Deferred tax				
Deferred tax relating to temporary differences	12.9	9.7	0	0
Deferred tax relating to value for tax in capitalised loss carry-forwards	-2.5	-1.1	0	0
	10.4	8.6	0	0
Total reported tax expense	102.7	93.1	44.8	31.2

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Reconciliation of applicable tax rate and effective tax rate				
Reported pre-tax profit	363.6	331.9	253.5	171.6
Tax according to applicable tax rate for parent company 28%	-101.8	-92.9	-71.0	-48.0
Effect of different tax rates for foreign subsidiaries	-0.2	0	0	0
Tax effect of:				
Non-deductible expenses	-0.8	-0.2	-0.7	-0.2
Income not liable to tax	0.2	0	0.2	0
Dividends from subsidiaries	0	0	26.7	17.0
Adjustments to current tax attributable to previous years	0	0	0	0
Adjustment of deferred tax in previous years	-0.1	0	0	0
Reported tax expense	-102.7	-93.1	-44.8	-31.2
Applicable tax rate for income tax, %	28	28	28	28
Effective tax rate, %	28	28	18	18
Deferred tax items reported directly in equity	0	0	0	0

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Reported deferred taxes recoverable and tax liabilities				
Equipment, tools, fixtures and fittings	-1.3	-0.9	0	0
Inventories	0.6	0.4	0	0
Inter-company profit in inventories	5.9	4.6	0	0
Reserves	0.2	0.2	0	0
Pensions	0	0.1	0	0
Untaxed reserves	-68.7	-54.7	0	0
Deficits in subsidiaries	3.7	1.1	0	0
Total accrued income taxes recoverable (+) deferred tax liability (-), net	-59.6	-49.2	0	0
Deferred income taxes recoverable	3.7	0		
Deferred tax liability	-63.3	-49.2		

The Group does not have any unreported deferred income taxes recoverable or tax liabilities on temporary differences

Change in deferred tax in temporary differences during year, Group	Amount at start of year	Reported in income statement	Amount at end of year
Equipment, tools, fixtures and fittings	-0.9	-0.4	-1.3
Inventories	0.4	0.2	0.6
Inter-company profit in inventories	4.6	1.3	5.9
Reserves	0.2	0	0.2
Pensions	0.1	-0.1	0
Untaxed reserves	-54.7	-14.0	-68.7
Deficits in subsidiaries	1.1	2.6	3.7
Total	-49.2	-10.4	-59.6

# Notes



## NOTE 13 FIXED ASSETS

Tangible assets	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
<b>Land and buildings</b>				
Opening acquisition value	169.2	146.9	168.2	146.9
Acquisitions for the year	3.8	22.3	3.7	21.3
Sales and disposals	-0.5	-	-0.5	-
Closing cumulative acquisition value	172.5	169.2	171.4	168.2
Opening depreciation	43.2	37.3	43.0	37.3
Depreciation for the year	6.6	5.9	6.4	5.7
Sales and disposals	-0.5	-	-0.5	-
Closing cumulative depreciation	49.3	43.2	48.9	43.0
Closing residual value according to plan	123.2	126.0	122.5	125.2
Assessed value	59.3	46.9	59.3	46.9
Book value of land	4.9	4.9	4.9	4.9
<b>Equipment, tools, fixtures and fittings</b>				
Opening acquisition value	252.6	206.6	168.6	140.9
Acquisitions for the year	55.9	59.1	31.3	35.9
Sales and disposals	-12.7	-9.4	-6.5	-8.2
Translation differences	-3.3	-3.7	-	-
Closing cumulative acquisition value	292.5	252.6	193.4	168.6
Opening depreciation	97.7	82.3	65.6	56.7
Sales and disposals	-11.7	-8.9	-5.6	-7.8
Depreciation for the year	30.9	25.7	20.3	16.7
Translation differences	-1.4	-1.5	-	-
Closing cumulative depreciation	115.5	97.6	80.3	65.6
Closing residual value according to plan	177.0	155.0	113.1	103.0
<b>Construction in progress</b>				
Opening acquisition value	4.2	0.0	4.2	0.0
Acquisitions for the year	103.2	4.2	103.2	4.2
Closing cumulative acquisition value	107.4	4.2	107.4	4.2
<b>Financial assets</b>				
Opening acquisition value	0.6	0.8	10.9	0.7
Decrease/increase in long-term receivables	3.5	-0.2	-0.3	-0.1
Increase in participations in Group companies	-	-	9.0	10.3
Closing cumulative acquisition value	4.1	0.6	19.6	10.9

## NOTE 14 PRE-PAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Prepaid rent	13.8	11.6	9.4	8.3
Pre-paid IT expenses	1.3	0.9	1.3	0.9
Accrued interest income	2.1	4.9	0.9	0.6
Other items	3.5	2.8	2.2	2.3
Total	20.7	20.2	13.8	12.1

## NOTE 15 PLEDGED ASSETS

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Liquid assets	2.1	3.5	-	-
Property mortgages	15.0	15.0	15.0	15.0
Floating charges	40.0	40.0	40.0	40.0
Total pledged assets	57.1	58.5	55.0	55.0

Liquid assets relate to security for employees' taxes in the Norwegian subsidiary. Other assets indicated above are pledged to credit institutions as general security for currency forward contracts and unutilised loans, which at the end of the year amounted to SEK 15m (SEK 15m) in the Group and SEK 15m (SEK 15m) in the parent company.

## NOTE 16 CHANGE IN EQUITY

Group 2002/03	Share equity	Restricted reserves	Non-restricted equity
Opening equity according to adopted consolidated balance sheet	82.0	221.6	277.6
Change in translation difference		-0.2	-11.7
Transfers between restricted and non-restricted equity		27.2	-27.2
Dividend			-72.2
Net profit for the year			238.7
Amount at end of year	82.0	248.6	405.2
<b>Group 2003/04</b>			
Opening equity according to adopted consolidated balance sheet	82.0	248.6	405.2
Change in translation difference			-8.0
Transfers between restricted and non-restricted equity		39.7	-39.7
Dividend			-105.0
Net profit for the year			260.9
Amount at end of year	82.0	288.3	513.4

Cumulative exchange-rate differences reported directly as equity amount to SEK -11.8m (SEK -3.8m).

Parent company 2002/03	Share equity	Share premium reserve	Statutory reserve	Non-restricted equity
Amount at start of year	82.0	90.4	16.4	165.3
Dividend				-72.2
Net profit for the year				140.4
Amount at end of year	82.0	90.4	16.4	233.5
<b>Group 2003/04</b>				
Amount at start of year	82.0	90.4	16.4	233.5
Dividend				-105.0
Net profit for the year				208.7
Amount at end of year	82.0	90.4	16.4	337.2

## NOTE 17 UNTAXED RESERVES

	Parent Company	
	2003/04	2002/03
Cumulative difference between book depreciation and depreciation according to plan on:		
- equipment, tools, fixtures and fittings	50.9	44.2
- land and buildings	13.8	14.8
Tax allocation reserve	180.8	136.4
Total	245.5	195.4

**NOTE 18 OTHER PROVISIONS**

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Guarantee commitments	4.0	3.8	3.2	3.2

**NOTE 19 ACCRUED EXPENSES AND DEFERRED INCOME**

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Accrued salary expenses	39.2	28.8	30.7	26.3
Accrued holiday pay expenses	42.9	35.2	31.7	26.5
Accrued social security contributions	31.6	26.9	28.0	24.0
Other items	5.7	4.0	2.9	2.6
Total	119.4	94.9	93.3	79.4

**NOTE 20 AVERAGE NUMBER OF EMPLOYEES**

	Group		Parent Company	
	2003/04	2002/03	2003/04	2002/03
Insjön	360	329	360	329
Other stores in Sweden	447	364	447	364
Total Sweden	807	693	807	693
- of whom women	291	250	291	250
Total Norway	210	165		
- of whom women	71	59		
Total Finland	50	10		
- of whom women	22	4		
Total	1,067	868	807	693
- of whom women	384	313	291	250

The average number of employees is calculated on the total number of hours in relation to total annual working time. For further information on our employees, see pages 10–13 of the printed annual report.

**NOTE 21 ABSENCE DUE TO SICKNESS**

	Group	Parent Company
	2003/04	2003/04
Average absence due to sickness		
Total absence due to sickness	5.4%	5.3%
- of which long-term sick leave	52%	56%
- of which men	3.9%	3.8%
- of which women	7.9%	7.9%
- of which employees aged up to 29	3.4%	3.2%
- of which employees aged 30–49	6.6%	6.5%
- of which employees aged over 50	9.8%	9.7%

**NOTE 22 SEGMENT REPORTING**

Primary segment:	Group	
sale of do-it-yourself products	2003/04	2002/03
Sales	2,509.5	2,130.8
Operating profit	356.6	325.3
Total assets	1,313.1	1,065.4
Total liabilities	362.1	275.7
Total tangible investments	162.9	85.6
Total depreciation	37.5	31.6
Secondary segment:	Group	
sales per geographical market	2003/04	2002/03
Sweden		
Sales	1,633.0	1,374.3
Total assets	965.5	785.4
Total tangible investments	138.3	61.4
Norway		
Sales	843.3	748.6
Total assets	308.4	267.8
Total tangible investments	15.8	19.2
Finland		
Sales	33.2	7.9
Total assets	39.2	12.2
Total tangible investments	8.8	5.0

Insjön, 28 June 2004

NILS-ERIK JOHANSSON  
Chairman of the Board

BJÖRN HAID

JÖRGEN SPRINGFELDT

ELISABET SALANDER BJÖRKLUND

ANDERS MOBERG

SÖLWE JOHNSON  
Employee representative (HAF)

TONY DAHLSTRÖM  
Employee representative (HTF)

GERT KARNBERGER  
Chief Executive Officer

Our audit report was submitted on 7 July 2004

GÖRAN MELIN  
Authorised public accountant

ULLA-BRITT LARSSON  
Authorised public accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting to be held on 11 September 2004.

# Auditors' report



## Auditors' report

To the Annual General Meeting of  
Clas Ohlson AB (publ)  
Corporate identity no. 556035-8672

We have examined the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of Clas Ohlson AB (publ) for the financial year 1 May 2003 to 30 April 2004. These accounts and the administration of the company are the responsibility of the Board of Directors and the Chief Executive Officer. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the CEO, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As evidence in support of our opinion on discharge from liability, we examined significant decisions, actions

taken and circumstances of the Company in order to be able to determine the liability, if any, to the Company of any member of the Board of Directors or the CEO. We also examined whether any member of the Board of Directors or the CEO in any other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act, and, consequently, present a true and fair view of the results and position of the company and the Group in accordance with generally accepted accounting standards in Sweden.

We recommend that the Annual General Meeting adopt the income statements and balance sheets of the Parent Company and the Group, deal with the profit of the Parent Company in accordance with the proposal in the directors' report and discharge the members of the Board of Directors and the Chief Executive Officer from liability for the financial year.

Falun, 7 July 2004

Göran Melin  
Authorised public accountant

Ulla-Britt Larsson  
Authorised public accountant



## AUDITORS

### ULLA-BRITT LARSSON

Born 1946

Authorised public accountant, Öhrlings PricewaterhouseCoopers  
Auditor of Clas Ohlson AB since 2000

### GÖRAN MELIN

Born 1962

Authorised public accountant, Öhrlings PricewaterhouseCoopers  
Auditor of Clas Ohlson AB since 1995

**NILS-ERIK JOHANSSON**

Born 1933  
 Chairman of the Board  
 Member of the Board since 1999  
 Member of the Board of Heberleins i Båstad AB and Leksands IF  
 Member of the Board of Axel Johnson AB, Åhléns AB, FöreningsSparbankens Företagsråd i Stockholm, Svenskt kvalitetsssystem AB and SRS  
 Number of shares in Clas Ohlson AB: 5,000

**JÖRGEN SPRINGFELDT**

Born 1946  
 Chairman of the Board 1996–1999, member since 1992  
 Other Board assignments: Member of RSD Retail & Shopping Centre Development, Stockholm, and also in some small companies with own part-ownership  
 Number of shares in Clas Ohlson AB: 2,600

**GERT KARNBERGER**

Born 1943  
 Chief Executive Officer since 1996  
 Member of the Board since 1990  
 Other Board assignments: Deputy Chairman of Swedish Mail Order and Traders' Association  
 Member of the Board of Svensk Handel and Systembolaget AB  
 Number of shares in Clas Ohlson AB: 2,000

**BJÖRN HAID**

Born 1945  
 Grandson of Clas Ohlson  
 Member of the Board since 1990  
 Number of shares in Clas Ohlson AB: 113,000

**ELISABET SALANDER BJÖRKLUND**

Born 1958  
 Works at Stora Enso Timber as Executive Vice President  
 Other Board assignments: Member of the Board of the Swedish National Road Administration, as well as a number of subsidiaries within Stora Enso  
 Member of the Board since 2000  
 Number of shares in Clas Ohlson AB: 1,200

**ANDERS MOBERG**

Born 1950  
 Works as Group Chief Executive in the European food products chain Royal Ahold  
 Previously for many years at IKEA  
 Other Board assignments: Member of the Boards of the Danish companies Lego A/S, DFDS A/S and Velux A/S  
 Member of the Board since 2003  
 Number of shares in Clas Ohlson AB: 656,000

**SÖLWE JOHNSON**

Born 1950  
 HAF employee representative  
 Member of the Board since 1990  
 Number of shares in Clas Ohlson AB: 1,000

**TONY DAHLSTRÖM**

Born 1964  
 HTF employee representative  
 Member of the Board since 2000  
 Number of shares in Clas Ohlson AB: 1,000

**Deputy members****BÖRJE HALLBERG**

Born 1949  
 HAF employee representative  
 Number of shares in Clas Ohlson AB: 400

**KRISTER BECK**

Born 1965  
 HTF employee representative  
 Number of shares in Clas Ohlson AB: 1,000

Top row: Tony Dahlström, Gert Karnberger, Sölwe Johnson and Elisabet Salander Björklund.  
 Bottom row: Anders Moberg, Jörgen Springfeldt, Björn Haid and Nils-Erik Johansson.





From left to right: Tapio Kuittinen, Lars Wallén, Bo Heyman, Susanne Löfås-Hällman, Gert Karnberger, Rolf Andersson, Mats Bortas and Ola Aurtande.

## Senior management

### GERT KARNBERGER

Born 1943  
 CEO and Group President  
 CEO since 1996  
 Number of shares in Clas Ohlson AB: 2,000

### LARS WALLÉN

Born 1947  
 Vice CEO and Vice Group President  
 Employee since 1987  
 Number of shares in Clas Ohlson AB: 1,000

### MATS BORTAS

Born 1948  
 Head of purchasing  
 Employee since 1976  
 Number of shares in Clas Ohlson AB: 1,400

### ROLF ANDERSSON

Born 1946  
 Head of central warehouse  
 Employee since 1989  
 Number of shares in Clas Ohlson AB: 0

### SUSANNE LÖFÅS-HÄLLMAN

Born 1964  
 Head of Human Relations  
 Employee since 2001  
 Number of shares in Clas Ohlson AB: 0

### BO HEYMAN

Born 1952  
 Head of store openings and acting head of sales Sweden  
 Employee since 1983  
 Number of shares in Clas Ohlson AB: 1,000

### OLA AURTANDE

Born 1944  
 CEO of Clas Ohlson AS, Norway  
 Employee since 1992  
 Number of shares in Clas Ohlson AB: 0

### TAPIO KUITTINEN

Born 1959  
 CEO of Clas Ohlson OY, Finland  
 Employee since 2002  
 Number of shares in Clas Ohlson AB: 0

### INGEMAR SVENSSON

Born 1941  
 Purchasing manager for Own consumption  
 Employee since 1972  
 Number of shares in Clas Ohlson AB: 1,400

### LENNART IWARSSON

Born 1949  
 Purchasing manager for Storage  
 Employee since 1986  
 Number of shares in Clas Ohlson AB: 500

### LARS ÖSTBERG

Born 1949  
 Purchasing manager Household  
 Employee since 1963  
 Number of shares in Clas Ohlson AB: 200

### MICHAEL PETTERSSON

Born 1963  
 Purchasing manager Tools & machinery  
 Employee since 1981  
 Number of shares in Clas Ohlson AB: 0

### KRISTER BECK

Born 1965  
 Purchasing manager Electrical and mobile phone accessories  
 Employee since 1984  
 Number of shares in Clas Ohlson AB: 1,000

### PETER HOLMGREN

Born 1965  
 Purchasing manager Computer accessories & photography  
 Employee since 1988  
 Number of shares in Clas Ohlson AB: 1,000



Standing from left to right: Michael Pettersson, Lennart Iwarsson, Lars Östberg, Ingemar Svensson, Krister Beck and Peter Holmgren.

## HEAD OFFICE

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## STOCKHOLM

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## GOTHENBURG

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## MALMÖ

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## NORRKÖPING

**Domino**

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## ÖREBRO

**Krämaren**

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## SUNDSVALL

**Nya hamnen**

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## UMEÅ

**Viktoriagallerian**

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## HALMSTAD

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## UPPSALA

**S:t Per**

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## ESKILSTUNA

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## LULEÅ

**Smedjan**

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## TØRNSBERG

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# Definitions

## CASH FLOW FROM OPERATION

Internally generated funds including change in working capital.

## WORKING CAPITAL

Total of current assets excluding liquid assets, less current liabilities.

## INVESTMENTS

Net investments in fixed assets during the financial year.

## CAPITAL EMPLOYED

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

## GROSS MARGIN

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

## OPERATING MARGIN

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

## NET MARGIN

Profit after net financial items as a percentage of the net sales for the financial year.

## RETURN ON EQUITY

Net profit for the year as a percentage of average equity.

## SALES PER SQUARE METRE IN STORE

Store sales in relation to effective store floor area. For new stores, a conversion has been made in relation to how long the store has been open.

## EQUITY/ASSETS RATIO

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

## EARNINGS PER SHARE

Profit after tax in relation to average number of shares.

## GROSS CASH FLOW PER SHARE

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

*“We are to sell dependable products at low prices  
and the right quality according to need”*

*Clas Ohlson*



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