

Annual and Sustainability Report 2018/19



clas
ohlson



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ANNUAL REPORT

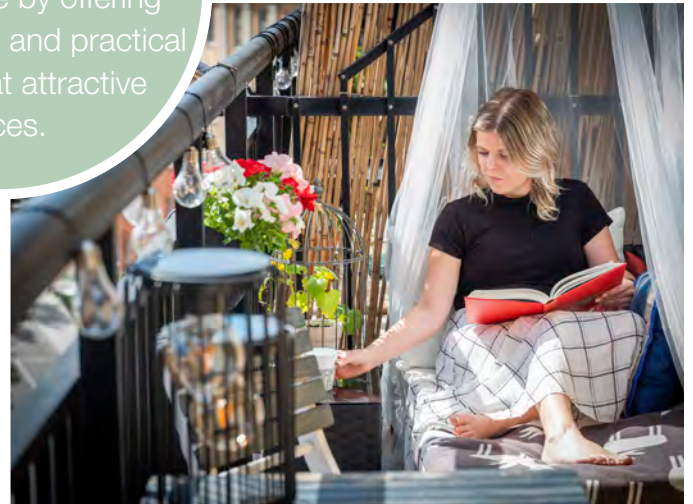
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ABOUT THE ANNUAL REPORT Clas Ohlson presents financial and non-financial information integrated in a single report. The report includes standard and specific disclosures based on the GRI guidelines, Standards. The scope of the statutory sustainability report is stated on page 126. The statutory annual report encompasses the Directors' Report and the financial statements on pages 72-122.

Clas Ohlson is a Swedish company and is subject to Swedish law. All values are stated in Swedish kronor (SEK). Values in millions of SEK are abbreviated MSEK and thousands of SEK as SEK 000. Unless otherwise specified, figures in parenthesis pertain to 2017/18. Data regarding markets and competition reflect Clas Ohlson's own assessments if a specific source is not quoted. These assessments are based on the best and most recent factual data from published sources in the public sector and the consumer goods industry. This Annual Report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the English version, the former shall have precedence.



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



Welcome to Clas Ohlson!

In 1918, the entrepreneur Clas Ohlson founded a mail order business in Insjön, Dalarna, Sweden, to which he gave his name. Today, Clas Ohlson is a retail company with customers in five markets, about 5,000 co-workers, and sales of approximately 8.8 billion SEK. A lot has happened since the beginning, but one thing has been the same all these years: every day, we want to help and inspire people to improve their everyday life by offering smart, simple and practical solutions at

attractive prices. We also urge our value chain to become more resource-efficient and we respect people and the environment in all parts of our operations. Our corporate culture, the Clas Ohlson spirit, is based on an approach inspired by our founder regarding how we treat our customers and each other.

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

Clas Ohlson locations

We have 232 stores in four countries and our entire affordable product range for solving everyday practical problems is available around the clock at clasohlson.com.



Stores



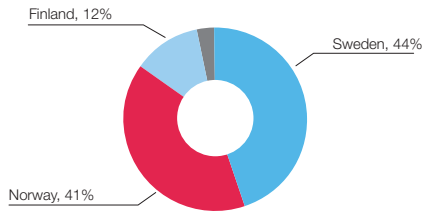
Online



Employees

NORDIC REGION

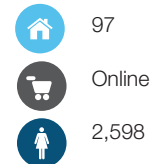
Percentage of total sales



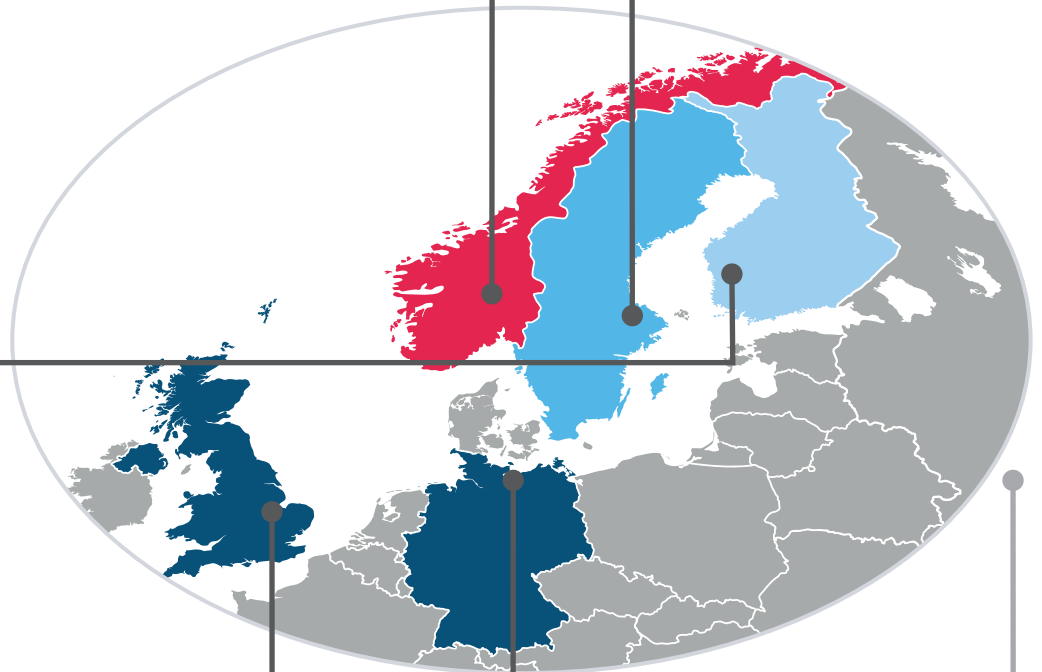
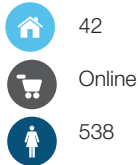
NORWAY



SWEDEN



FINLAND

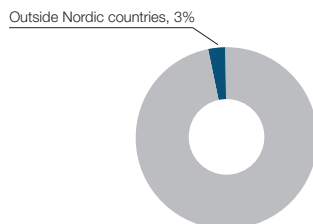


OUTSIDE NORDIC COUNTRIES

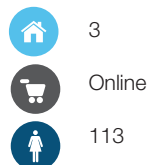
Outside Nordic countries in one segment

Clas Ohlson reports operations in the UK and Germany in one segment: "Outside Nordic countries."

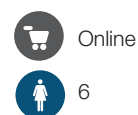
Percentage of total sales



UK



GERMANY



CHINA (PURCHASING OFFICES)



More information about Clas Ohlson's markets can be read at about.clasohlson.com.

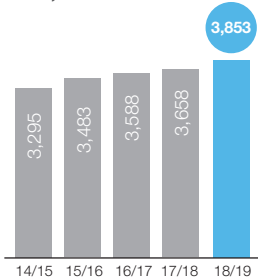
SWEDEN

Start year: 1918
97 stores
7 new stores, net, 2018/19

Development during the year

After some 20 years of positive growth in the consumer durables retail area, the industry is showing signs of slowing down. Growth has shifted from stores to online shopping, which has contributed to higher price and margin pressure for the industry as a whole. With a sustained strong customer base, for example with 2.3 million Swedish Club Clas members, Clas Ohlson retains a very strong position in the Swedish market. Sales increased a total of 5 per cent (SEK) in the financial year.

Sales, MSEK



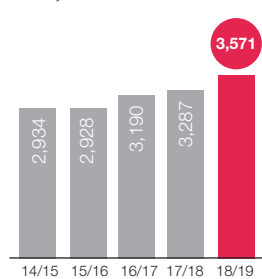
NORWAY

Start year: 1985
90 stores
1 new store, net, 2018/19

Development during the year

The Norwegian market was characterised by a rapid rate of change and customers appreciate new initiatives as Click & Collect, which is rising in popularity month by month. The new fix-it counter service concept, launched to date in two stores, offers a new shopping experience and service level for Clas Ohlson customers. Four stores were refurbished during the year and Clas Ohlson retained its strong position in the market with a 9 per cent (SEK) sales increase for the year.

Sales, MSEK



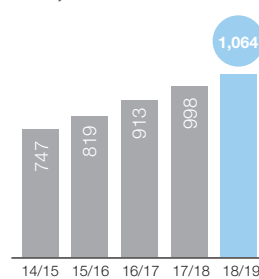
FINLAND

Start year: 2002
42 stores
3 new stores, net, 2018/19

Development during the year

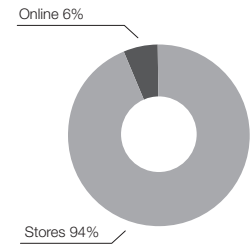
The 2018 retail year in Finland featured relatively stable sales for the industry as a whole with variations in different segments. A large percentage of sales still take place in traditional stores, although large growth is taking place online. Clas Ohlson has a solid position in the market with favourable opportunities to be even more relevant to Finnish customers. Sales in 2018/19 rose 7 per cent (SEK).

Sales, MSEK

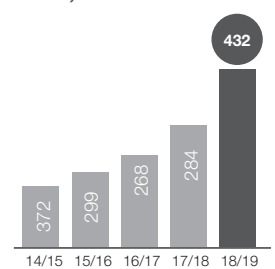


ONLINE

Percentage of total sales



Sales online, MSEK



UK

Start year: 2008
3 stores
4 stores were closed in 2018/19

Development during the year

During the financial year, the UK retail market was marked by changes in consumption patterns, resulting in store closures and a higher share of online shopping. During the year, Clas Ohlson announced a new direction for the company's international market presence, entailing that the store network in the UK will be successively closed to instead concentrate the customer offering on online shopping.

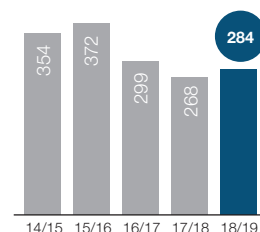
GERMANY

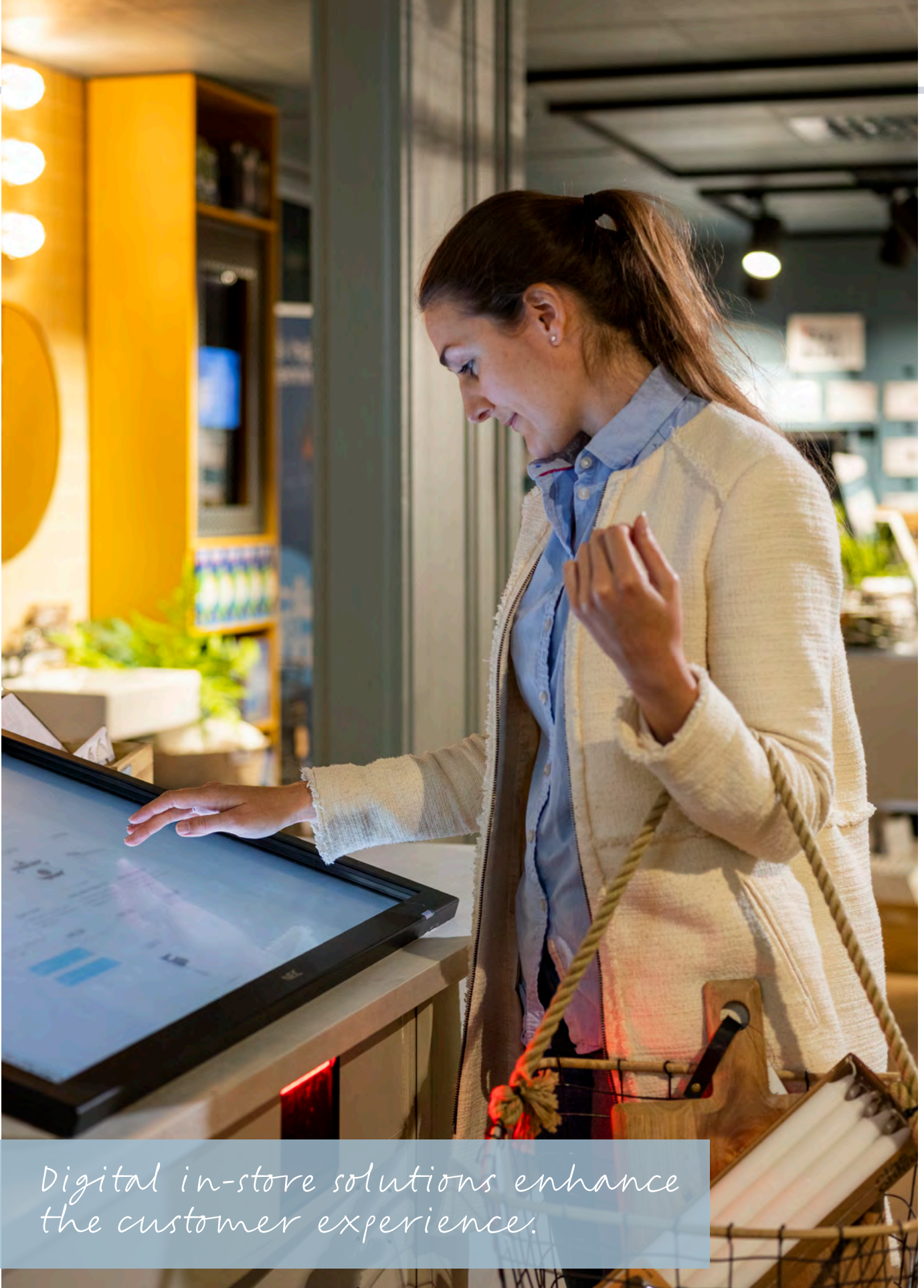
Start year: 2016
Online sales only
4 stores were closed in 2018/19

Development during the year

The German retail market continued to change in 2018 in line with consumption increasingly moving online. During the year, Clas Ohlson announced a new direction for the company's international presence, which resulted in the four stores in Hamburg being closed during the financial year. Going forward, Clas Ohlson will concentrate its focus on online shopping in the German market.

Sales, MSEK





Digital in-store solutions enhance the customer experience.

An eventful year

DURING THE 2018/19 FINANCIAL YEAR, Clas Ohlson launched a new growth strategy and took many concrete steps following this new strategy. Total sales of 8.8 billion SEK represent a 7 per cent increase on the preceding year and sales growth online rose by 47 per cent, which is in line with the overall growth target of doubling online sales every second year.

In the past year, sales increased to a total of 8,772 MSEK. This corresponds to an organic sales growth of 4 per cent and an increase of 1 per cent in comparable units and local currency.

Growth in stores and online

All of our sales channels contributed to growth during the year. While online sales increased 47 per cent to 432 MSEK (295), while the in-store sales growth was 1 per cent. During the year, we opened eleven stores and closed eight stores. Of the new stores, six were in the smaller Lab Store and Compact Store formats. All store closures were made in the UK and Germany, where we decided in the autumn to close stores in favour of a business model focused entirely on online sales. As a result, there was a net addition of three new stores.

New growth strategy

Since our new growth strategy was launched in May 2018, a large number of specific projects

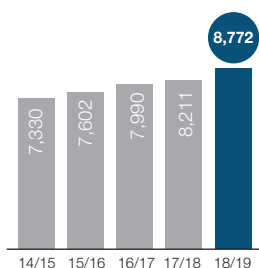
have been initiated to create long-term profitable growth in an action programme that we have named CO100+.

Operating profit for the year amounted to 94 MSEK (468), impacted by non-recurring costs corresponding to 405 MSEK associated with CO100+, the business system that was launched through the sCORE project, and the closure of the store networks in the UK and Germany. Accordingly, underlying operating profit amounted to 497 MSEK. The operating margin amounted to 1.1 per cent and earnings per share to 1.13 SEK.

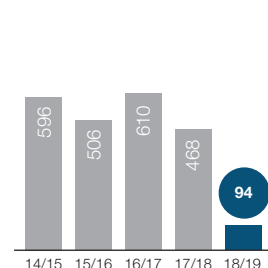
An organisation with its sights set on the future

During the year, we strengthened the organisation in several areas, while we reduced our personnel numbers in others, mainly as a result of our new strategic approach to markets outside the Nordic region. The number of employees was approximately 5,000 at the end of the financial year.

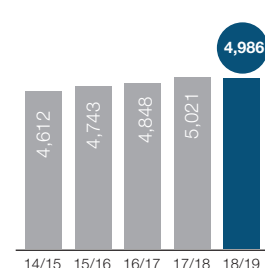
Sales, MSEK



Operating profit, MSEK



No. of employees



Events during the year

QUARTER

01

- New growth strategy, 100 more years, with digital focus and new service offering launched at a Capital Markets Day.
- Clas Ohlson was named 2018 Sustainable Store Chain of the Year at the Retail Awards in Sweden.
- The new member magazine Classe was launched in the Swedish market.
- New smart alternatives for home deliveries were launched in collaboration with Budbee and Porterbuddy.
- Clas Ohlson turned 100 years on 27 June, which was celebrated with customers in stores and online.
- A new type of service station was premiered at Clas Ohlson when the fix-it counter was launched at the Torggata store in central Oslo, Norway.
- New stores were opened in Ljungby, and Tyresö in Sweden, as well as in Sortland, Norway. In Oslo, a pop-up store was also opened, Hemma hos Clas Ohlson.

QUARTER

02

- Screen-free time with Make & Play launched in selected stores in the form of activity spaces for children, together with a digital activity hub.
- Clas Ohlson initiated a partnership with storage company Vinden.
- Attendance record and 100th anniversary celebrations at AGM, held this time at Tegera Arena in Leksand, Sweden.
- Clas Ohlson's first Lab Store was opened in Helsinki, Finland. Shortly afterwards, a second Clas Ohlson Lab Store opened, this time in Stockholm, Sweden.
- New stores were opened in Espoo and Helsinki in Finland. In Sweden, Gothenburg gained its first Compact Store and a new Compact Store was also opened in Stockholm.

QUARTER

03

- Click & Collect was launched and immediately became a highly popular delivery alternative for our online customers.
- Clas Fix it, a practical DIY service, was launched, starting in Stockholm, Sweden.
- A new self-optimised search engine was implemented on Clas Ohlson's website for better accuracy.
- Klarna Checkout was implemented for Clas Ohlson's online shopping.
- Decision on new strategy for market presence in the UK and Germany with a focus on online sales.
- New store was opened in Kristianstad, Sweden.

QUARTER

04

- Clas Ohlson presents a plan to create a more efficient organisation to ensure sustainable profitable growth.
- Clas Ohlson Smart Bulb was launched as a new addition to Clas Ohlson's product range for smart homes.
- Decision to discontinue sales of single-use plastic items, and a decision to phase out disposable barbecues were announced.
- Clas Ohlson begins new partnership with World Childhood Foundation.
- New store was opened in Kungälv, Sweden.
- Batterijakten (Battery Hunt), a recycling competition for children, was arranged in the Norwegian and Swedish markets.



Partnerships with A FOCUS ON CHILDREN'S RIGHTS

During the year, a three-year collaboration was initiated with the World Childhood Foundation in Sweden, Norway and Finland. The collaboration aims to train Clas Ohlson's employees to become "Important adults" – children's rights ambassadors who will have the knowledge and means to take action against violence and sexual abuse of children. The initiative includes internal training, and at a later date we will also sell products with the proceeds going to Childhood.

Clas Ohlson launches NEW IN-STORE SERVICES

During the year, Clas Ohlson launched a new type of service station in selected Clas Ohlson stores. In Sweden, the concept is called Service bar and in Norway, it is called Fiksedisk. This is a place where customers can receive assistance with small items that need to be repaired or receive tips and advice. Examples of services on offer are key cutting, exchanging ink cartridges, photo printing, mobile phone charging and the tool lending or hire. The concept was first launched in Oslo in July 2018 and has since been taken to Malmö in Sweden and Ålesund in Norway.

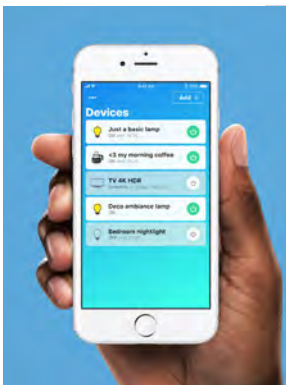


CLAS FIX IT to make everyday life easier

With Clas Fix it, Clas Ohlson's customers can get help with tasks that may be too small to bring in traditional help but a little too difficult or daunting for customers to do on their own. This may involve, for example, the installation and assembly of products, repairs and electrical and plumbing services. The service can be easily booked using the Clas Fix it app or in store. Clas Fix it was launched in Stockholm in November. The service was well received and more than 80 per cent of customers would recommend the service to a friend or colleague.

Clas Ohlson FOCUSES ON RE-USABLE PRODUCTS

Clas Ohlson is phasing out the sale and use of several single-use plastic items in 2019. We have already decided to replace drinking straws and cups with alternative products made of paper. In 2020, all single-use items for food will be made of bio-based materials that are not defined as plastic. In the same year, freezer bags and waste disposal bags will be made of bio-based or recycled materials, and all packaging materials must be recyclable. During 2019, we will also be phasing out disposable barbecues from our product range and instead focus on smart, portable alternatives.



SWEDISH DESIGN AWARD and Red Dot Award for Clas Ohlson

In August 2018, Clas Ohlson, together with the Daresay digital agency, won the international design prize, the Red Dot Award, for the Clas Ohlson Home app. In October of the same year, it was time once again, when the app won the Gold first prize in the Swedish Design Awards' "Digital - Smartphone" category. Clas Ohlson Home allows the user to remotely control smart home products from Clas Ohlson's own product series of the same name.





*Growth in both stores
and online.*

High activity in our change

During the past year, we at Clas Ohlson met millions of customers in our various sales channels. Online is growing strongly, but our stores still account for about 94 per cent of our total sales. It is therefore gratifying that we are actually also increasing sales in our stores. This in a market in which essentially all growth occurs online. I believe that it says something about the strength of our store network and customer interaction, and it affirms my perception that the stores will play an important, but different, role in a digitalised world.

At the same time as we deliver products and services each day to our millions of customers, we are implementing major changes throughout Clas Ohlson's value chain, so that, under the new market conditions that prevail, we will be able to continue developing the company in line with the concept that our founder once had: to help people improve their everyday life by offering smart, simple and practical solutions at attractive prices.

We have already made substantial progress and we will continue the high pace of implementing our plans. Our organisation is energised and is working on some 20 projects simultaneously that are all aimed at either delivering on the customers' new expectations of service levels, accessibility and convenience, or adapting our cost structure. All of this is defined in our '100 more years' growth strategy and the CO100+ action programme, which we launched to realise our strategy and our targets for shareholder value in the form of sustainable profitable growth.

A good start

We amassed a large amount of energy during the preceding financial year by celebrating 100 years as a company with our customers and our co-workers. In addition to highlighting what we have achieved together as an organisation over the years, we had many opportunities to talk about how the company has changed since it was founded in 1918 and how we will work to remain relevant for our customers in the future. In this way, the celebrations became a way to lay the foundation of the journey of change on which we have embarked. Obvious highlights were our birthday in June, which was celebrated with all of our customers in all of our stores and online, as well as the jubilee festival in Tällberg that involved the participation of 3,500 co-workers. Undoubtedly a memory for life!

Strengthened position in our home markets

Sales in the 2018/19 financial year increased by 7 per cent and reached 8,772 MSEK, with an operating profit of 94 MSEK. Looking at the results, one should also take into account that we, in accordance with our plan, invested around 1-2 per cent of the operating margin in our strategic initiatives. During the year, we strengthened our position in our Nordic home markets with organic growth of 4 per cent through improvements in stores and online shopping. Among other actions, we have made the process simpler for the customer through new payment solutions and improved user experiences at clasohlson.com, while giving customers new, convenient delivery alternatives, such as Click & Collect,

meaning that the customer can order their items online and collect them in any of our 232 stores. Click & Collect was launched full-scale in December 2018 and immediately became a very popular delivery alternative that already represents approximately 30 per cent of our total online shopping business. This is positive for several reasons. Apart from demonstrating that the customers find it easy and convenient to visit our stores, in-store collection is by far the most cost-effective method of delivery for us, since it enables us to use our existing supply chain to the stores. It also generates customer traffic to our stores. All of this combined led to our online sales increasing by 47 per cent, which is in line with our ambitious targets.

To your door with MatHem and Clas Fix it

Our collaboration with Sweden's leading online food retailer, MatHem, has been developed to include both more efficient inventory management and shared customer activities, particularly during Christmas trading, when many customers chose to purchase Christmas decorations and Christmas gifts from Clas Ohlson, while buying their Christmas food from MatHem. We have successively increased the number of Clas Ohlson products for sale through MatHem's online shopping platform so that these now comprise about 2,000 products and approximately one in ten

MatHem customer bags contains a Clas Ohlson product. While we are increasing accessibility and convenience for our customers through partnerships, we also see a major advantage in the co-transport of products for home delivery because of the reduced impact on traffic and the climate.

Another opportunity to come all the way home to the customer is offered by Clas Fix it. Clas Fix it is our new service for fixing things in the home, which was launched in the Stockholm area in the autumn. The reception from customers to date has been very positive and we will continue to roll out the service to more geographic areas.

A simpler and more efficient organisation

In addition to all initiatives for an improved customer experience, we are also conducting a major project throughout the organisation to create the right conditions for the journey of change, both in terms of our competence mix and to ensure that our costs do not restrict our long-term competitiveness. In the prevailing situation in the retail market and in light of rapidly changing customer demands, we needed to make several difficult decisions during the year, which have already affected many employees, with more set to be impacted during the current financial year.

A key step was taken in December, when the Board resolved on a new strategy for our market presence outside the Nordic countries. This decision entails that we will focus on online sales in the UK and Germany in the future, and will therefore close our stores in these markets. At the end of the financial year, we had closed all of the German stores and the closure of UK stores was continuing in line with the agreements with the property owners. The reason is that, despite several attempts and extensive efforts by our local employees, we understood that we did not have the conditions to achieve profitability in the store operations using our previous business model. By closing the stores in Germany and the UK, we will save approximately 75 MSEK annually. We have also initiated a major review of all our rental agreements in the Nordic region with the aim of ensuring that the terms and conditions better match retail conditions today and in the future.

We announced the second major decision regarding our future organisation in February 2019. 150-200 roles will be affected by a change to become a more efficient organisation, primarily at our offices and at our distribution centre in Insjön. The measures are necessary to reduce costs and to create an organisation with the right competence mix that is better equipped to capitalise on the opportunities offered by digitalisation, automation and the changed behaviour of customers in the retail sector. The right mix of skills very much applies to

Our costs must not restrict our long-term competitiveness.

our Group Management as well, where we have a strong team in place after appointing internal and external expertise to such key functions as purchasing and digital during the past year.

But our focus on costs is not only a matter of organisational changes. It is also a question of working smarter here and now in existing processes, such as purchasing, both in terms of the goods we sell and goods and services we buy for internal use. We have taken a major step in both of these areas during the year and we will see positive effects of this work successively, since the lead times are relatively long in purchasing processes. Our overall goal is to achieve cost-savings of 200-250 MSEK per year and we are leaving no stone unturned in the quest to achieve our goal.

We will facilitate a more sustainable everyday life

Although we are streamlining our operations, I want to make it clear that this does not mean that we are reducing our demands on quality and sustainability in all dimensions. Clas Ohlson's customers must be confident that the products that sell are safe to use, were produced under good working conditions and transported with as low environmental and climate impact as possible. Our sustainability work is ambitious and we are conducting, for example, projects to reduce the use of plastic in packaging and by phasing out certain products from our range, such as single-use items in plastic. Quite simple, we are removing products that are poorer for the environment and adding new ones that are

better from a sustainability perspective. The target is for our products for a more sustainable lifestyle to represent 25 per cent of sales by 2020. During the year, we achieved a share of 19 per cent. We are also seeing continued large interest in our rental range and, like few others in the industry today, we also offer spare parts for the products we sell. Clas Fix it, which is based on resolving a problem for the customer by providing a service rather than a product, is another feature of our offering that enables a more sustainable everyday life for our customers.

The Clas Ohlson spirit – an important support in the change process

With great respect for the challenges we face, I am now looking ahead to our continued journey. I often look to our rich history and strong corporate culture for support when I think about what we need to do moving forward. It is an enormous benefit to gain inspiration from an entrepreneur such as Clas Ohlson, who constantly sought new ways to satisfy the customer. Accordingly, I am also pleased that, during the year, we simplified our internal work on our corporate culture, or what we call the Clas Ohlson spirit. In brief, we have engaged a large number of employees to define the behaviours that are at the core of the Clas Ohlson spirit. The behaviours are related to how Clas Ohlson himself acted and is a clear and simple way for us to carry our proud heritage forward. A strong corporate culture is always important, but perhaps even more important in times of change.

During the course of our 100-year history, we have encountered new market conditions on several occasions and successfully adjusted and turned them to our advantage. In the same manner, Clas Ohlson will now secure the opportunities in the transition that we are now seeing and we have already made some progress with this.

I would like to take this opportunity to thank all of our customers and shareholders with whom we have had the honour to build relationships over the years. I also want to give extra special thanks to all employees who resolve our customers' problems on a daily basis and by doing so ensure that the customers return again and again. The trust that we have created together is one of our foremost strengths and a competitive advantage in this transition.

With the skills and inquisitiveness that exists in the organisation, I am fully convinced that we will achieve our targets, deliver shareholder value and will continue to play an even greater role in our customers' lives in the future.



Lotta Lyrå

President and CEO
Insjön, June 2019



A new retail landscape

THE WORLD IS CHANGING BEFORE OUR VERY EYES. Being aware of the driving forces and trends in our business environment and responding to them in a smart way are basic prerequisites for continued growth. There has been an explosion in the quantity of data available to retailers and the tools for analysis are more refined; for those who know how to capitalise on this, the potential is enormous.

Demographic CHANGES

The population continues to age, urban density is increasing and single-person households remain a typical feature of Nordic society. The average life expectancy in the Nordic countries has increased by an average of 1.5 years in the past decade. Consumers are increasingly concerned with the way in which the modern lifestyle affects their health and well-being.

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

Convenience versus ENTERTAINMENT

With online retail as a driving force, shopping will become increasingly divided into convenience and needs versus entertainment and leisure. Accordingly, customers will also assess their shopping experience according to benefit or stimulation, depending on the situation in which they find themselves.

FOR CLAS OHLSON, THIS MEANS that we add value to the customer journey in the form of inspiration and convenience by optimising the customer experience in various ways, both online and in stores, based on what the customer needs and wants. We are investing in our online operations and in our store network, which we regard as a vital feature of being able to offer convenience.

Low price versus PREMIUM

In the retail sector, the low-price chains' market share has grown, while at the same time there is now a trend towards an increase in the consumption value of premium products. Retailers not classified as low-price or premium are pressed in the middle segment.

FOR CLAS OHLSON, THIS MEANS that we are raising the efficiency of the organisation by making our business processes smarter and simpler, and we are investing in primary data and advanced analyses to improve our ability to meet our customers' needs and be able to provide the market with a stronger offering with clear value for money.

Advance of CIRCULAR ECONOMY

Consumption is becoming successively less of an end in itself, as thoughts of sustainability grow and the circular economy advances. Reduced use of plastics, lead and other materials will continue, at the same time as companies seek new business models to facilitate the transition to a circular economy, where consumers become users, products become functions and waste becomes a resource.

FOR CLAS OHLSON, THIS MEANS that we will phase out all single-use plastic items, improve our packaging and products in the design process and continue to place high demands on quality, materials and chemicals. We also lease or lend tools and offer repairs and spare parts to prolong the life of the products we sell.

THE SMART home

The smart home is still advancing. The products thought to have the greatest attraction among consumers are remotely controlled devices for heating and lighting, as well as voice-controlled assistants, while other areas have still not gathered momentum. The market for smart homes is expected to grow by 80 per cent by 2023.

FOR CLAS OHLSON, THIS MEANS that we are expanding our range of products for the smart home, since we regard the smart home as part of our natural territory – as part of our long history of offering smart solutions for the home and as part of our strategic focus on simplifying life in the home.

Battle for TALENT

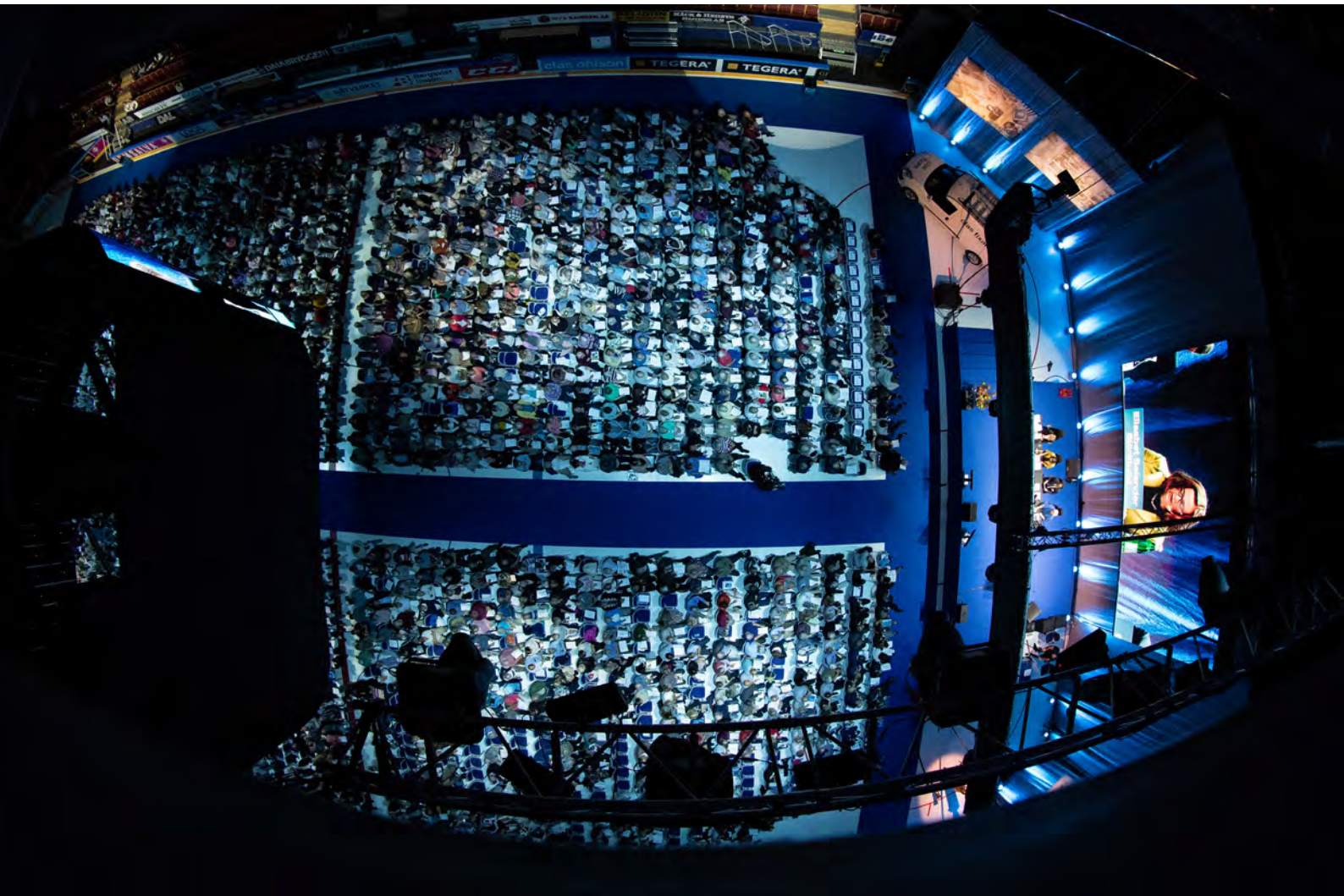
Attracting and retaining highly skilled employees is a strong competitive advantage, while lacking the right skills is one of the greatest threats to a company's success and growth. The young, digital generation places high demands on what is the right workplace environment for them. They want to be able to contribute and evolve without losing their work-life balance.

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

In close dialogue with our stakeholders

A MEANINGFUL AND TRUSTED BRAND and company that delivers sustainable profitable growth must be aware of and capitalise on stakeholder requirements and expectations. We maintain a close dialogue with our customers, employees, suppliers, owners and various players in society to understand their view of the future, which helps us set our strategy.

The 2018 AGM in Tegera Arena, Leksand, attracted 1,804 participants.



CUSTOMERS

Understanding our customers and their needs and expectations is vital to succeed in a competitive market. We interact with our customers every day in our stores and our customer service. The 2.7 million members of our Club Clas loyalty programme also provide valuable information and important insight into how we can improve our offering. Our regular customer survey shows that we have very high customer satisfaction in all markets and that customers are very likely to recommend us to their friends and acquaintances. Our customers want relevant, innovative products and services with superior environmental performance. We also see that availability is increasingly critical to making a purchase. This applies to both the physical stores and online.

EMPLOYEES

Approximately 5,000 co-workers in six countries work to give our customers the very best service and the best offering. Committed and goal-oriented employees are fundamental to our growth and development, so is leadership, diversity, skills development, flexibility and a focus on health and well-being. We carry out a survey every other year and ask employees about their opinion of Clas Ohlson, our strengths and areas for improvement. The most recent employee survey from autumn 2018 shows a healthy work climate and good leadership. More than 80 per cent of employees are proud of working at Clas Ohlson, and the majority would recommend us to others as an employer.

SHAREHOLDERS

Clas Ohlson Series B shares have been listed on Nasdaq Stockholm since 1999 and the company now has about 42,000 shareholders. Many shareholders have been with us for many years. Stable, engaged owners are pivotal for long-term profitability and sustainable development. We meet our shareholders at the Annual General Meeting, at shareholders and investor meetings, and at Capital Markets Days. Important information about shareholder value is obtained via the Nomination Committee and the Board. Shareholders value long-term sustainable and profitable growth as one of the most important issues.

SUPPLIERS

We have close and trusting working relationships with about 730 suppliers in Europe and 630 manufacturers in Asia. A strong supplier network is a prerequisite for an affordable, innovative and sustainable offering. We are constantly moving towards products under our proprietary brands and suppliers expect a long-term partnership and scope in return for meeting the robust requirements that we impose. Important issues are discussed during regular contact with suppliers, on various training courses and as part of audits. Increasing numbers of suppliers want to move away from only supplying goods and to move towards entering strategic partnerships based on jointly established targets.

SOCIETY

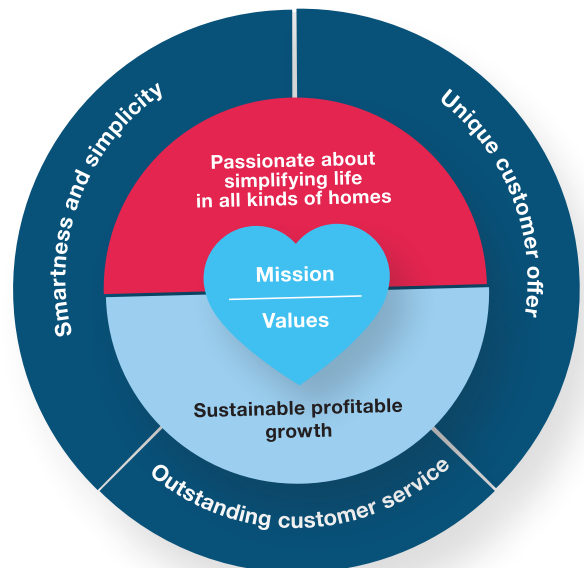
We influence, and are influenced by players in society at global, national and local levels that encourage companies to assume a broader responsibility. The launch of the UN 17 Sustainable Development Goals gives businesses a more prominent role in solving the challenges faced by society. It increases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

Clas Ohlson delivers on its growth targets

CLAS OHLSON'S AMBITION is to simplify the customer's everyday life. We do this by providing a unique customer offering, outstanding customer service and by conducting operations in a smart and simple manner.

The three strategic areas, together with our sustainability work, are intended to contribute to meeting our overall target for the business:

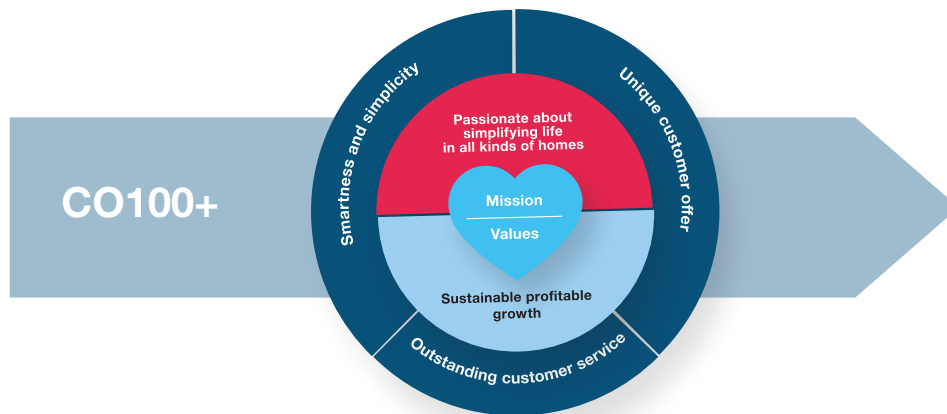
- We will be a meaningful and trusted brand and company that is recognised for being "passionate about simplifying life in all kinds of homes."
- We will deliver sustainable profitable growth.



Clas Ohlson’s growth strategy and strategic areas

Clas Ohlson will grow on the Nordic market, focusing on simplifying people’s everyday lives at home through a combination of products, guidance and supplementary services. A developed online business model, unique offering, outstanding service and simplified, streamlined operations are key parts of the company’s growth strategy. Leveraging the strength of our large, loyal customer base, we will play a greater and more important role in every home.

To achieve this, Clas Ohlson has identified three strategic areas. Within the CO100+ action programme, the strategy is converted into some 20 projects aimed at achieving the strategy.



CO100+

With the aim of meeting Clas Ohlson’s targets, Clas Ohlson implemented the CO100+ action programme during the year. 1-2 per cent of the underlying operating margin is invested in sales growth and cost savings for a two-year period.

In addition to investments intended to drive growth, efficiency-enhancing measures equivalent to approximately 200–250 MSEK have been identified, which will have an effect during the two-year period 2018/19–2019/20 and full effect as of full-year 2020/21. Cost-savings have been primarily identified in a more efficient organisation, optimised product range and increased systematisation in purchasing and logistics.

The growth initiatives that are expected to have the greatest impact on the target of 5 per cent organic growth mainly involve increasing sales per square metre, increasing sales per customer and doubling online sales every other year.

1. A unique customer offer

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

We are increasing the share of proprietary brands by strengthening design and product development and adding speed, sustainability and uniqueness.

2. Enhanced availability and outstanding customer service

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

We will optimally leverage our store network and ensure flexible leases so that we can reassess location, size and range when circumstances change. Collaboration between stores has increased and some stores have been and will be assigned the role of “feeder store” and will deliver products to other stores and home to customers.

3. Smart and simple – we are simplifying and streamlining our operations

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

An important factor in this is the roll-out of our new business system through the sCORE project (Systems for Clas Ohlson Retail Efficiency) that was implemented in the entire organisation at the start of the 2018/19 financial year. The business system allows us to, for example, steer the range in each store towards what customers are purchasing in that specific area.

Clas Ohlson's operational targets

CLAS OHLSON HAS ADOPTED OVERALL OPERATIONAL TARGETS to support the growth strategy. Clas Ohlson will be a meaningful and trusted brand and company that delivers sustainable, profitable growth.



TARGET: SUSTAINABLE PROFITABLE GROWTH






Clas Ohlson's financial targets include organic growth of 5 per cent and an operating margin of 6–8 per cent. In addition, net debt in relation to EBITDA is to fall below two (2) times and the dividend is to comprise at least 50 per cent of earnings per share after tax*.

1.	2.	3.	4.																																										
<p>TARGET/ FRAMEWORK Sales will increase organically an average of 5 per cent annually over a five-year period.</p> <ul style="list-style-type: none"> Sales per customer increase. Sales per square metre increase Online sales to at least double every other year 	<p>TARGET/ FRAMEWORK Operating margin will amount to 6–8 per cent within a five-year period.</p> <ul style="list-style-type: none"> Proprietary brands will increase as a share of sales The organisation and retail space will be streamlined Development of product range, purchasing and logistics will be systematised <p>During the 2018/19 and 2019/20 financial years, approximately 1-2 per cent of the underlying operating margin is expected to be invested in strategic initiatives.</p>	<p>TARGET/ FRAMEWORK Net debt in relation to EBITDA to fall below two (2) times.</p> <ul style="list-style-type: none"> Investments are being planned as regards financial position, cash flow and strategic activities 	<p>TARGET/ FRAMEWORK The dividend is to comprise at least 50 per cent of earnings per share after tax, considering the company's financial position.</p> <ul style="list-style-type: none"> Over the first two years, 2018/19 and 2019/20, the ambition is that the dividend will be maintained on a level with the 2016/17 financial year, in absolute terms 																																										
<p>TARGET FULFILMENT Sales increased 7 per cent to 8,772 MSEK (8,211). Organic sales increased 4 per cent compared with the preceding year. Sales in comparable units and local currency increased 1 per cent. Online sales increased 47 per cent.</p> <p>Organic sales growth, %</p> <table border="1"> <tr><th>Year</th><th>Organic sales growth, %</th></tr> <tr><td>18/19</td><td>4.0</td></tr> <tr><td>Target</td><td>5%</td></tr> </table>	Year	Organic sales growth, %	18/19	4.0	Target	5%	<p>TARGET FULFILMENT The operating margin was 1.1 per cent (5.7). During the year, the operating margin was impacted by costs of 405 MSEK related to the CO100+ action programme, the business system (sCORE) and store closures in the UK and Germany.</p> <p>Operating margin, %</p> <table border="1"> <tr><th>Year</th><th>Operating margin, %</th></tr> <tr><td>14/15</td><td>8.1</td></tr> <tr><td>15/16</td><td>6.7*</td></tr> <tr><td>16/17</td><td>7.6</td></tr> <tr><td>17/18</td><td>5.7</td></tr> <tr><td>18/19</td><td>1.1</td></tr> <tr><td>Target</td><td>6-8%</td></tr> </table> <p>* Excluding non-recurring items</p>	Year	Operating margin, %	14/15	8.1	15/16	6.7*	16/17	7.6	17/18	5.7	18/19	1.1	Target	6-8%	<p>TARGET FULFILMENT Net debt in relation to EBITDA amounted to 0.5 times.</p> <p>Net debt/EBITDA</p> <table border="1"> <tr><th>Year</th><th>Net debt/EBITDA</th></tr> <tr><td>17/18</td><td>-0.2</td></tr> <tr><td>18/19</td><td>0.5</td></tr> <tr><td>Target</td><td>< 2.0</td></tr> </table>	Year	Net debt/EBITDA	17/18	-0.2	18/19	0.5	Target	< 2.0	<p>TARGET FULFILMENT The Board of Directors proposes that a dividend of SEK 6.25 per share (6.25) be paid for the 2018/19 financial year.</p> <p>Payout ratio, %</p> <table border="1"> <tr><th>Year</th><th>Payout ratio, %</th></tr> <tr><td>14/15</td><td>72</td></tr> <tr><td>15/16</td><td>96</td></tr> <tr><td>16/17</td><td>82</td></tr> <tr><td>17/18</td><td>110</td></tr> <tr><td>18/19</td><td>553*</td></tr> <tr><td>Target</td><td>50%</td></tr> </table> <p>* Proposed dividend</p>	Year	Payout ratio, %	14/15	72	15/16	96	16/17	82	17/18	110	18/19	553*	Target	50%
Year	Organic sales growth, %																																												
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* Since the key indicators for the Group's financial targets and frameworks pertaining to the operating margin and leverage (net debt in relation to EBITDA) will be affected by IFRS 16, recognition will initially include and exclude these effects.

TARGET: A MEANINGFUL AND TRUSTED BRAND AND COMPANY

Clas Ohlson's operational targets include targets for brand preference, a loyal customer base, brand position and skills development.

Our customers			Our people	
1.	2.	3.	4.	5.
<p>TARGET Brand preference The target is that our customers spontaneously prefer and choose Clas Ohlson ahead of other alternatives.</p>	<p>TARGET Number of active customers The target is to build a large and loyal customer base in the countries we serve.</p>	<p>TARGET Brand position The target is to be perceived as a meaningful and trusted brand and company recognised for being passionate about simplifying life in all kinds of homes.</p>	<p>TARGET Skills development The target is for our employees to develop the right skills to realise our new strategy.</p>	<p>TARGET Brand position The target is for our employees to perceive that we live up to our position both externally and internally. We will advance in:</p> <ul style="list-style-type: none"> • commitment • efficiency • diversity
<p>DEVELOPMENT We measure the customers' preference for Clas Ohlson compared with other brands that have been identified as relevant for our customer group. We measure the extent to which customers will think of Clas Ohlson and how they perceive and feel about the brand. We do this to determine whether customers have us top-of-mind when they make purchasing decisions.</p>	<p>DEVELOPMENT We regard ourselves as a key player in everyday life in the Nordic countries. Based on data and statistical modelling during the year, we estimate that more than 7.5 million people in the Nordic countries shop at Clas Ohlson each year.</p>	<p>DEVELOPMENT We measure the extent to which the customers associate Clas Ohlson with what we are passionate about – simplifying life in all kinds of homes. We also measure our customers' perception of Clas Ohlson with 12 different attributes, such as quality, sustainability and competitiveness across 15 different product categories.</p>	<p>DEVELOPMENT We work continuously to develop our employees' skills. The number of training courses conducted in our digital training tool, Classroom, increased to 93,779 in 2018/19 (62,332). Among other initiatives, 30 training courses were conducted in our sales coach programme, leading to about 10,000 training occasions in-store.</p>	<p>DEVELOPMENT In the most recent employee survey, conducted in autumn 2018, we saw an increase from 78 (2016) to 80 (2018) in the engagement index among our employees, with the percentage of highly engaged employees at 32 per cent (external benchmark 26 per cent).</p>
				

SUSTAINABILITY TARGETS

Clas Ohlson's sustainability agenda is a key component in achieving the company's operational targets. It guides how the company integrates environmental and social aspects into its strategy and the organisation through a sustainable value chain and a sustainable customer offering.

1.

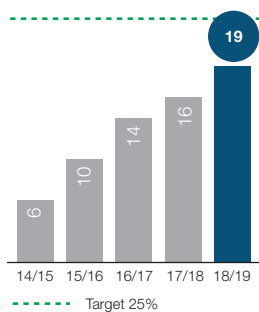
TARGET

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

TARGET FULFILMENT

The percentage of products for a more sustainable lifestyle amounted to 19 per cent of total sales for the financial year, up 3 percentage points year-on-year.

Products for a more sustainable lifestyle, share of sales, %



2.

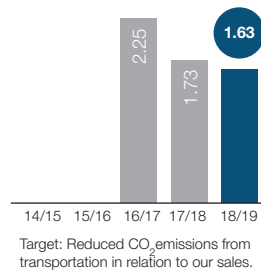
TARGET

Reduced CO₂ emissions from transportation in relation to our sales.

TARGET FULFILMENT

The CO₂ emissions from transportation reduced by 6 per cent in relation to our sales during the financial year. Clas Ohlson has joined the Fossil Free Sweden government initiative.

CO₂ emissions, grams of CO₂ relative to our sales



3.

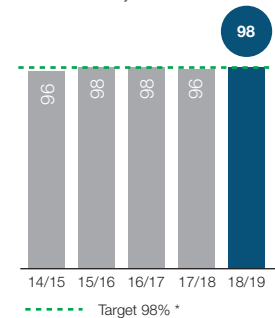
TARGET

98 per cent of our supplier are to comply with the requirements of our Code of Conduct as regards working conditions, human rights and environment, with no serious deviations. During the year, the target was adjusted to 100 per cent.

TARGET FULFILMENT

We focus on efficient monitoring processes, training and proactive development activities with strategic suppliers. 98 per cent of our suppliers complied with the requirements in 2018/19.

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



* The target was adjusted to 100% during the year.

How we create value for our stakeholders

RESOURCES

STRUCTURAL CAPITAL

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

FINANCIAL CAPITAL

- 1,947 MSEK in equity

HUMAN CAPITAL

- A strong company culture, the Clas Ohlson spirit
- About 5,000 competent and passionate employees

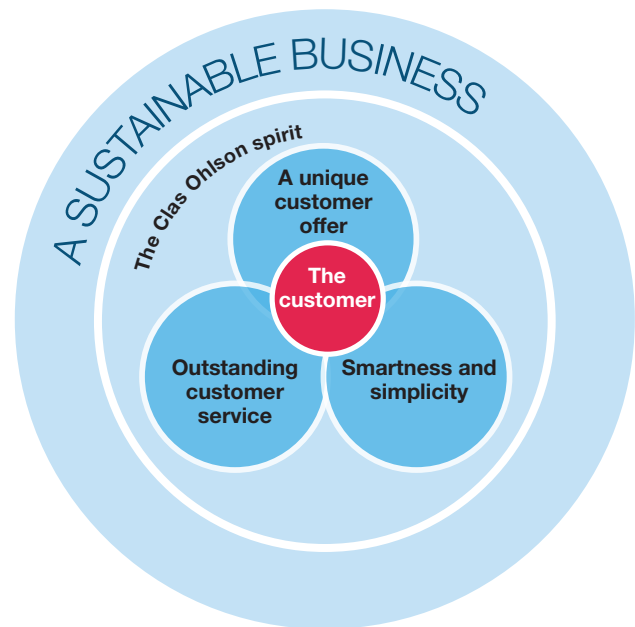
RELATIONSHIP CAPITAL

- A strong brand
- 42 million customers
- 2.7 million members of our Club Clas loyalty programme
- Close partnership with about 730 suppliers in Europe and 630 manufacturers in Asia

NATURAL RESOURCES

- Efficient use of natural resources for production and distribution

OPERATIONS



Clas Ohlson's business model is ultimately focused on the customers. We base everything on our customers and their needs, and offer smart, simple and practical solutions at attractive prices that help make and inspire a simpler everyday life and a more sustainable lifestyle. Our operations are smart, simple and effective, and are based on a unique customer offering and outstanding customer service. We work to integrate sustainability aspects throughout our value chain and everything we do is permeated by our values and our strong corporate culture – what we call the Clas Ohlson spirit.

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

CREATES VALUE

CUSTOMERS

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

EMPLOYEES

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

SUPPLIERS AND BUSINESS PARTNERS

- Favourable and beneficial business relationships
- Training in responsible business

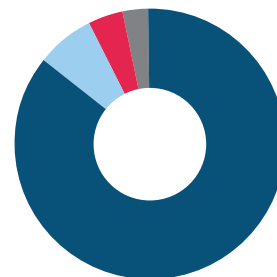
SOCIETY

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

SHAREHOLDERS

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

Economic value by stakeholder group 2018/19



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

- Suppliers and business partners, 85%
- Employees, 7%
- Shareholders, 4%
- Society, 3%



At the core of our way of working is a strong company culture.

Sustainable and effective governance of operations

CORPORATE GOVERNANCE BASED ON CLEAR RULES AND A STRONG COMPANY CULTURE helps us to optimise the efficiency of our processes and integrate ethics, the environment and social issues into our strategic decisions and our way of working.

Clas Ohlson regards sustainable and effective corporate governance as a prerequisite for continued growth and achieving our goals of being perceived as a meaningful and trusted brand and company by our employees, our customers and other stakeholders. A strong company culture is at the core of our approach and our way of working. What we call the Clas Ohlson spirit has been present in the company ever since it was founded in 1918. To ensure that we can carry this culture forward to new generations and that we work on it constructively, we clarified and updated the

description of the Clas Ohlson spirit during the financial year. We involved many employees in this work, which resulted in five stories about the founder Clas Ohlson's own approach, which serve as illustrations of the way in which we within the company are to treat each other and our customers. The stories about Clas Ohlson are being rolled out in the organisation through internal training that encourages dialogue on how Clas Ohlson's approach can be applied in the company today and it encompasses all employees.

Customer first

Welcome home

Keep it simple

One Clas Ohlson

Be like Clas – Be yourself

The Clas Ohlson spirit is based on how our founder Clas Ohlson himself regarded the interaction with employees and customers. His behaviour is described in five short stories with the above headings.

POLICIES AND GUIDELINES

approved by our Board

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

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

CODE OF CONDUCT

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

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

CODE OF BUSINESS ETHICS

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

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

Governance based on laws, rules and our own guidelines

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, Nasdaq Stockholm's Rule Book and the Swedish Corporate Governance Code. All business activities are to be conducted in accordance with the applicable legislation of the countries in which we operate. In addition, our Code of Conduct and our Code of Business Ethics describe our commitment to maintain high ethical norms when active in the market in general and when doing business.

We place demands on each individual employee and strategic partner to maintain the same high level regarding a zero tolerance of corruption and conflicts of interest, while ensuring observance of competition laws. We have zero tolerance of corruption and bribery in all markets in which we operate, in both the Nordic countries and Asia. The Code of Business Ethics also includes our focus on children's rights, which is a key part of our sustainability agenda.

Our Code of Business Ethics and our Code of Conduct, which are adopted annually by the Board of Directors, are included in all purchase agreements and we strive to include them in all major contracts. We are clear that violations of the Code of Business Ethics could lead to consequences under labour law and criminal law, or lead to the termination of the partnership.

Read more about the governance of Clas Ohlson in the Corporate Governance Report on pages 83-91.

Unannounced audit of the purchasing offices in China

Our largest risk of corruption is in the purchasing process, when signing major agreements and the geographical region where the risk of corruption is greatest is in Asia, where approximately 70 per cent of our products are manufactured. Therefore, we conduct regular training for all employees who work with purchasing and high-value contracts and for our agents in Asia.



In the autumn of 2018, unannounced audits were conducted at our offices in Shenzhen and Shanghai with the help of external experts. Among the aims of this were the analysis of the operations and finding risks relating to irregularities, including in the area of business ethics. We will continue to carry out unannounced audits in the future. One result of the initiative was a tightening of the rules for interaction with our suppliers in Asia. A similar tightening of rules was also made in the “Staff Handbook” and further training measures were implemented regarding our values, Code of Business Ethics and zero tolerance of corruption.

Supplier audits

Our audit teams that are stationed in China perform regular audits of our suppliers to check compliance with our high demands on working conditions, human rights and the environment as defined in the Code of Conduct. There was 98 per cent supplier compliance

with our requirements, with no serious deviations, during the financial year.

Read more about the requirements we place on suppliers on pages 44-45.

Governance for greater sustainability

We integrate key sustainability issues into our strategy, business model and governance. Sustainability issues are a basic part of our operations and every employee and function works with sustainability as a natural feature of all of the work that we do. Our strategy, 100 more years, entails that we will be a meaningful and trusted brand and company and we can only achieve this if we drive sustainability in all of our channels and dimensions. It is the responsibility of each function to drive and pursue this work in accordance with our company culture, our Code of Conduct and our sustainability targets. All employees are also informed continuously about our sustainability work, have access to train-

New tool for reporting on DEVIATIONS

For many years, Clas Ohlson has had procedures for reporting suspected deviations from the Code of Business Ethics and Code of Conduct. During the year, a new external tool was launched for anonymous reporting called WhistleB, which is entirely separate from Clas Ohlson's other IT systems.



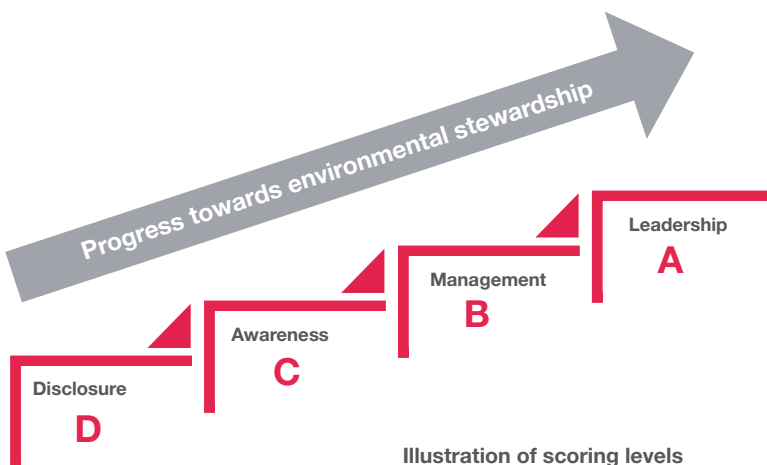
From Here to Sustainability, symbolised by the green speech bubble, attracts attention to our sustainable offering.

ing, both digitally and in seminar form, and are involved in various initiatives during the financial year. We believe this is the way to achieve the best results, nurture a business that is sustainable in all areas and create strong commitment from our employees.

Our sustainability targets and our level of ambition for our sustainability work are established annually by the Board of Directors. The responsibility for the follow-up of the established strategy, targets and initiatives resulting from the sustainability agenda lies with Group Management and the Head of Sustainability, who is a member of

Group Management and reports directly to the President and CEO. Continuous follow-up of the operations and collaboration across the functions are conducted in the Sustainability Forum, which holds monthly meetings. The Board of Directors is updated regularly regarding sustainability work being conducted in the company and the sustainability risks are reported not less than twice a year within the framework of risk reviews.

The reporting that we do, such as GRI reporting and that to CDP, also comprises an important part of the governance of our sustainability work.



CDP Climate Change, international investors' climate initiative, evaluates and ranks companies' climate work and emissions. Clas Ohlson has made climate reports to the CDP since 2015 and has gone from C to B, which means that we have gone from being aware of our environmental impact to managing the impact, risks and opportunities related to this.

Materiality analysis

The materiality analysis constitutes the basis for our way of working on sustainability. It contributes to identifying the issues that are most relevant for delivering long-term value creation to our most important stakeholders. It also enables identification of the impacts of our business model on the environment and society and the most important contributions to our overall operational targets, and to building Clas Ohlson as a meaningful and trusted brand and company.

The materiality analysis was updated in spring 2018 to identify the areas with the greatest relevance based on our new strategy presented at the start of 2018/19. During the year, we reworked the targets for 2020 into a format that corresponds to the strategy. Read more about the new targets on pages 128-129.

Our long-term ambition is to contribute to a more resource-efficient value chain. Based on the materiality analysis, three important priorities in the strategy were prepared that will take us closer to this ambition:

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

Read more on about.clasohlson.com.

Focus on risk management

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

The risks are compiled in risk charts that provide a clear overview of the total risk exposure and priority action to take. Each function is responsible for monitoring and managing existing risks and identifies new risks. The Group's Risk Committee compiles, coordinates and develops risk management, and reports to Group Management, the Audit Committee and the Board.

Strategic risks primarily comprise risks associated with changes in the business environment and increased competition, shifts in technology and in customers' purchasing habits, as well as market positioning, product range and offering. Operational risks are associated with product sourcing, sustainability, IT systems, logistics, key employees and leases. Risks of a financial nature consist primarily of changes in the economy, currency exposure, transport costs, raw material prices and wage inflation. In accordance with a Board decision, the company had no internal control function for the 2018/19 financial year. The issue will be reviewed and decided annually.

Read more about risks and risk management in the Directors' Report on pages 78-81. Read more about sustainability risks on pages 136-137.

Our role in society

By acting as a positive force in the communities in which we operate, we improve the confidence that our owners, employees, customers, and other local stakeholders have in us. We focus our social responsibilities on initiatives that are close to operations, including the rights of children and support for the UN Children's Rights and Business Principles. Our focus on children's rights is directly connected to our commercial arena, the home, with all children's rights to a secure home and childhood. Viewing the impact that we have from the perspective of future generations promotes our long-term agenda.

Unique co-workers – one Clas Ohlson

CLAS OHLSON IS DRIVEN FORWARD by all our unique co-workers, who resolve challenges, meet customers and see opportunities every day. The employees are the key to successful growth.

Clas Ohlson is to be an attractive employer that can develop and retain competent and committed employees, while attracting new competencies. Clas Ohlson currently has about 5,000 employees in six countries.

Co-workers who want to grow with us

In the recruitment process, we seek employees who want to be a part of Clas Ohlson's culture and who want to grow with us. We offer great opportunities for personal and professional development. We strive for increased diversity and we are sure that a variety of competencies and backgrounds is incredibly important for creating an innovative, creative climate and profitable growth. Having a service mindset, commitment, a business-oriented approach and a willingness for constant improvement are important prerequisites to enjoy working with us.

Skills development and career paths

Our induction programme ensures that all new employees receive a broad understanding of

Clas Ohlson's history and corporate culture, our mission and our sustainability work to carry with them when dealing with customers, employees and other stakeholders.

We live in a constantly changing business environment and we need to be constantly up-to-date for the times in which we operate. We believe that we learn every day in our daily work duties, and we support development through tailored, formal training and by facilitating the sharing of the skills that are present within the company. We use career planning and internal development to ensure that the Clas Ohlson spirit will live on.

During the financial year, we focused on developing the skills in our products and services, as well as improving our customer interaction in all channels. Leadership is an ongoing focus area, in which we continuously find new ways to develop and prepare leaders in accordance with prevailing needs.



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



New competencies for a new business environment

At the same time as we work on skills development internally, we are also recruiting new expertise to strengthen our long-term competitiveness. For example, during the financial year we build up a new department for customer insights and market analysis that will help us create an even more relevant customer offering by better capitalising on the opportunities presented by data analysis.

Diversity helps us to develop

We endeavour to ensure that every workplace has employees with different backgrounds, skills and experience. Greater diversity boosts creativity and innovation. This helps us to understand and interact with our customers in the best possible way. Clas Ohlson is to be an inclusive workplace, where we respect each other and follow Clas Ohlson's corporate culture. We have a zero tolerance policy for all forms of discrimination and harassment. All employees have the same rights, opportunities and obligations.

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

The focus in the financial year included the implementation of workshops in our management groups to enhance knowledge and create dialogue on the significance of diversity, and encouraging local initiatives to increase diversity

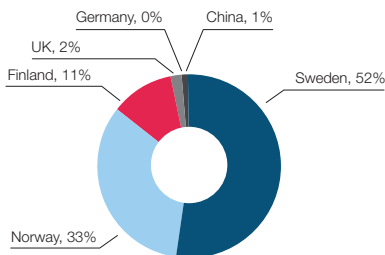
in the organisation. Several interesting initiatives were started.

We also worked to clarify our approach on this issue internally and externally. We joined networks and partnered with the Stockholm School of Economics, which surveyed, for example, our Group Management's approach to diversity and looked at how increased diversity can help to develop the work in the stores. The recruitment process for our stores was also updated to include a thorough diversity perspective.

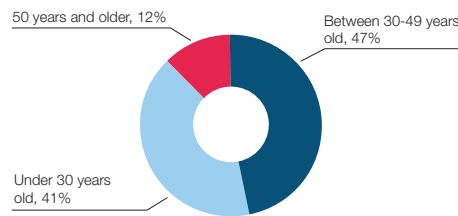
More DIVERSITY IN NUMBERS

The gender division in the entire Group is 45 per cent women and 55 per cent men. 32 per cent of managers were women during the financial year. The gender division in Group Management is 50 per cent women and 50 per cent men. The gender division on the Board is 37.5 per cent women and 62.5 per cent men. The target is that neither men nor women will account for less than 40 per cent of each individual professional category. During the year, our international* diversity was 9 per cent. The target is to have 15 per cent international diversity in the next financial year, with 20 per cent in the long term. We also strive for an increased balance of ages and to recruit older employees.

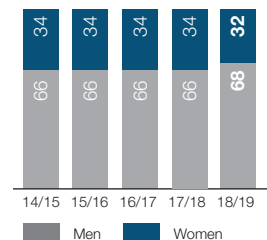
Employees by country, %



Age distribution, (%)



Managers, proportion of women/men, %



* The proportion of employees with their background in a country other than the one in which they currently work.

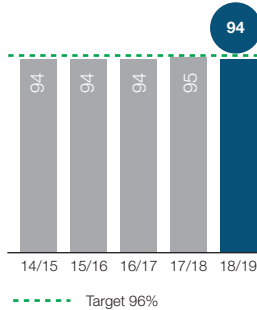


Focus on well-being

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

positive psychosocial work environment. Managers, health and safety representatives and team leaders participated in the Health & Safety and Management training course. We held workshops and presentations on the subject of stress management, as well as offering support for employees in the form of coaching, with the aim of providing tools to better handle organisational changes that occurred during the financial year and which will also continue in the coming year. Our goal is for employee attendance to exceed 96 per cent on an annual basis. Employee attendance for the 2018/19 financial year was 94 per cent.

Employee attendance, %



In 2018/19, we worked to increase knowledge of the importance of a



Leadership

Excellent leadership creates personal and corporate growth. At Clas Ohlson, leadership involves leading the culture and creating trust among our employees to be themselves and be able to use their strengths in their daily work. Our internal leadership training courses aim to support our employees and managers in their development.

Clas Ohlson's leadership development has led to the number of working groups that regard themselves as having a good or excellent leadership has increased steadily. In the most recent employee

survey from the autumn of 2018, 76 per cent of all of our work groups said that they have good or excellent leadership, compared with 73 per cent in 2016.

During the financial year, we began the work to reformulate the content of our leadership programme and make the content more accessible for all of our employees.

We also supported our managers by a number of measures to increase knowledge and preparedness ahead of the company's reorganisation.

80

*engagement
index*

Engagement is high among Clas Ohlson's employees and the index increased from 78 to 80 in the most recent employee survey, which was conducted in autumn 2018.



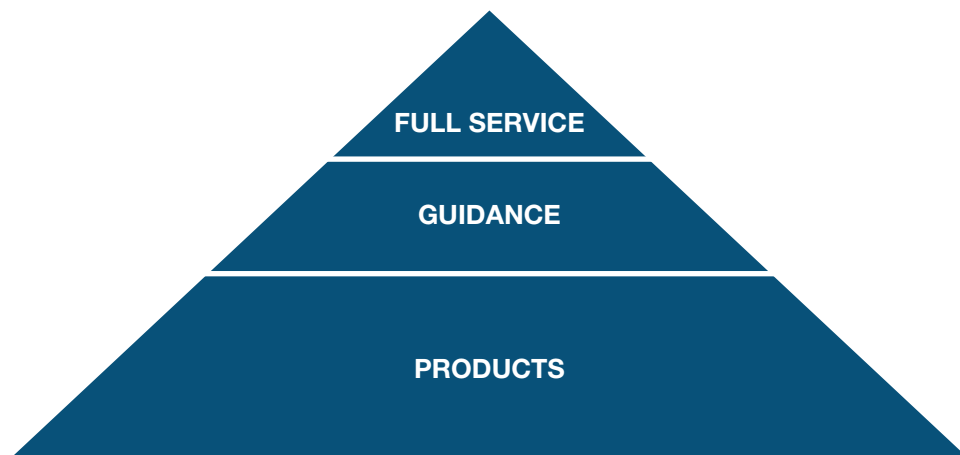
*Products and services
for a simpler everyday life.*

A unique customer offer

CLAS OHLSON OFFERS SMART, simple and practical solutions that make everyday life a little easier. In a time of global competition and increased industry consolidation, we are working even harder to create a distinctive and attractive product range. This is the first building block of our strategy – a unique customer offer.

Clas Ohlson's arena is the home, and to help and inspire customers to better everyday life, we have a broad selection of smart products that are continually being developed and changed based on our customer demands and wishes. We carefully monitor trends and consumption patterns and adapt our offering to local markets. Moreover, we provide our customers with good advice and tips through our knowledgeable employees in our

stores and in customer service. For those customers who would also like us to solve the practical parts such as installation, repair or other services for a simpler everyday life, then we can fix that for them as well. We often talk about our offering as a pyramid, with the product range at the base. Above that base we offer guidance, and up at the top there are supplementary services.





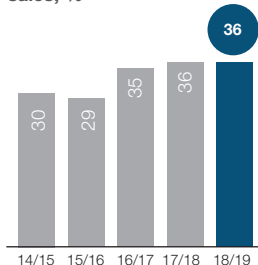
THE BATTERY HUNT

During the year, we worked on informing children in our home markets in the Nordic countries, and involving them in activities around important environmental issues such as recycling by arranging the annual Battery Hunt contest. Nearly 169,300 schoolchildren in Norway and Sweden took part in the 2019 Battery Hunt and collected 162 tonnes of batteries for recycling.

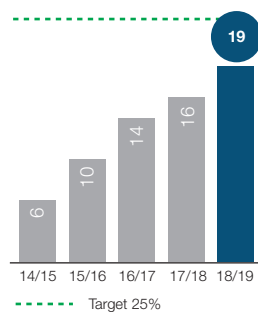
Five categories of products

Clas Ohlson has a broad product offering in the categories of Hardware, Electrical, Multimedia, Home and Leisure. The product range includes both proprietary brands and other well-known brands. In addition, we offer spare parts and accessories that prolong the service life of products. About 10 per cent of last year's product range has been replaced, and our customers see new products every week in our stores and online. It should be easy to find the right product for your needs, but we also want to inspire customers to discover new solutions and a more sustainable lifestyle. We are also working to continually develop our product range under our proprietary brands, which during the year represented 36 per cent of our total sales.

Proprietary brands, share of sales, %



Products for a more sustainable lifestyle, share of sales, %



a positive sustainable impact. Actively striving to offer more products that contribute to a more sustainable lifestyle is therefore a priority as we develop our product range. This is also something that we know our customers are requesting, and we are convinced that it will have an increasingly significant impact on purchase decisions in the future.

We increased the percentage of products for a more sustainable lifestyle during the 2018/19 financial year to 19 per cent of sales. Our objective is that the percentage of products for a more sustainable lifestyle will amount to 25 per cent of sales by 2020. We updated our criteria during the financial year and developed a new model for assessing products for a more sustainable lifestyle. During the year, we will also develop criteria for products that are not compatible with our product range due to their sustainability performance being too low.

Products for a more sustainable lifestyle

Enabling a more sustainable everyday life is our greatest opportunity to create

WEAR but not waste

Our range of spare parts is good business for both us and our customers, while it helps us to save resources and extend the service life of products.



Updated criteria for sustainable products

Clas Ohlson puts in thorough groundwork as regards compliance, product development, quality assurance and product information. That is why we know that our product range maintains a high level of quality, and we can focus on finding improvements to sustainability above and beyond the basic requirements. The starting point is the circular life cycle perspective, which put simply shows the path of a product from raw materials to “waste” with the aim of becoming raw materials again. Even if it is seldom possible to make the exact same product again, since a certain amount of degradation always occurs, the principle in itself is important.

What is special about the model is that it is relative; it is applicable to everything and focuses on continual improvement. This means our model can be used for

any product whatsoever, and is built on a comparison with the age in which we live. Our starting point is that the level of knowledge in sustainability and technology is continually improving, which means that products need to be assessed again after a certain period of time.

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

- Materials
- Chemicals
- Production, energy, water, transportation
- Use, reuse, recycling and waste.

In determining the order of priority of which products we want to be more sustainable first, the focus is on the products we sell in high volumes and that will result in the highest sustainability improvement.



Smart products for the SMART HOME

Together with its Home app, Clas Ohlson's Smart Plug and Smart Bulb products are a good start for people who want to make their homes a little smarter and more energy-efficient. The app makes it easy to control power outlets and lamps, wherever you are.



ORGANISE more

Organising the home was a major area of focus during the year, in which storage solutions for the refrigerator from SmartStore were a natural element. The Compact series is modular, which means that the drawers can be stacked in and on each other if they are supplemented with lids.

Popular products DESIGNED IN INSJÖN

The coffee maker from our own Coline brand was one of many products designed by our own team in Insjön. A trendy exterior, practical functions and a five-year warranty made it a very popular product this year.





Employee INTERVIEW

Our customers have welcomed the changes enthusiastically.

Hello!

Store manager, Kamppi Shopping Centre, Helsinki, Finland

TARU VARTINEN

A number of strategic initiatives are underway at Clas Ohlson, involving every part of the company. Category Reset deals with customising the product range in every store in order to better match our customers. We analyse each store at an entirely new level, in which demography, competition and local conditions are included in the calculations to a greater extent than before.

Taru's store has just completed the first step of Category Reset and rebuilt a number of sections.

Tell us a little about how you've worked on Category Reset in your store this far.

The Category Reset team came into our store like a whirlwind and rebuilt our image, sound and telephony categories; they simplified the product range and reduced the numbers of different products. It looks fantastic. It's easier for us to work with, but in particular our customers have welcomed the changes enthusiastically. We are rebuilding the bathroom

products and tools sections this week, and it will be great to see our customers' responses to that as well.

What kind of changes have you implemented?

The product range is presented in a more inspiring way. We expose a larger number of bestsellers so it's easier for customers to find what they're looking for, and we now also have inspirational images that promote a better customer experience. These changes give us more time to help customers who need it. We also save time replenishing in the mornings because it's easier to pick up larger amounts of the same product. Just think what it will be like when all the areas in the entire store have been rebuilt under Category Reset!

What advantages do you see with Category Reset, for both Clas Ohlson and customers?

The optimised exposure is great. If a product

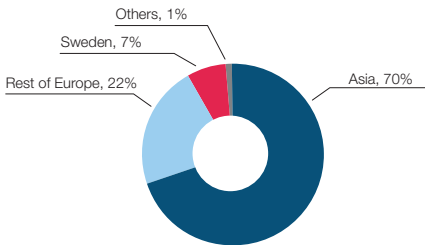
isn't selling well in our store, it's better to send it to another store that has better opportunities to sell it. This way, we also free up more space for products that our customers here in Kamppi are more interested in. Just after this first step alone in the reconstruction, we've seen a significant increase in sales. The entire Clas Ohlson product range is available to customers online, and with Click & Collect – where the customer orders online and can pick their order up a few hours later, at the store of their choice – we offer customers an easy shopping experience that is capitalising on our various sales channels.

I think this change is great. We have to listen to our customers, and change and improve as a store and a company. I want to have a close relationship with our customers, and I welcome with open arms every initiative that gives me more time with the customers.

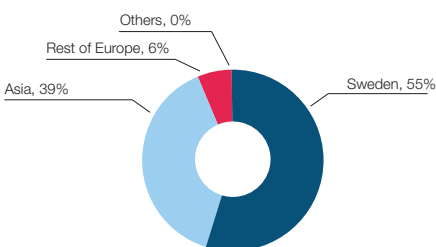
70%
manufactured in Asia

Approximately 70 per cent of our products are manufactured in Asia.

Regions of origin



Regions of purchase



Stringent requirements for suppliers

Products that carry our proprietary brands, or which are unbranded, are bought directly from the manufacturing plants or through agents in Europe and Asia. We do not own any manufacturing plants.

Both we and our customers place strict demands on function and quality, as well as price, and on respect for people and the environment throughout the supply chain. That is why we invest in close, long-term relationships with our suppliers and have built a strong supplier network over time. This enables us to reduce our purchasing costs and allows us to exert more influence over product design, quality and price, but also leads to greater delivery reliability and speed. Clas Ohlson buys products from approximately 730 suppliers in Europe and 630 manufacturers in Asia. Close to 70 per cent of all our products are manufactured in Asia — primarily in China, our largest purchasing market, where we also have our own purchasers. We continually review our existing purchasing markets and evaluate new ones.

Supplier audits

Before we enter into a partnership with a new supplier in a high-risk country, we conduct an audit to check compliance with our Code of Conduct as regards working conditions, human rights and the environment. This applies to all new

suppliers. We also conduct a technical review at the manufacturing plant in question of the supplier's conditions and ability to deliver in line with our quality requirements. We are also on site before each delivery to conduct quality checks in line with an established procedure. Integrating sustainability and responsible purchasing is a fundamental part of quality assurance in the production and purchasing processes. We have internal auditors in China who conduct both announced and unannounced audits. A total of 229 audits were conducted during the financial year, compared with 249 in the preceding year. Of these audits, 57 were of new suppliers. The interval between re-audits of suppliers was previously 24 months, but owing to changes in the product range and thus a high influx of new suppliers, we have prioritised initial audits on these. That is why we have extended the re-audit period for existing suppliers by three months. 98 per cent of suppliers fulfil the requirements of the Code of Conduct without serious deviations. The target was revised during the year from 98 per cent to 100 per cent.



Partnership for INCREASED TRANSPARENCY

We have been affiliated with Sedex since 2017, a partnership for increased transparency regarding responsible purchasing that has now been integrated into our supplier programme in Asia and Europe. The focus during the financial year has been on training purchasing offices and suppliers in the new standard. The Sedex partnership enables increased efficiency and transparency in our supply chain, which allows us to concentrate our resources on high-risk areas.

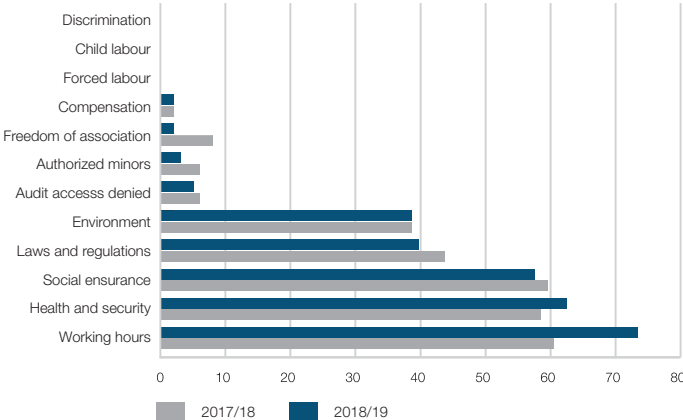
Supplier training

During the year, we continued our training project with QuizRR, a digital tool for training in working conditions as well as health and safety, among our suppliers in China. By using measurability and transparency in the supply chain, we train workers and managers at all levels about their rights and responsibilities. Since early 2016, nearly 5,500 workers have been trained in 12,500 training sessions. We also added a training

module in QuizRR during the financial year. The module comes from Save the Children Centre for Child Rights and Corporate Social Responsibility, CCR CSR, and is specifically targeted to migrant-worker parents. By building up strong relationships with strategic suppliers – for example, through this type of training efforts – we improve Clas Ohlson’s opportunities for long-term profitability while contributing to positive change and improved working conditions in the supply chain.



Deviations from the Code of Conduct when audited, %



One challenge we continue to work on is achieving lasting change in the supply chain. Deviations regarding working hours increased during the financial year. This is due in part to increased transparency among our suppliers, but also to many suppliers lacking reliable attendance systems.

Ambitious quality approach

Both we and our customers place strict demands on quality. We are particularly diligent with products that carry our proprietary brands and these undergo numerous tests before being approved as products in our product range.

The first inspection takes place when our technicians conduct advanced tests for quality, function, safety and durability on sample products. We do not place orders until the technicians have deemed the product to be up to standard, and until we have checked that the product fulfils Clas Ohlson's requirements – including applicable legal requirements – and that the supplier is in compliance with our Code of Conduct.

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

We also work to minimise the use of hazardous chemicals in the company's product range, and we have imposed stricter requirements than those set by legislation for products used by children and products that come into contact with skin or food.

Smart, sustainable packaging

We routinely update the packaging require-

ments that we impose on our suppliers. These requirements include the selection of materials and design, where we strive to avoid unnecessary packaging materials, particularly for products that we sell in high volumes. We select recyclable plastics and are diligent in ensuring that different materials can be separated. We avoid coloured plastics and printing on plastic packaging, since this reduces the possibilities for recycling them.

Our store employees are affected to a great extent by the packaging that comes into our stores on a daily basis, and they are heavily involved in these issues. For this reason, we have created easily accessible digital channels for store employees to provide tips on where to make improvements.

So far, feedback from employees in stores has enabled a constructive dialogue with our suppliers in which we have successfully eliminated hundreds of thousands of plastic bags from packaging, and we have a target of achieving a reduction of one million plastic bags in our packaging by December 2019.

Clas Ohlson's PLASTICS STRATEGY

During the year, Clas Ohlson took a position on phasing out plastics. This commitment means that by 2020, we will stop selling single-use plastic items, which is earlier than the impending legal requirements demand. We have, for example, already stopped selling plastic straws and replaced them with variations in metal and paper. We will be removing all single-use plastic items from staff rooms by 2020. By 2020, it will also be possible to recycle all packaging.



Employee INTERVIEW

We continue
to invest
in digital
platforms.

Hello!

Business Analytics & Insights Manager, Sweden PATRICK FINCH



It is becoming increasingly important to understand the business environment and our customers, in order to get as close to them as possible and to hone our offering. Patrick Finch is leading our newly formed Business Analytics & Insights team, which is working precisely with this issue.

What is it you do, exactly?

Something we are investing a great deal of time and resources in is getting to know our customers more so that we understand them and their needs. We want to know what they're doing, what they want and need, and how we can satisfy them. It's a matter of following and understanding consumer trends, and especially understanding which challenges they face in their everyday life in the home. If we can offer a product that solves these challenges in a convenient, neat and practical way, then we've succeeded. One thing is certain: there are few Nordic homes that look like the ones we see in elegant magazines and catalogues.

There are many insights to gather in order to understand the everyday life of our customers. In Sweden and Finland, we have learned a great deal so far through Club Clas — our loyalty programme.

Another aspect we are focusing on is what is happening in the industry. As you know, retail is undergoing major changes right now, and there is a lot happening regarding, for example, shopping experiences, payment solutions and delivery alternatives. We are also trying to keep track of what our competitors are doing, even if we obviously have our own plan for where we're going and we won't let others control that.

It's also a question of making use of all the know-how and data, and analysing it in order to make the right decisions around our commercial offering.

What trends do you see right now that are relevant for Clas Ohlson?

There are a number of things, but one interesting thing we're seeing is that low-price chains offering major discounts are doing really well while shopping for premium-segment items is becoming more and more popular. We fall a bit in the middle, which can be a challenge. We need to hold our ground, pricewise, but also offer a higher level of both affordability and shopping experience. We can achieve this by understanding our customers even better.

How do we act on what we know?

We've been better at predicting peaks and troughs in demand. We can also make a selection and ask specific customer groups how they in particular perceive the products.

We are also continuing to invest in digital platforms, to be able to gather and manage more data and thus learn more. We are basing more and more of our decisions on data, and it will be even more important in the future.



VINDEN

During the financial year, Clas Ohlson entered into a partnership with the storage provider Vinden. With just a few clicks, customers can order collection of their belongings and safe storage. Linked with the purchase of moving boxes and other storage boxes at Clas Ohlson, the service is available in large parts of the Stockholm region; the plan is to develop a concept that can be rolled out in several cities over the long term.

Our products and services

Clas Ohlson offers products and services that make everyday life easier, with high demands placed on function, price, quality, product safety and sustainability.

Our smart SERVICE OFFERING

In November, Clas Ohlson launched Clas Fix it, its new DIY project service, in Stockholm. Based in a home store, Clas Fix it receives assignments to visit customers who need help with jobs that are a bit too small for traditional help but a little too difficult or daunting for customers to do themselves. They could be smaller electric or plumbing jobs, or installing a shelf or a robotic lawn mower. The service can be easily booked through an app or in a store, and our capable customer service staff handles confirmation and checks before the visit. The reception from our customers has been positive, and the service will continue to be rolled out in a larger geographic area during the year. In addition to Clas Fix it, Clas Ohlson offers a number of other services such as tool hire, knife sharpening, developing photographs and storage solutions in collaboration with Vinden.

Our five PRODUCT CATEGORIES



Hardware

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



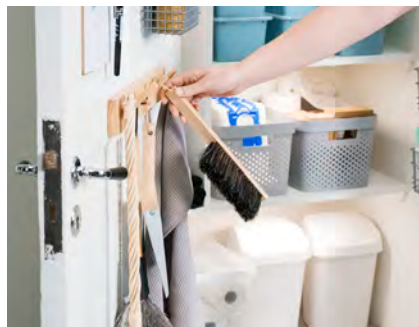
Electrical

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



Multimedia

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



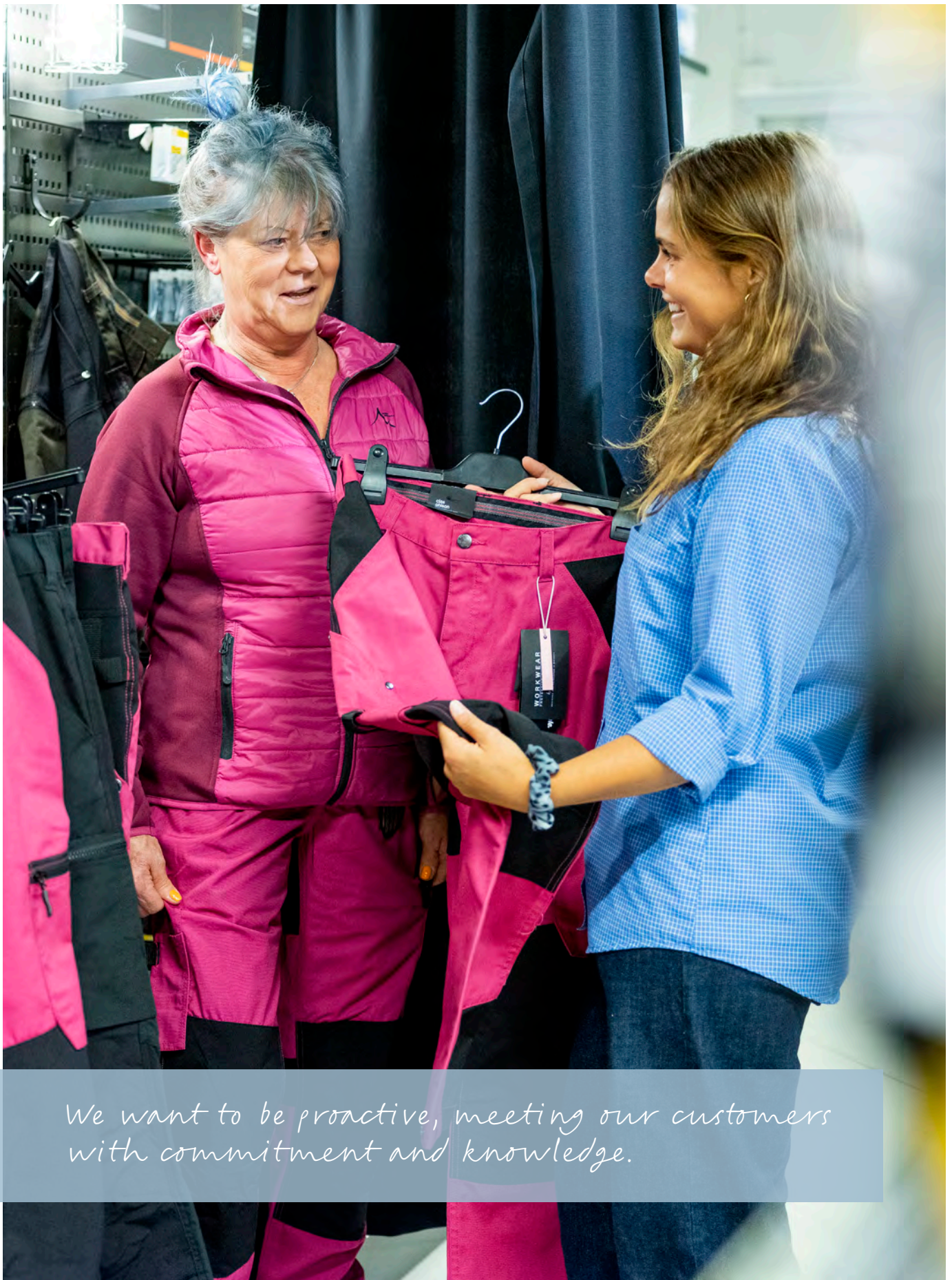
Home

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



Leisure

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



We want to be proactive, meeting our customers with commitment and knowledge.

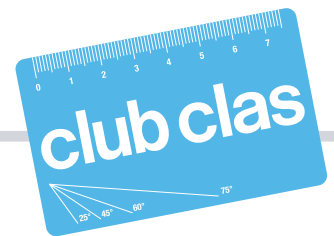
Outstanding customer service

SHOPPING AT CLAS OHLSON should be simple and convenient, as well as inspiring and affordable. Throughout the years, we at Clas Ohlson have been proud of putting the customer first; now, we are translating our recognised excellent service into an online world where we can inspire, guide and help our customers, making their everyday life easier to an even greater extent, on their terms. This is the second building block of our strategy: outstanding customer service.

A personal experience in all channels

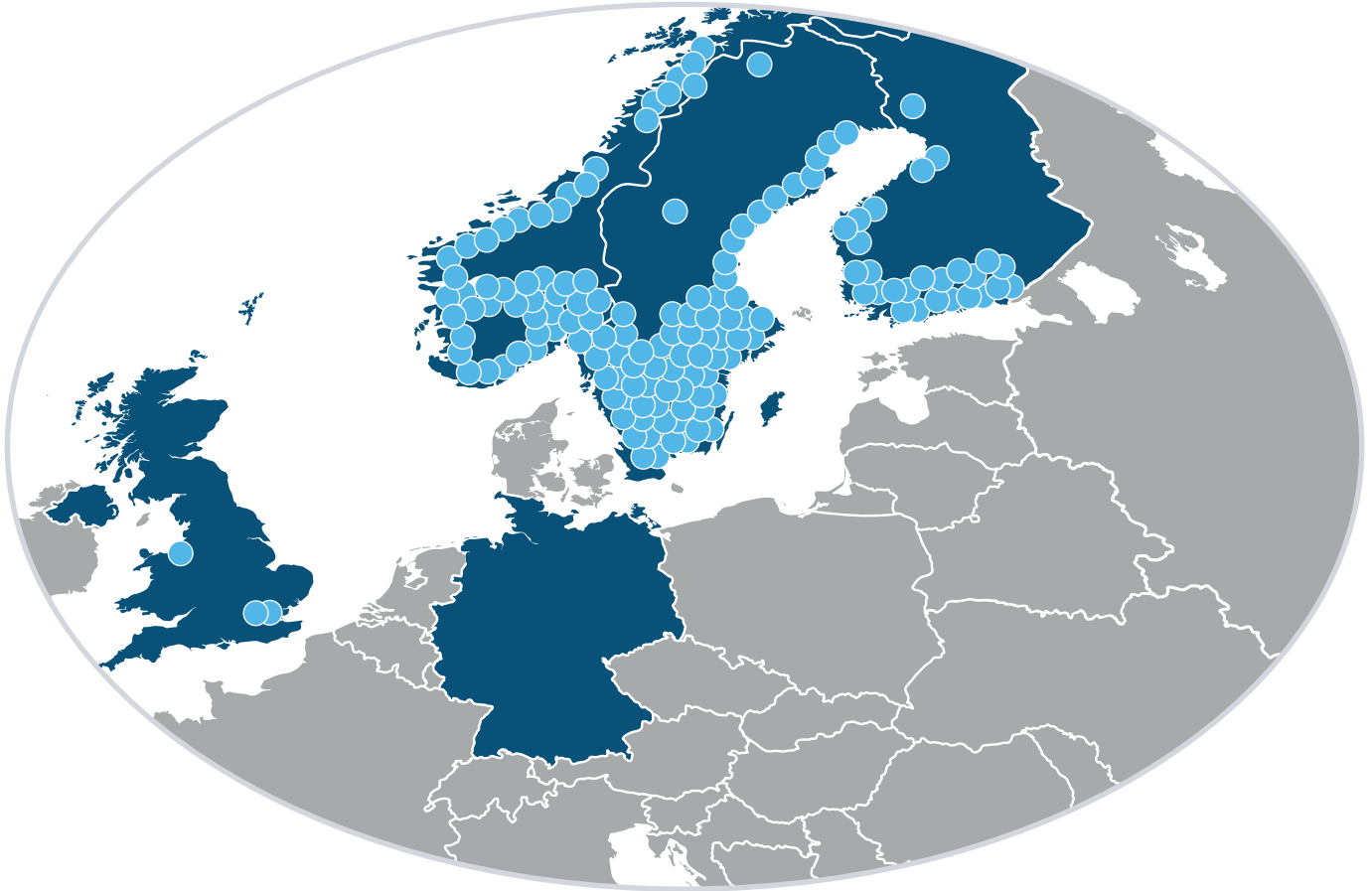
A good customer experience is fundamental to creating satisfied return customers. We want to be proactive, meeting our customers with commitment and knowledge. Our entire service concept is based on the passion and skills of each of our co-workers.

A fundamental part of the experience with the customer is borne by the company culture at Clas Ohlson. What we call the “Clas Ohlson spirit” describes how our founder – Clas Ohlson himself – viewed the customer experience, which we are continuing to build on throughout our organisation. We are also working on specific training courses to develop our store staff and to create confidence in the interactions with our customers. During the financial year, we implemented a sales coach programme – aimed at regional managers, store managers and team leaders at Clas Ohlson – whose purpose was to provide them with new tools for developing their employees in the customer experience.



Club Clas FOR LOYAL CUSTOMERS

Club Clas is our loyalty programme, with 2.7 million members. Membership includes discounts, special offers and invitations to various store events. Purchase histories are saved and customers appreciate receiving more relevant offerings. Stores with many club members have a higher average ticket value and a higher conversion rate. Club Clas is currently available in Sweden and Finland.



42
million
customers

An accessible store network

Clas Ohlson offers accessibility and service through a combination of various sales channels. Our extensive store network is our most important sales channel, and we regard the store as a valuable part of offering convenience to our customers. Our shops are located where people move about in their everyday lives, and we also regard our store network as a major strength in the digitalisation the industry is undergoing. In total, we expanded our store network by three stores, net, since the preceding financial year. We are focusing our store investments on the Nordic market where we opened 11 new stores during the year. We also decided on a new strategy for the markets in the UK and Germany,

with a focus on online sales that meant we closed eight stores in these markets. Our stores are attractively located in city centres or popular shopping centres. We work continually on developing our stores, and they are continually changing with new solutions and ideas. It should be easy for customers to find their way around, and we place great importance on product display and navigation to save time for both customers and employees. We also routinely review our store locations and contracts, striving for a high degree of flexibility, and at the expiration of every store contract we review the location of the store and the floor area or transform the store into another, more suitable format.



39%
have LED
lighting

At the end of the financial year, 39 per cent of our stores had installed energy-saving LED lighting.

Climate-smart stores

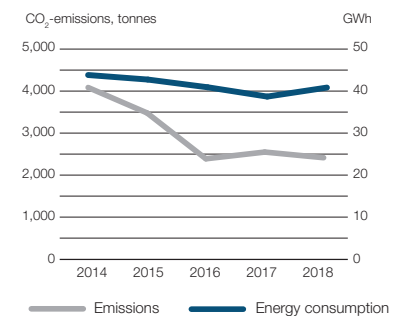
We strive to reduce the environmental impact of our stores through enhancements to energy efficiency and by increasing the use of renewable energy sources. We place strict requirements on sustainability when we build new stores or renovate older ones. These requirements include LED lighting, movement detectors, and PVC-free floors and cabling as well as eco mode for escalators.

At the end of the financial year, 39 per cent of our stores had LED lighting. More cost and energy efficient LED lighting reduces electricity consumption

by an average of 38 per cent, and the energy savings is 35 kWh per square metre. Electricity consumption in our stores decreased from 110 to 106 kWh/m².

One target in energy efficiency enhancement was set during the year, in accordance with the EU's current energy and climate goals for 2030. Clas Ohlson's target is 30 per cent by 2030 with 2014 as a base year; this is somewhat more stringent than the EU's target, which currently states at least 27 per cent. At present, Clas Ohlson has achieved enhancements of 15 per cent in energy efficiency.

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



Stores account for 84 per cent of total energy consumption and 97 per cent of CO₂ emissions. Energy use and CO₂ emissions also include the stores in Germany for 2017-2018.

Employee
INTERVIEW


Fast,
convenient and
simple solutions
in everyday
life.

Hello!

**Store Manager, Drottninggatan,
Stockholm, Sweden**
MARCEL SÖDERQVIST

Click & Collect is a delivery alternative that Clas Ohlson has offered its customers in all markets since late 2018. This lets customers order goods online, have them picked out free of charge in the store of their choice, and then pick them up at the store after only four hours.

Tell us about the changes that Click & Collect has meant for your store.

Most of all, it has meant that we are bringing in more visitors to the store! Gradually, we've also improved and refined our procedures for looking after them so they have an even better customer experience.

From a purely practical perspective, we needed to organise space for the handling and delivering of goods, and naturally it also meant many new work procedures for our employees. We also needed to think differently as regards staffing, in order to ensure that we maintained a high level of service for our customers.

How have you improved handling at your store?

It was introduced in December 2018, right in the middle of Christmas shopping. We built two shelves for Click & Collect orders at the service desk by the entrance. At the start there was a great deal of new things to learn, so the assistant store manager and I established routines for our store and handed over a finished concept to the other store employees.

We realised fairly quickly that we needed more floor space. But since we didn't think we could find that

at the service desk, we decided to move the pick-up point to the multimedia section further into the store. There were several advantages to this – one is that we bring customers into the store and avoid queues at the service desk. But we also ensured that customers were met with inspiration, products and volumes on the way to the pick-up point, giving them the chance not to miss a product they might need.

How has this delivery alternative been received by your customers?

Positively. We have noted that this is a service function that has been in demand for a while and that it has been missing. It was actually a rather comprehensive procedure to introduce, but it has been working fine from the start and it has gradually become smoother and smoother.

What advantages do you see Clas Ohlson obtaining by offering Click & Collect to customers?

Our customers want fast, convenient and simple solutions in everyday life. And the opportunity to place an order in peace and quiet, and then have the products picked out and ready to collect at the store is one way we make it easier for our customers to save time. So from a competition perspective, offering this to customers is enormously important.

It's also the case that customers who shop on online and pick up their order at a store actually buy more than those who "just" visit a store, so clearly we're increasing sales with Click & Collect.



Clas Ohlson LAB STORE

In the 2018/19 financial year, we launched the Clas Ohlson Lab Store as an entirely new store format. Lab Store is a concept store that offers customers a completely new experience of Clas Ohlson. New digital solutions that provide customers with a new shopping experience are tested here; in addition, products and services are tested with customers before they are included in the regular product range.

Improved customer experience online

Our online shopping is an increasingly important sales channel; during the 2018/19 financial year we implemented a new search engine to provide customers with improved precision in our broad product range. Other examples of how we improve the customer experience online are new flexible payment

options and new delivery alternatives. Our online sales increased 47 per cent during the 2018/19 financial year, and traffic on our website also contributes to increased visits and sales in our stores.

Our aim is to manage all sales channels as one whole, minimising differences between physical and digital stores.



Speed and options

Regarding delivery alternatives, our customers are constantly demanding more flexible and individually tailored solutions, where customers shopping online can choose to have the products sent to their homes or to a drop-off point, or pick them up at a Clas Ohlson store. During the financial year, we introduced Click & Collect as a delivery alternative – customers can order the products online and pick them up at a store shortly afterwards – and it quickly became a popular delivery alternative.

Customers shopping at a store can also choose to order products from Clas Ohlson's broader product range online while still in the store and have them delivered to the store or to their homes. Home delivery in particular is increasingly in demand. For customers in Sweden's larger cities, MatHem is an alternative. Selected parts of Clas Ohlson's product range are available for sale at MatHem, and we see great potential for increasing sales volumes of consumables under our own brand via the MatHem platform. We also consider deliveries with MatHem to be an efficient way of co-loading and co-transporting products to customers, thus reducing the total number of goods transports. We are also partnering with Postnord, BudBee and Porterbuddy on home deliveries.



Employee INTERVIEW

Option of ordering in the evening for next-day delivery.

Hello!

**Store Manager,
Bromma, Sweden**
RAMIN ROODKHANE

Parts of our product range are also offered via mathem.se, an online grocery store. This means our products can be delivered to customers' homes along with deliveries from MatHem. Most of these products are already found at MatHem's central warehouses, but those with slightly smaller volumes are taken from neighbouring Clas Ohlson stores. Our store in Bromma serves as a logistics hub, where every morning we pick out products that are delivered to MatHem's central warehouse for onward transport to customers in the Stockholm region the same day.

Tell us about what our partnership with MatHem means in practice at your store.

By 6:00 a.m. at the latest, the orders from MatHem customers appear in the system, and we can start picking. We do this straight from the shelves in the store, right into Clas Ohlson bags. It's an intense hour until the MatHem truck comes and picks up the products at 7:00 a.m.

We were part of developing and evaluating procedures and means of assistance, so we've established a good working method that suits us. Issues such as schedules and staffing are also things we've reviewed and adjusted to create the best possible conditions for managing orders from MatHem customers.

What customer benefit do we see in this partnership?

MatHem has an excellent logistics network that customers can benefit from even when they order Clas

Ohlson products online. So they can order a cordless screwdriver in the evening and have it delivered the next day – which is something our competitors can't match.

Of course, it's easier for customers to receive a package from a delivery driver in the same delivery instead of two, despite perhaps ordering two widely differing products such as a cordless screwdriver and whipping cream. And customers clearly appreciate the partnership, since one out of every ten MatHem packages contains a product from Clas Ohlson!

How can Clas Ohlson benefit from the partnership?

First, we come extraordinarily close to our customers thanks to the MatHem logistics network – all the way to their door. It's also an excellent opportunity for us to be seen in channels other than our own, as a result of being available on mathem.se. Third, we have the chance to study their knowledge of logistics and learn more. We see what they're doing, but we're also learning a lot together about how we can make things even better for our customers by joining forces.

Finally, could you tell us which Clas Ohlson products available on mathem.se are the best sellers?

It differs over time, actually, but in general it's products such as tea lights, toothbrush heads and batteries. And around Christmas time, many customers took the opportunity to conveniently order a battery-operated Christmas wreath for home delivery!



Internally, there are a number of initiatives underway — automating online shopping deliveries at our distribution centre, for example — to create the best conditions for rapid and flexible flows of goods. One example of how this has an effect on the customer experience is that customers who ordered products before midnight on 23 December in Norway’s Eastern region could receive deliveries home on Christmas Eve.

Through Clas Fix it, the home has also been opened up as a meeting place in an entirely new way. Here, as in our other channels, we want to provide our customers with reliable outstanding service. More information about Clas Fix it can be found on page 48.

Satisfied customers RECOMMEND US

For the second year in a row, Clas Ohlson was an industry winner when Norwegian customers were surveyed on customer satisfaction and loyalty in the Norwegian Customer Satisfaction Barometer survey, conducted by the BI Norwegian Business School.



Employee INTERVIEW

With the fix-it counter, we go the extra mile for our customers.

Hello!

Store Manager,
Ålesund, Norway
JOHNNY ROVDE



The fix-it counter is a relatively new concept found in a few of our stores. Tell us more about it.

You could say there are two reasons the fix-it counter came into being. One is that we want to test out new things and see how we can help our customers in new ways, thus finding new customer groups. The other has to do with something we at Clas Ohlson see as self-evident, namely taking an extra step for our customers. With the fix-it counter, we have the opportunity to take it to the next level.

The fix-it counter is the first thing customers see just inside the entrance to the store. In addition to the fix-it services themselves, we also have the Click & Collect point here — where customer can pick up the products that they have ordered online.

We have had the fix-it counter for two months now, and it has been well received by both customers and employees. The key cutter and photo printing in particular have done really well.

What services do you offer at the fix-it counter?

There are several different services. Knife sharpening and key cutting are two of the services we work with while the customer is waiting, and it's great to be able to show that we can do more besides selling and serving customers in the store. Things happen and there is a little action, which is fun. While customers wait for us to finish sharpening knives or cutting keys, they also have the opportunity to charge their phone or PC at the charging dock we have set up.

And then they can also print out photos. That is more self-service, but we are happy to help customers out — if they need it, of course. We also have tools for lending, which is perfect for customers who want to do small repair jobs at home once in a while. It's such a smart idea, especially from a sustainability perspective.

Another service we're working on launching in the future, which we firmly believe in, is in-

stalling screen protectors for mobile phones. It will be exciting to see what customers think of that!

What advantages do you see in the fix-it counter?

Above all, it gives us the chance to offer excellent customer service and a positive experience for our customers. And we also have the opportunity to meet new customers we haven't reached earlier. Right now there's no real money in the services themselves, but they attract customers to the store who then go shopping, so in that way it creates profitability for us.

One goal we have with our fix-it counter is to be a destination for cutting keys. There aren't many places you can have that done nowadays, so there is absolutely a need to be met!



Smart ways of working and an efficient organisation are a condition for growth.

Clas Ohlson simplifies and streamlines operations

SMART AND SIMPLE is part of Clas Ohlson's strategy to strengthen the company's position in the market. We are investing in change, enhancing the efficiency of systems and simplifying operations along the value chain, all to enhance cost effectiveness and to ensure fast deliveries to our customers.

Smart distribution and logistics

Our distribution centre in Insjön is the heart of Clas Ohlson's operations and hub of our distribution network. All product deliveries come here for repackaging and further distribution to one of Clas Ohlson's more than 230 stores, or directly to customers. An efficient flow of goods to and from the distribution centre is one of our most important success factors.

Enhancing distribution centre efficiency

Since 1 January 2019, operations at the distribution centre have been carried out seven days a week. This is an initial step in optimising use of the facility, and ensuring faster deliveries to customers. Clas Ohlson's customers shop online the most at the weekend, which is why operations at the distribution centre are organised so that products can be packed and start their journey to end customers more quickly.

Additionally, we launched several projects at the distribution centre during the year that were

aimed at increasing automation of operations. Automated guided vehicles and packing machines will enable efficiency enhancements. The packing machine is an important element in the switch from manual handling of online orders to quickly managing growing volumes. Over the coming financial year, the solutions that have been put in place will be refined and new solutions implemented. Two automated guided vehicles are now running in Insjön, and an additional 20 to 30 will be put into operation by the autumn of 2020.

Great value can be found in ongoing investments into enhancing the efficiency of distribution operations. The investments are essential for achieving our ambitions of doubling online sales every other year. At the same time, security of deliveries is a central part of maintaining a high level of service, which is facilitated by efficient logistics and distribution.



The distribution centre has a goal of sending the products the same day the order is received. Delivering online orders home to customers on the same day or the day after an order is placed is now possible through the partnerships with BudBee and Porterbuddy. In addition, Clas Ohlson is partnering with MatHem that has approximately 2,000 products from Clas Ohlson's product range available on its online shopping platform, and delivering the products together with its own. Partnerships like these are examples of how we are finding new ways to help customers and also to make use of existing expertise and infrastructure to quickly fulfil our customers' new demands.

THE DISTRIBUTION CENTRE by the numbers

- 77,000 square metres
 - 290,000 pallets delivered to stores annually
 - 630,000 mail dispatches delivered per year
 - 400,000 pallet and storage spaces
-

Employee INTERVIEW

It is important to dare to challenge our current situation.

Hello!

Process Optimisation Specialist at the distribution centre, Insjön, Sweden
CARINA ÄHDEL-FRANZÉN



Carina started at Clas Ohlson in August 2018, and works on making use of employee's suggestions for improvements to daily work in a structured manner. Together, they find solutions and create continual small improvements in order to work smarter, and to streamline and simplify the flow at the distribution centre.

Tell us, in general, what your job involves.

It deals largely with creating clarity. If we have a good structure to our ways of working, we can work more efficiently and more safely, but it also creates clarity for our co-workers as to what is expected of them so they can do a good job. We want all our employees to know what quality is, in their work duties. Simply put, it should be easy to do the right thing.

In taking steps to simplify, it is also important to dare to challenge our current situation and think about whether the way in which we work today is the smartest. We as a company simplify life in all kinds of homes; the distribution centre is our 'home' and we should simplify it.

Can you give us a few specific examples of simplifications or improvements you're working on, or have implemented?

One example is clarifying what people need at their work stations. There should be no more and no less than what people need to perform their jobs. We achieve this through visualisation, using boards where everything is hanging in its place. This makes it easy to see if something is missing, both when arriving at and leaving the workplace. It is a procedure we want to have for every work station.

Another thing is that we realised that we used to devote a lot of time to looking for scanners for the forklifts near to where we build pallets for goods to be delivered to our stores. Previously the scanners could be found pretty much anywhere, but now there is a scanner for every forklift. It may sound like a simple and obvious measure, but it is important that the routine is clear to everyone.

Another simple example is that we changed the layout for how we set aside pallets from containers, so that the forklifts that take them

along to the next stage into the crane store don't have to crowd with the forklifts setting pallets aside. In doing so, we have simplified the path the pallets take into the high-bay warehouse, and forklift traffic has become safer.

How else are we working with simplification at the distribution centre?

In our process descriptions, we started explaining and describing why different procedures are good for our flow, and what the consequences would be in the next step if we don't follow the procedures. This has created awareness of the next stage. For example, if products are placed incorrectly on a pallet so that they get stuck in the automated warehouse flow, it could mean that co-workers would have to climb into the warehouse to pull out or clean up whatever is stuck. This entails hazards and a poor work environment for them, which everyone naturally wants to avoid. All our employees want to do a good job, and we're working on clarifying what is good!

The role of the stores

The store also plays a central role in Clas Ohlson's logistics system, and we are continuing to switch operations in order for our stores to play a different, larger role in future. For example, Clas Ohlson has developed five "feeder stores," which are stores that serve as smaller warehouses where we have the opportunity to pick, pack and deliver products closer to our customers. These stores are localised in Stockholm, Gothenburg, Malmö, Helsinki and Oslo.

With our new business system in place, we are also developing the option of customising our offering in accordance with local conditions for each store. This is an important part of renewing the stores, and in attracting and retaining the customers who visit us. An

additional component in this work is our strategic Category Reset initiative, which you can read more about on page 43. In brief, Category Reset involves methodical, data-driven evaluations of our entire product range, optimising it according to actual customer needs and to profitability down at the product level. After having conducted tests in a smaller number of stores, we began rolling out the initiative in our store network during the financial year. We could see from our multimedia department – which was first in the project – that we increased sales with a reduced number of articles. The customer offer improved and was more clear while at the same time we reduced the value of inventories.

Clas Ohlson's green journey

Clas Ohlson works continually on our transportation to achieve higher delivery reliability, lower costs and a reduced environmental impact. We take responsibility for reducing our climate impact by reducing the use of flights and more rapidly increasing deliveries by train, as well as choosing transport companies that have the same sustainability agenda as Clas Ohlson.

Clas Ohlson's target is to reduce carbon emissions in relation to our net sales over time. Over the financial year, emissions relative to our sales decreased by 7 per cent, which is a lower reduction than in the preceding year (23 per cent). One reason for this is that the calculation policies in marine shipping changed from the preceding year. Since a full 93 per cent of Clas Ohlson's transportation is by sea, the figures from shipping companies have a marked effect on our environmental reporting. Another reason is that the flow of rail transportation decreased.





Disruptions decrease rail transportation

Almost all goods arriving from Asia come to Gothenburg by sea and are transported from there by rail to Insjön. The majority of goods arriving from Europe is consolidated and transported by rail from Helsingborg to Borlänge. From Borlänge, the goods are transported by truck to Insjön. During the financial year, the proportion of overland freight by rail decreased to 31 per cent (38). An ongoing strike in the Port of Gothenburg in 2018 meant that during the first part of the financial year, freight was received in the Port of Gävle and transported by truck to Insjön. Moreover, during the financial year we needed to suspend rail transportation from Insjön to Oslo due to excessively frequent interruptions in rail traffic that negatively impacted our delivery times. However, we are continuing to distribute products to all our stores outside Oslo by rail, as we have been doing over the last six years.

Consolidation of freight from Asia

One of our targets for marine transportation is increasing the fill rate in our containers from Asia from 90 per cent to 92 per cent by 2020*. If each container is filled more efficiently, we can ship fewer containers and reduce our indirect emissions from purchase of goods and services such as logistics and materials consumption. We are proud of the fact that we are beginning to witness the effect of many years of work regarding consolidation of goods from Asia. Instead of sending an empty container to our suppliers for loading, we bring in freight to consolidation terminals and load the containers there. The freight is loaded onto pallets made of millboard instead of being placed loose in the container, which results in a significant improvement in the work environment for our employees at the distribution centre who receive the delivery.

*Target revised during the financial year owing to new calculation policies.

Employee INTERVIEW

Saving
money and
making an effort
for the environ-
ment.

Hello!

**Internal Purchasing Manager,
Insjön, Sweden**
MARKUS KARLBERG



One of the building blocks of our strategy entails making things smarter and simpler. Of course this also applies to purchasing goods and services for internal use. Markus Karlberg is conducting a project in which he is optimising our internal purchasing in several different ways.

Briefly, what is the aim of your project?

One of the main purposes is optimising costs and saving money. In purchasing, we are creating transparency and obtaining a clear picture of how we spend money in the company. We are also finding ways in which we can change purchasing patterns; for example, we sometimes have several different suppliers for similar products, and then it could pay to reduce the number of suppliers. In addition to often being more cost-efficient, it also results in a smaller impact on the environment since transportation becomes more efficient – instead of receiving several smaller deliveries in different parcels from several suppliers, we optimise it into larger deliveries.

The project will then transition into becoming an organisation and remain in the operations.

This is something we'll be working on in future as well.

Can you provide some examples of goods or services where we make purchases in a different way now?

One excellent example of where both we and the environment win is that we've switched the plastic we wrap our loading pallets in when they're transported from the distribution centre to stores. When we reviewed the cost of the plastic, we understood there was money to be saved here, but we also saw that if we chose another type of plastic then savings could also be made as regards consumption of materials. The material costs a little more per kilogramme, but since 20 per cent less is used per pallet, we still save money in total plus we're making an effort for the environment.

Another example is reviewing the way we travel on business. We have always travelled in a cost-efficient manner at Clas Ohlson, but with small adjustments and new thinking we can save even more. For example, we can bring costs down if we try to plan travel and

make reservations more in advance. No stone should be left unturned when looking for opportunities!

How has the project been received in the organisation?

It has been well received. We have been careful in saying the project does not involve taking things away, and instead it is about optimising the costs of what we buy through better purchasing with less money. Reviewing and challenging our needs is also important in order to ensure that we're not purchasing costlier products with superior performance or capacity than required to meet the need.

And we also talk widely internally about the savings on internal purchases that we're making together. This reinforces the feeling and the knowledge that, regardless of the division or geographical area you belong to, we are all striving towards the same goal: optimising the company's costs. So far, we have jointly managed to reduce costs by 70 MSEK. And we also routinely receive many excellent suggestions for further savings from the organisation.



A simpler organisation with the right competencies

Clas Ohlson is in the midst of a process of change. For some time, work has been underway to change our operations in accordance with our strategy and in pace with changed customer behaviour. By working strategically with skills supply, we will ensure that Clas Ohlson has the right competencies along the entire value chain to meet future challenges.

New skills

There is a need to supply the company with new skills, which comes from the difference between the skills we have today and what we want to do in the future. That is why we are focusing intensely on ensuring that the roles in our new recruits are designed according to the company's current and future needs and that they fill in the competence gaps. In terms of office staff, a number of positions were added as a result of the need for new functions. In addition, existing roles have changed; for example, they have become increasingly data-driven. Clas Ohlson has succeeded to a great extent in attracting the competences the company needs, and believes that many talented people who have applied to

Clas Ohlson are interested in being part of this journey of change. The external image of Clas Ohlson as a great place to work, with a high degree of employee satisfaction, has been of the utmost importance in our recruitment efforts. We are also working on training initiatives in order to strengthen existing competencies. For example, this involved shadowing other employees in order to learn from each other. In other parts of the organisation, we have gained help from external resources who contributed with their skills during the transformation, after which Clas Ohlson could then build up its skills internally. One example of how we worked this way is changing our internal purchasing.

Decrease complexity, and a lower cost base

In parallel with the work on recruiting new skills to the company, we needed to make several decisions during the financial year that impacted many employees. Closing our stores in the UK and Germany had the single greatest impact on the organisation. At the same time as it generated cost savings, it also meant reduced complexity in operations, which entailed that we could focus more on developing our Nordic markets where we have a stronger market position.

Redundancy notice for 80 office staff roles in the organisation meant that many employees have left the company; we will continue to work on organisational changes during the current financial year with the goal of creating a more efficient and flexible organisation

that is better prepared to leverage the opportunities presented by changed customer behaviour. Clas Ohlson has also scaled back its operations in the areas where we see there is no intrinsic value in performing such duties ourselves. In those cases, we outsource the assignment or enter into a partnership with another company.

Leading in change

It can be challenging to be a leader in a time of great change. To strengthen our leaders, we are adding various forms of support for change leadership and adding more data for better decision-making. The company has long-standing experience and know-how that we are now building on and in particular there is a forward-looking attitude of curiosity from the leaders of the operations, which will continue to be an important characteristic in a rapidly changing industry.



Learning from one another is an important element in an organisation that needs to move quickly. For the past year, Clas Ohlson has been using Workplace by Facebook, which has become an important and fast channel for exchanging know-how among our employees.



Employee INTERVIEW

To meet
our customers'
needs, we need
to review how
we work.

Hello!

HR Business Partner,
Insjön, Sweden
MARIA THULEMARK

What does a smart and simple organisation mean, and how are you working on our change in the HR department?

In brief, it concerns adapting our organisation at the head office as regards both ways of working and competencies. From our analyses, we can see that we have too large an organisation, and our overheads are thus too high as well. Another conclusion we were able to draw is that in some respects we are working on the 'wrong' things – that is, things we should completely stop doing or we could perhaps purchase from an external party that makes it more cost-efficient. The analysis can also help us identify double work in the organisation, meaning several functions performing the same duties without knowing what the other is doing, which is inefficient. Simply put, we should use our resources in the right places to add value for our customers.

Why are these changes happening now?

Retail is an industry undergoing major changes, with changed customer behaviour and purchasing patterns. To meet our customer needs, we need to review what we are working on, and how we work. With the changes we're making for the Group functions, we

want to create even better conditions for our co-workers in the stores to generate the best customer interactions possible.

Naturally we also have to reduce our costs. The money we save opens up opportunities for us to invest in strategic initiatives to develop the company further in future.

Can you say more about how you're going about this?

We are conducting a structured review of Group functions and country organisations to survey and analyse processes and working methods. The conclusions of the analyses sometimes lead to the need to make some kind of change such as a new working method or discontinuing a number of activities, or requiring new skills. To work in the best way possible, the functions concerned will receive support from our internal project managers.

The company's goal is for the changes – which can sometimes be complicated ones in which difficult decisions must be made that affect our co-workers and could lead to redundancies – to take place in the best possible way. As a company, we will offer support

and solutions to the employees affected. Our managers are key players in pursuing this work, and we support them in the initiatives for change from an HR perspective.

Can you provide some examples of changes?

One area in which we have invested in new skills is, for example, how we get to know our customers better and analyse their needs based on actual data. We also have employees who work with business intelligence and analyses of the competition and have an eye on trends in retail, which helps us make the right decisions in the areas we are developing at Clas Ohlson. These are important skills for honing our customer offering even further.

Another specific change we're making is in central customer services functions, where we have ended a number of activities that did not achieve the profitability we had hoped for. Instead, we're investing and contributing resources to Clas Fix it, which is a strategic service initiative through which we can reach a broader target audience and create high profitability.

Annual report 2018/19



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Director's report

The Board of Directors and Chief Executive Officer of Clas Ohlson AB (publ), with registered office and head office in Insjön, in the Municipality of Leksand, Sweden, hereby present the annual accounts for the financial year 1 May 2018 to 30 April 2019. Unless otherwise stated, the figures relate to the Group. Figures in parenthesis pertain to the preceding year. All figures are stated in millions of Swedish kronor (MSEK) unless otherwise stated.

Operations

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

The product range includes approximately 15,000 articles that are purchased from a large number of suppliers in some 30 countries. The products are delivered to the distribution centre in Insjön, Sweden, and from there distributed via stores, or via mail order/Internet directly to the customers. The number of stores at the end of the year was 232, of which 97 were in Sweden, 90 in Norway, 42 in Finland and three in the UK. The number of forthcoming, contracted store openings amounted to four stores.

Significant events during the financial year

During the fiscal year, the store network has been expanded with three new stores net compared to the same period last year (13), seven in Sweden, one in Norway, three in Finland and a reduction of four stores in the UK and four in Germany.

During the financial year, a new direction was decided for the international market presence. This decision entails that the store network in the UK and Germany will be discontinued and that, in line with the new direction, Clas Ohlson's presence in these markets will be concentrated to online shopping. The closure of the store network outside the Nordic region entailed a restructuring cost of 210 MSEK and is expected to generate a positive earnings effect of approximately 75 MSEK per year, with full effect after the second quarter 2019/20. Closure of the store network is proceeding to plan. At the end of the quarter, we had closed all of the German stores and the closure of UK stores was continuing in line with Clas Ohlson's agreements with the property owners.

"100 more years", Clas Ohlson's new strategy, was launched in May. The strategy work is concretised in the CO100+ action programme, which will be ongoing until the end of the fiscal year 2019/20.

During the financial year, the company decided to create a more efficient organisation to ensure long-term profitable growth. A total of 150–200 roles are estimated to be affected by the change, primarily at the company's head office and distribution centre in Insjön. The decision is part of the CO100+ action programme, which is expected to reduce the company's annual costs by 200–250 MSEK, with full effect from the 2020/21 financial year.

Clas Ohlson acquired during the fiscal year 2017/18 all of the newly issued shares corresponding to 10 per cent of MatHem i Sverige AB. The total investment amounted to 224 MSEK. In February 2019, Kinnevik became a new owner of MatHem through an investment of around 900 MSEK in a new share issue and the purchase of existing shares. Following the transaction, Clas Ohlson's shareholding in MatHem was 8 per cent (10). The partnership is progressing as planned with unchanged terms.

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

Sales and profit

Sales increased 7 per cent to 8,772 MSEK (8,211). Organic sales increased 4 per cent compared with the preceding year. Sales in comparable units and local currency increased 1 per cent.

Online sales increased 47 per cent to 432 MSEK (295).

Sales were distributed as follows:

Sales area, MSEK

Countries	2018/19	2017/18	Percentage change	Percentage change, local curr.
Sweden	3,853	3,658	5	5
Norway	3,571	3,287	9	4
Finland	1,064	998	7	1
Outside Nordic countries*	284	268	6	0
Total**	8,772	8,211	7	4

*Effected by store closure in Uk and Germany.

**Of which 432 MSEK (295) for the fiscal year comprises online sales.

The sales increase of 7 per cent from stores was distributed as follows:

Distribution of sales increase

Comparable units in local currency	1 %
New stores	3 %
Exchange-rate effects	3 %
Total	7 %

Earnings for the year were affected by non-recurring costs, costs linked to the CO100+ action programme and implementation of the business system (sCORE) of approximately 195 MSEK (70), as well as the costs for the closure of the store network in the UK and Germany totalling about 210 MSEK (0).

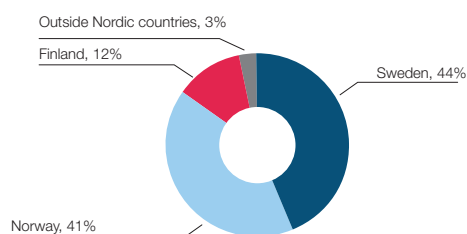
The gross margin was 39.8 per cent (40.0). Compared with the year-earlier period, the gross margin was negatively impacted by increased commercial investments, higher sourcing costs and negative currency hedging effects (NOK), comprising both currency forwards and exchange-rate effects related to delays in inventory. This was somewhat offset by a strong sales currency (NOK) and a weaker purchasing currency (USD).

The share of selling expenses increased 2.1 percentage points to 33.5 per cent (31.4). In addition to costs related to the CO100+ action programme, the share was affected by commercial initiatives and the costs of building up capacity and capability.

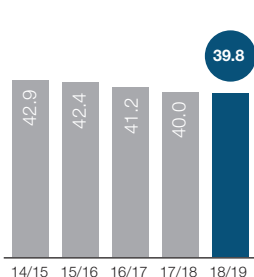
The strategic review had an impact on administrative expenses of approximately 20 MSEK (30), which is included in the approximately 195 MSEK (70) described at the start of this section.

Operating profit amounted to 94 MSEK (468). Operating profit was affected by costs totalling approximately 405 MSEK

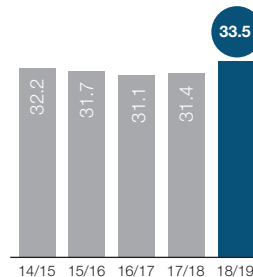
Distribution of sales, %



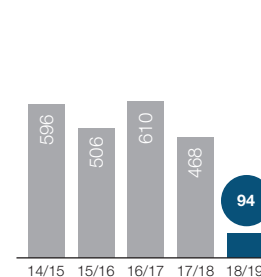
Gross margin, %



Share of selling expenses, %



Operating profit, MSEK



(70) as described at the start of this section. Underlying operating profit amounted to 497 MSEK (538). The operating margin was 1.1 per cent (5.7). Profit after financial items totalled 92 MSEK (467). Depreciation for the period amounted to 237 MSEK (226).

Spot exchange rates for key currencies averaged 1.08 for NOK and 9.03 for USD, compared with 1.03 and 8.31, respectively, in the year-earlier period. Currency hedging was undertaken in USD and NOK. The company's policy is to hedge 50 per cent of the expected flow in each currency every month, with six-month maturities.

Prospects for the next financial year

When closing the books for the 2018/19 financial year, we note that Clas Ohlson has reached the halfway point of the change period. In the first phase of the CO100+ action programme, we prioritised initiatives for long-term growth, but we also initiated and completed savings alternatives in purchasing and administration to secure an enhanced and more flexible cost structure. We expect full effect during the fiscal year from the important steps taken in indirect purchasing, which account for one third of total cost savings or approximately 70 MSEK. As previously announced, the goal is to reduce annual costs by 200–250 MSEK, with full effect from the 2020/21 financial year.

The second phase of our change, and four of eight quarters remain of CO100+. As previously communicated, operating margin is estimated at about 4–6 per cent for the full-year 2019/20. Non-recurring costs, primarily pertaining to redundancies, will impact the start of the year. Clas Ohlson continues to actively pursue a high pace of change to create profitable growth in line with our long-term goals.

Financing and liquidity

Cash flow from operating activities during the financial year totalled 312 MSEK (373). After investing and financing activities, cash flow for the period was -11 MSEK (-514).

The average 12-month value of inventories was 2,049 MSEK (1,869). Over a rolling 12-month period, the stock turnover rate at the distribution centre was 5.9 times (6.5). At the end of the period, the value of inventories was 1,987 MSEK (2,038).

The Group's net debt at the end of the period, meaning interest-bearing liabilities less cash and cash equivalents, amounted to 178 MSEK (net cash holdings last year 116). Credits granted and loan commitments amounted to 750 MSEK, of which 283 MSEK had been utilised at the end of the period. The cash dividend paid to Clas Ohlson's shareholders in September 2018 totalled 395 MSEK (395). The company's financial position remains strong. The equity/assets ratio was 49 per cent (54).

Investments

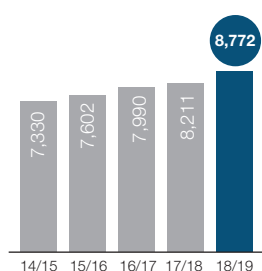
During the financial year, investments amounted to 211 MSEK (preceding year 497 MSEK, including the acquisition of MatHem of 224 MSEK). Of this amount, investments in new or refurbished stores accounted for 51 MSEK (82). Other investments were primarily IT and replacement investments. During the financial year, investments in IT systems amounted to 105 MSEK (124).

The share and share capital

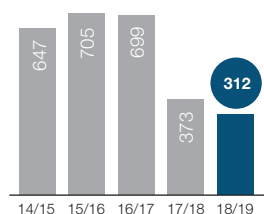
Clas Ohlson B shares are listed on the Nasdaq Stockholm. The share capital totals 82 MSEK, comprising 5,760,000 series A shares and 59,840,000 series B shares, each with a quotient value of 1.25. Each series A share carries ten votes, while each series B share carries one vote. All shares carry equal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

On 30 April 2019, the company had a total of 42,336 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 34,717 on 30 April 2018. The ten largest shareholders at that time held 55 per cent of the capital and 76 per cent of the votes. For the summary see page 145.

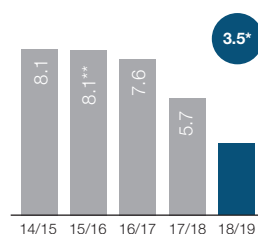
Sales, MSEK



Cash flow from operating activities, MSEK



Operating margin, %



*Excluding restructuring costs for closure of store network outside the Nordics.

** Excluding restructuring costs for closure of stores in the UK.

The Articles of Association contains no post-sale purchase rights clause or other restrictions for the transferability of series B shares. Apart from authorisation pertaining to the repurchase of shares stated on page 120, there are no other circumstances of the kinds the company is obligated to disclose under the provisions of Chapter 6, Section 2a (4-11) of the Annual Accounts Act. The number of registered shares is 65,600,000 unchanged compared with the preceding year. On 30 April 2019, the company held 2,382,206 shares (2,391,865), corresponding to 4 per cent of the total number of registered shares (4 per cent). The number of shares outstanding, net after repurchase, was 63,217,794 (63,208,135) at the end of the financial year. The entire LTI 2018 undertaking can be secured by using shares that were bought back to secure previous LTI plans where the need has been recalculated. (previous year bought back 21 MSEK)

Employees

The number of employees in the Group amounted to more than 5,000 which converted to full time employees averaged 3,099 (2,951). Further information about employees is found in Notes 6 and 32 in the Annual Report.

Social responsibility

Continuous work is conducted at Clas Ohlson with respect to sustainability including follow-up activities relating to our Code of Conduct. This work is mainly described on pages 28-29.

Environmental impact

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

Environmental impact related to transportation of products is one of Clas Ohlson's most important environmental aspects. For this reason, enhanced transportation efficiency is a focus area throughout the Group. During the financial year, both relative and absolute CO₂ emissions declined year on year. Environmental impact from the store network and own operations

is significantly lower than from the transportation of products. Another activity to reduce environmental impact is the company following an energy efficiency program that aims to convert existing lighting to more energy effective LED lighting.

Sustainability work covers all areas of activity and is described under the respective area, on pages 38-69, as well as in the chapter on governance and responsibility on pages 26-31. For more information, see the company's sustainability report on page 126-141.

Guidelines for remuneration of senior executives

The following principles were adopted at the most recent Annual General Meeting ("AGM") and are proposed to remain unchanged until the next AGM. The general principles of remuneration for senior executives are to be based on the position held, individual performance, the Group's financial results and the remuneration being competitive in the country of employment. The combined remuneration of senior executives is to consist of basic salary, variable salary in the form of a short-term incentive based on annual performance objectives, long-term incentives based on multi-year performance, pension and other benefits. In addition, notice of termination and severance pay are subject to terms and conditions.

Clas Ohlson aims to offer a competitive total level of remuneration, focusing on payments based on performance. This means that variable remuneration may comprise a significant portion of the total remuneration. The aim is for basic remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

Basic salary

The fixed salary shall constitute the basis for total remuneration. The salary is to be related to the relevant market and reflect the extent of the responsibilities included in the position. The development of basic salary is to depend on how well work is performed and how well the employee develops his/her expertise to assume future work assignments involving greater responsibility. The basic salary is to be reviewed annually to ensure that it is market-based and competitive.

Variable salary (Short Term Incentive, STI)

In addition to basic salary, senior executives are to qualify for STI for performance that exceeds one or several predetermined performance levels during a financial year, designed to promote the company's long-term value creation. Clearly defined performance targets are to be decided annually by the Board or by individuals elected by the Board. The performance targets may be connected to operational, financial or personal results.

Remuneration from the STI plan is subject to a ceiling, which means that Clas Ohlson can calculate maximum remuneration levels from the beginning. Insofar as performance does not match the lowest performance level, no STI will be paid. STI will depend on the position held and may not exceed 50 per cent of salary if the ceiling is achieved, which also represents the maximum outcome of STI. STI remuneration is also conditional upon the performance on which earnings are based being sustainable over time, and that Clas Ohlson is able to reclaim such remuneration that was paid due to information that later turned out to be obviously erroneous.

Long-term incentive, LTI

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

Long-term incentive programs that entitle employees to acquire share are subject to AGM approval. The qualification period for LTI 2016, LTI 2017 and LTI 2018 were in effect during the financial year. The qualification period for LTI 2016 was concluded after the close of the financial year and LTI 2019 was launched. All incentive programs are share matching and profit-based employee stock option plans.

Pension

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

Other benefits

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

Period of notice and severance pay

Senior executives will be offered terms in accordance with the legislation and practices applicable to the country in which the person concerned is employed. A senior executive will be prevented from working in a competing business during the period of notice. In certain cases, prohibition of competition in return for continued remuneration may be applied for a maximum period of 24 months following expiry of the period of notice.

Authorisation for the Board to depart from the guidelines

The Board will be able to depart from these guidelines if there are special reasons for doing so. In the event of a major deviation, the shareholders will be informed of the reasons for this at the next AGM. For more information about remuneration see Note 6.

Parent Company

During the financial year, Parent Company sales amounted to 6,788 MSEK (6,444) and profit after financial items totalled 247 MSEK (298).

Investments during the financial year totalled 170 MSEK (403). Contingent liabilities for the Parent Company amounted to 237 MSEK (273).

Events after the end of the year

After the end of the financial year, the company signed an agreement for an external credit facility corresponding to 100 MSEK to meet the company's financing requirements. The company's total credit facility thereafter amounts to 850 MSEK.

The qualification and performance periods for the LTI 2016 long-term incentive plan ran from 1 May 2016 until 30 April 2019. After the end of the reporting period, a total of 2,636 shares were allotted on 2 May in accordance with the AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period.

The established performance criteria regarding average sales growth and increased earnings per share for the period 2016–2019 were not achieved, meaning that no options were allotted to the participants and, accordingly, the LTI 2016 has been concluded.

In May 2019, the long-term incentive plan LTI 2019 was introduced under the same structure as LTI 2018. Senior management will purchase shares in LTI 2019 in mid-June. The exercise price for the conditional employee stock options has been set at SEK 77.50 per share, with exercise possible, following the three-year qualification period between June 2022 and April 2026.

On 8 September 2018, the Annual General Meeting of Clas Ohlson AB authorised the Board of Directors to acquire a maximum of 860,000 shares during the period until the next Annual General Meeting to secure the company's commitment in connection with the introduction of a share-based incentive programme, LTI 2019. The total number of shares required to secure the undertaking for LTI 2019 is estimated at 780,000. The entire LTI 2019 undertaking can be secured by using shares that were bought back to secure previous LTI plans where the need has been recalculated.

As per 30 April 2019, the company's holding of Clas Ohlson treasury shares amounted to 2,382,206 shares, corresponding to 4 per cent of the total number of registered shares.

Dividend

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

The Board of Directors proposes that a dividend of 6.25 SEK per share (6.25) be distributed for the 2018/19 financial year, comprised of two separate payments of 3.13 SEK per share and 3.12 SEK per share. The first payment is proposed to be in September 2019 and the second payment in January 2020. The proposed dividend amounts to a total of 410 MSEK (410), representing 573 per cent (115) of the financial year's profit after tax.

Proposed allocation of earnings

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

Profit brought forward	268,033
Profit for the year	285,564
Total	553,597

The Board and Chief Executive Officer propose:

Dividend payable to shareholders 6.25 SEK per share	410,000 ¹
Carried forward to new account	143,597
Total	553,597

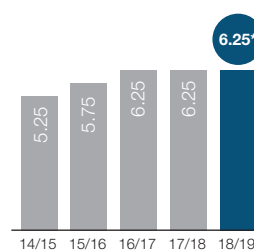
¹Dividends are based on the number of shares outstanding on the record date.

The record date for the first payment of the dividend is proposed as 10 September 2019, the second record date for the payment is proposed as 14 January 2020. It is anticipated that the dividend decided upon by the Annual General Meeting will be despatched on 13 September 2019 and 17 January 2020.

With reference to the information presented above and what has otherwise come to the knowledge of the Board, the view of the Board is as follows: A comprehensive assessment of the financial position of the Parent Company and Group indicates that the dividend is justifiable with reference to the demands made by the nature, size and risks of the operation on the equity and liquidity of the Parent Company and Group. The Group's equity/assets ratio is 49 per cent before payment of dividend and 39 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the strategy implementation has been taken into account.

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

Dividend per share, SEK



*Proposed dividend

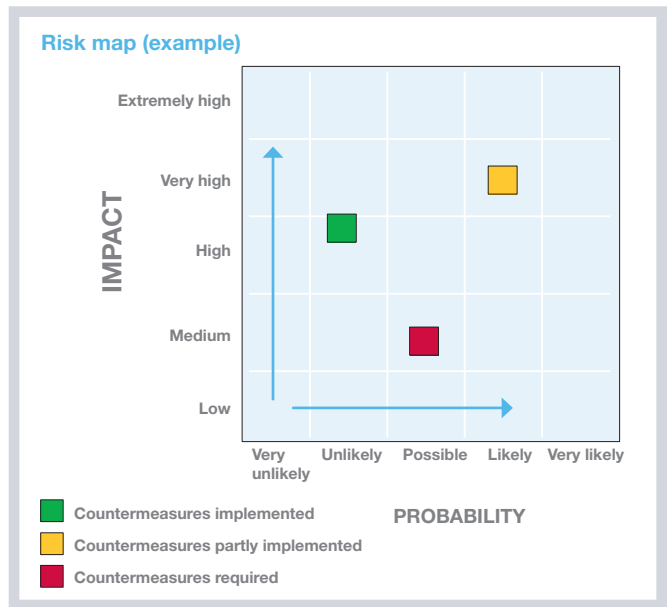
Risks and uncertainties

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

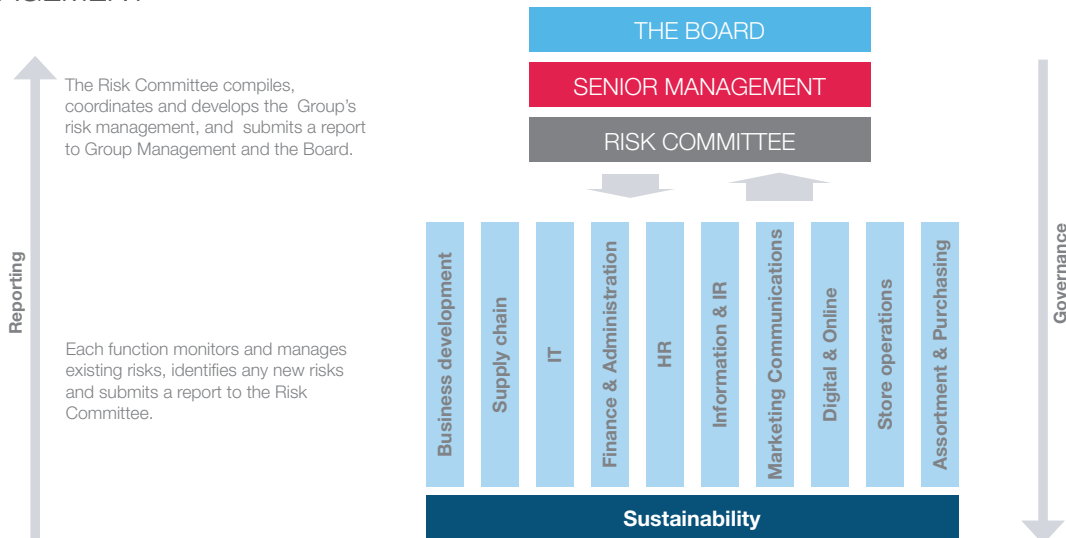
Strategic, operational and financial risks impact our opportunities for achieving our strategic and business-related goals. Creating awareness of the risks in the operations means they can be controlled, limited and managed. When handled correctly, risks may lead to opportunities and add value to the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

Risk management process

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



RISK MANAGEMENT



prioritised. Maps are compiled at Group level and are a key component of the company management's and the Board's strategic and operational governance.

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

Strategic risks

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

Operational risks

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

Financial risks

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

Currencies, currency hedging and currency fluctuations

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

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

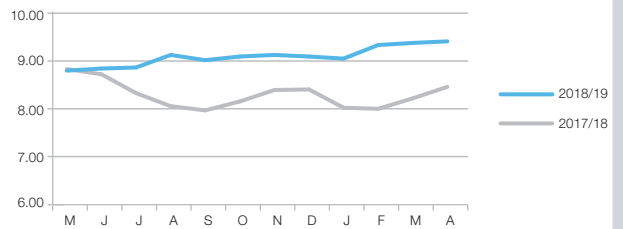
Sensitivity analysis

Currency effects excluding hedging

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 96
USD	+/- 5	-/+ 79
HKD	+/- 5	-/+ 6
EUR	+/- 5	+/- 5
GBP	+/- 5	+/- 1

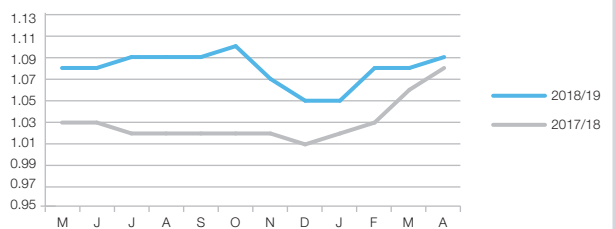
The two diagrams below show the SEK trend against the Group's principal currency for purchasing (USD) and the Group's principal currency for sales (NOK).

Monthly average, SEK/USD



USD is our most important purchasing currency. At the beginning of the financial year, on 2 May 2018, the exchange rate for USD was 8.83. Overall, the exchange rate has increased during the financial year. It was noted at 9.51 SEK on 30 April 2019, an increase of about 8 per cent. The highest exchange rate was 9.52 SEK noted in April 2019, while the lowest exchange rate was 8.58 SEK noted in May 2018.

Monthly average, SEK/NOK



The graph shows the trend for the SEK/NOK currency pair. At the beginning of the financial year, on 2 May 2018, the exchange rate for NOK was 1.09 versus SEK. The NOK has increased during the financial year versus the Swedish krona. It was noted at 1.10 SEK on 30 April 2019, up 1 per cent. The highest exchange rate was SEK 1.10 noted in October 2018, while the lowest exchange rate was 1.02 SEK noted in December 2018. Källa: Hålsbanken

Strategic risks

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

Operational risks

RISK	DESCRIPTION	RISK MANAGEMENT
PURCHASING OF PRODUCTS	<p>Clas Ohlson currently purchases just over 40 per cent of the company's products in Asia, the majority from China. The proportion of purchasing from Asia will increase through the company's own purchasing company in China. This will boost the company's competitiveness. There is a risk of bribes and corruption in the purchasing process, and suppliers in low-wage countries entail increased risk of shortcomings in working conditions and respect for human rights. Increased single-country exposure entails greater risk (political risk, transport risk, currency risk and so forth).</p>	<p>Clas Ohlson's Code of Conduct and ethical guidelines apply to all our suppliers and contracts. We have our own audit teams in China that conduct inspections and monitor compliance with the requirements of our Code of Conduct. Since the start of 2017, Clas Ohlson has been part of Sedex in order to further increase transparency regarding responsible purchasing. Clas Ohlson works continuously on evaluating new potential purchasing markets in both Europe and Asia.</p>
SUSTAINABILITY RISKS	<p>Our business model constitutes a potential negative impact on people, the environment and society.</p> <p>Even if these risks lie outside our direct operations, the consequences of not addressing them could impact Clas Ohlson's reputation as a meaningful, trustworthy brand. They can also impact the confidence employees have in us as an employer and our market position, disrupt production and deliveries, incur unforeseen costs and cause violations of the law.</p>	<p>Sustainability is an integral part of our business model and governance. The foundation of this work is our Code of Conduct and our ethical guidelines.</p> <p>For a further description of the company's risk in the field of sustainability, refer to pages 136–137.</p>
IT SYSTEMS	<p>Clas Ohlson's operations are highly dependent on IT support. As a result, it is essential that IT systems provide effective support for the company's day-to-day operations and maintain a high level of reliability. It is also important to ensure efficiency and provide support in the decision-making process.</p> <p>Infringements or deficiencies in processing customer information, employee information or business-critical data can lead to decreased confidence and entail a negative impact on the Group's earnings.</p>	<p>During the financial year the new business system was implemented (SCORE).</p> <p>Clas Ohlson has an IT policy and an information security policy. In the event of new legislation or new regulations, the actions to be taken will be decided well in advance. There are standardised processes for implementing new systems, for changing existing systems and for daily operations.</p> <p>Clas Ohlson works actively to ensure that personal data is processed securely pursuant to the applicable regulations and a comprehensive work with GDPR has continued during the year.</p>
LEASES	<p>Clas Ohlson leases the premises where shops have their operations. Contract periods vary, depending on the market.</p>	<p>Clas Ohlson endeavours to have flexible leases with the opportunity for re-negotiation during the lifetime of the contract.</p>
SHRINKAGE	<p>Clas Ohlson is exposed to shrinkage – shoplifting, for example – on a daily basis.</p>	<p>The Group implements long-term preventive measures to reduce shrinkage, using such methods as training initiatives and technical equipment. In addition, security efforts are continually monitored, evaluated and adapted. Clas Ohlson invests continually in further enhancing the efficiency of its logistics and the work in the distribution centre.</p>

RISK	DESCRIPTION	RISK MANAGEMENT
LOGISTICS	<p>Clas Ohlson's distribution centre in Insjön is the hub of the Group's distribution chain. Goods from suppliers in Europe and manufacturers in Asia come here to be distributed to all our shops and our online customers. Collecting the logistics in one location carries certain risks, for example, disruptions to communications and infrastructure, as well as fire and strikes.</p> <p>A large proportion of the company's carbon dioxide emissions are associated with transportation of products.</p>	<p>We are working on maintenance and inspection of systems, fire protection and security systems, etc.</p> <p>The Group also works continuously with inspection of the distribution chain to ensure efficiency.</p>
EMPLOYEES	<p>Clas Ohlson must have motivated and skilled employees in order to achieve the set goals and strategies. The geographic location of the main office and large parts of our operations at Insjön could result in difficulties in recruiting employees with the right expertise. Our growth also places great demands on recruitment, skills development and internal mobility.</p> <p>Clas Ohlson's new strategic orientation entails a certain adaptation of competence, which could impact our employees and our ability to attract new employees with the right skills.</p>	<p>Clas Ohlson works for diversity and increased flexibility. Clas Ohlson is a workplace where employees can develop and grow with the company. Leadership, skills development and the company's belief in individual employees equips the company for the future and cultivates an organisation prepared to shoulder new challenges.</p> <p>We have a zero tolerance policy for all forms of discrimination and harassment.</p>
REGULATORY RISKS	<p>The company operates in a context where laws and regulations undergo continual change, becoming more complex. Deficiencies in interpretation or compliance can damage the company's reputation and result in fines or other sanctions.</p>	<p>Clas Ohlson has an ethical approach and well-functioning internal controls. In the event of new legislation or regulations, the actions to be taken will be decided well in advance of the regulations being implemented.</p>

Financial risks

RISK	DESCRIPTION	RISK MANAGEMENT
ECONOMIC CLIMATE	<p>The retail market in general is adversely affected by a weak economy and although Clas Ohlson sells products for everyday use, a weak retail market will have a negative impact on sales.</p>	<p>Our broad and affordable product range is less sensitive to cyclical fluctuations than that of many other competitors.</p>
CURRENCIES	<p>The company's currency exposure is high, primarily due to sales in Norway and the Group's purchasing. About 50 per cent of the company's purchases are made in currencies other than SEK. The principal currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). Movement of the SEK against the Norwegian krone (NOK) is also important for the Group, since Norway accounts for approximately 40 per cent of sales. Net exposure to EUR is low, since the company brings in currency through sales in the Finnish and German markets.</p> <p>The Group is also exposed to the pound sterling (GBP) via sales in the UK.</p> <p>The table on page 79 shows how profit is affected by changes in principal currencies, excluding hedging.</p>	<p>More than 80 per cent of our products are priced at less than SEK 300. Clas Ohlson's broad product range, with five different product categories, entails lower risk since demand in one product category could increase while demand in another category falls.</p> <p>Futures hedging is performed monthly in NOK and USD, with a maturity of six months, against half of the expected flow in each currency.</p> <p>In this way, the company is guaranteed the forward rate on a major proportion of its purchases, but also acquires the opportunity/risk of paying for the remaining purchases at the current rate.</p>
TRANSPORTATION COSTS	<p>Freight shipping prices can vary considerably depending on the global market price, and currency fluctuations.</p>	<p>Clas Ohlson handles changes in freight shipping prices by actively monitoring and assessing the market.</p>
RAW MATERIAL PRICES	<p>Purchase prices for the company's products are largely determined by the price of individual raw materials in global markets. This applies particularly to electronics (copper), batteries (zinc), lighting (aluminium) and plastic products (oil). Hedging against raw material prices is not carried out directly by the company. This entails a risk since the purchase price of the products concerned is affected by the price trend for raw materials.</p>	<p>Clas Ohlson has a broad portfolio of products and is therefore less impacted by changes to a specific raw material.</p> <p>Some of Clas Ohlson's suppliers purchase commodities/materials at fixed contract prices, which entails some indirect hedging.</p>
WAGE INFLATION	<p>Clas Ohlson is affected by wage-level changes in countries where the company's products are manufactured. This can vary between products depending on how much labour is involved in the manufacturing process.</p>	<p>Clas Ohlson works continuously to find new purchasing markets, both in Europe and Asia.</p>
FINANCING AND LIQUIDITY	<p>Liquidity in the group follows the given structure for seasonal payments, resulting in lower levels of liquidity during fall in connection with stock build-up for Christmas sales and dividend payment.</p>	<p>A continuous work is performed in order to govern and balance the cash flow to the set goals through sales, purchase, costs, capital balance etc. Dividend for the financial year 2018/19 is proposed to the AGM in 2019, to be split into two separate occasions.</p>

Chairman of the Board
KENNETH BENGTSSON



A good start to the journey of change

I cannot think of a more exciting industry to work in right now than retail. Along with our customers, we are in the midst of a journey of change, where new behaviours and expectations demand that we challenge the prevalent business models and tackle global competition. And the best way to meet these challenges is to put ourselves in the driver's seat and formulate ourselves what we want to be and how we want to act. We have a robust plan that not only looks forward and outward, but moreover has broad support internally, with its starting point in our mission and what we in the company call the Clas Ohlson spirit. It is with pride that, after just over a year with the new strategy in place, I can state that we as a company are making rapid strides into the future.

The primary task of the Board of Directors is, through our work, to utilise the opportunities available to the company while at the same time balancing these opportunities against strategic, operational, financial and legal risks in accordance with our corporate governance. The Board's activities take place in various committees, as well as in regular meetings where we benefit from our various skills to make Clas Ohlson stronger. On the Board, we have a favourable mix of people with experiences from various consumer-centric operations, digitalisation and finance. Experiences that, in particular, are of great advantage in today's rapidly changing business climate. Our corporate governance is based on such international norms as the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption. This is also reflected in our policies, guidelines and how we build relationships with our stakeholders.

Over the past year, the Board has focused primarily on the initiatives for change in the company. Working with management, through both challenging and supporting in the implementation of our shared plan, has been inspirational. There have been many productive and wide-ranging discussions, with a strong sense of commitment to the company's best interests. When the business environment and the company are changing at a rapid pace, we must be able to decide when we need to accelerate and when to brake, or – as in the case with the UK and Germany – review earlier decisions in order to create the best conditions possible for a strong Clas Ohlson in the long term. None of us – the Board of Directors, company management, or all our fantastic co-workers – have avoided these decisions. For that, I want to thank everyone who has been involved.

I would also like, on behalf of the entire Board of Directors, to thank all our employees for the tremendous work they put into the daily business. This is what creates the platform for everything we want to achieve going forward, and the journey is off to a solid start. The company's financial position is strong; we have a strong brand and if we continue to follow our plan, I believe that we have every possibility to deliver even greater value for our customers, our co-workers and our owners in the future.

Kenneth Bengtsson
 Chairman of the Board
 Insjön, June 2019



Corporate governance

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

The governance of Clas Ohlson is based upon Swedish legislation, primarily the Companies Act, the listing agreement with Nasdaq Stockholm and the Swedish Corporate Governance Code (the Code). In addition, governance follows the Articles of Association, internal instructions and policies and recommendations issued by relevant organisations. The corporate governance report has been prepared in accordance with the Code.

The Swedish Corporate Governance Code

The Swedish Corporate Governance Code is applicable to all companies listed on Nasdaq Stockholm. The aim is to improve corporate governance in listed companies and foster trust in companies among the general public and in the capital market. The Code is based on the "comply or explain" principle, which means that it is possible to deviate from the Code if an explanation is provided as to why the deviation has been made. During the financial year it has not been any deviations versus the code within Clas Ohlson.

Compliance with applicable regulations for stock exchange trading

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

Annual General Meeting

Shareholders exercise their influence through participation in the company's Annual General Meeting (the ordinary annual general meeting). The AGM is the ultimate decision-making body and since the initial public offering in 1999, has always been held in Insjön, Sweden, on a Saturday in early Septem-

ber. The Notification, which is normally prepared about four weeks prior to the AGM, is published in Post- och Inrikes Tidningar, as well as on the company's website. All shareholders who are registered in the share register on the fifth day prior to the AGM and registered in time are entitled to participate. Registration can be made by telephone, e-mail, letter or the company's website.

Each year, the AGM appoints the Board, the Chairman of the Board and the auditors for Clas Ohlson. In addition, the AGM decides how profits are to be allocated. Other issues that arise are mandatory items under the Companies Act and Clas Ohlson's Articles of Association (available at about.clasohlson.com). Clas Ohlson's AGM is very well attended, the latest with about 1,800 participants, making it one of the largest in Sweden.

On 30 April 2019, the company's largest shareholders, each representing at least 10 per cent of the votes, were Helena Ek Tidstrand (16.9 per cent), Björn Haid (12.6 per cent), Johan Tidstrand (12.4 per cent), Peter Haid (11.8 per cent) and Claus-Toni Haid (11.5 per cent).

Nomination Committee

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

At Clas Ohlson, a nomination process is applied for electing the Nomination Committee. The Chairman of the Board is a member of the Nomination Committee, along with representatives for the four largest registered shareholders or otherwise known

shareholders (record date 30 September). If a shareholder does not elect a member, the next largest shareholder will be asked. The Nomination Committee elects a Chairman from within the Committee, which, according to the Code, shall not be the Chairman of the Board or another Board member.

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

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

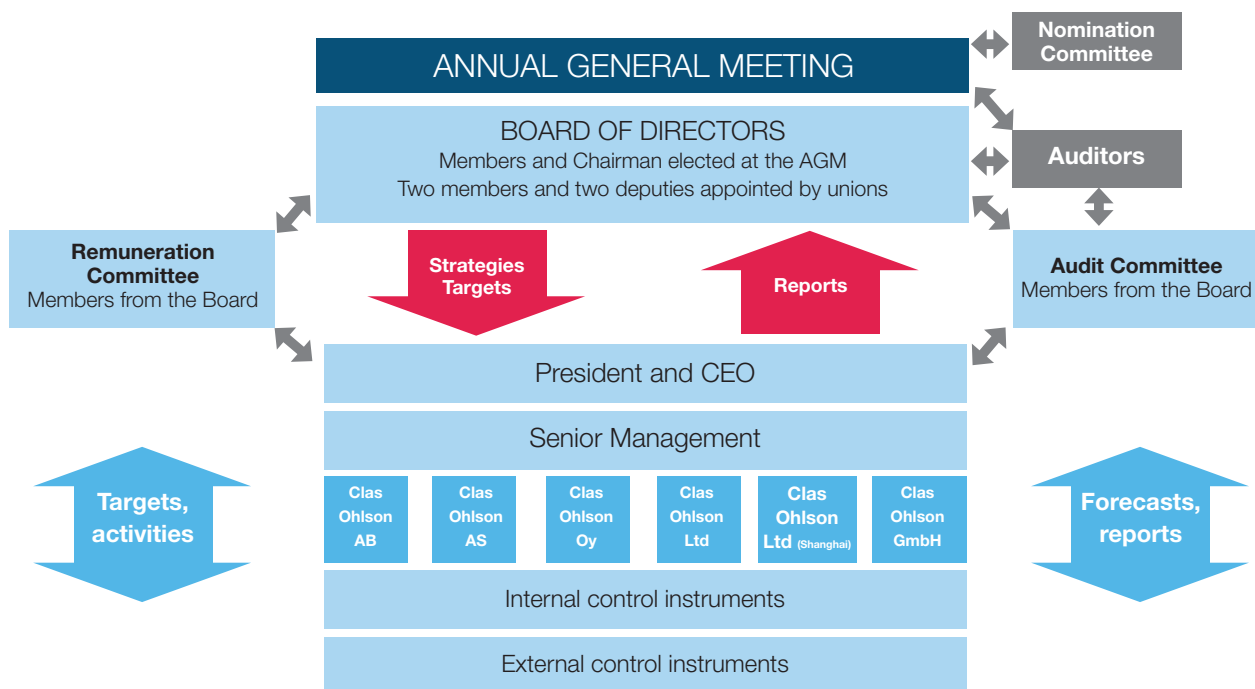
Nomination Committee prior to the 2019 AGM

Prior to the AGM held on 7 September 2019, a Nomination Committee was elected comprising Jonas Bergh, Chairman of the Nomination Committee representing the owner-family Haid, Göran Sundström representing the owner-family Tidstrand, Ricard Wennerklint representing If Skadeförsäkring AB, Erik Durhan representing Nordea Investment Funds and Kenneth Bengtsson, Chairman of the Board of Clas Ohlson.

The composition of the Nomination Committee is based on the owner relationship at 30 September 2018. The Nomination Committee represents slightly more than 70 per cent of the total number of company shares (votes). The above Nomination Committee will serve until a new Nomination Committee has been elected.

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

CORPORATE GOVERNANCE IN CLAS OHLSON



Particular emphasis was placed on the company's strategies and targets, as well as on the demands that the company's future focus will place on the Board. The Nomination Committee also discussed the Board's long-term composition on the basis of future competency requirements, diversity and succession.

The committee worked on the nominating procedure for Clas Ohlson's AGM and held five meetings that were recorded, where the Board's composition was evaluated, considered and discussed.

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

- Report on the Board's work from the Chairman of the Board
- Evaluation of the Board's work
- Nomination of the Chairman of the Board and Board members
- Position concerning the independence of Board members and candidates
- Preparation of proposals for fees to the Board and committees
- Preparation of proposals for the Chairman of the AGM
- Nomination of auditors

The Nomination Committee's complete proposals are presented 11 June 2019.

Auditors

The AGM appoints auditors for the Parent Company each year. The AGM held on 8 September 2018 appointed Deloitte the auditors of the company, with Kent Åkerlund as Auditor in Charge. Kent Åkerlund is an Authorised Public Accountant at Deloitte. Deloitte was elected up to the 2019 AGM.

Payment for audit engagements in the Group in the past three years totalled 2.3 MSEK, 2.2 MSEK and 2.1 MSEK, respectively. Remuneration for other assignments in the past three years totalled 0.4 MSEK, 0.6 MSEK and 0.4 MSEK, respectively. Work in addition to auditing relates primarily to issues pertaining to consultation on tax issues and IFRS accounting rules.

The independent position of the auditors is ensured firstly by the internal policies of the auditing firm and secondly by the Board's guidelines indicating what engagements the auditing firm may undertake in addition to auditing.

Board of Directors

Clas Ohlson's shareholders elect the Board of Directors annually at the AGM. The Board comprises eight members, who are

elected by the AGM. In addition to these members, the Board includes two representatives and two deputy for the trade-union organisations in the company. These individuals are elected by their own organisations.

The Board fulfils the independence requirement of the Code. All members, with the exception of Mathias Haid and Göran Sundström, are deemed independent in relation to the company, executive management and major shareholders. Clas Ohlson strives towards diversity, comprising to over time have an equal distribution of men and women in the Board. Gender distribution in the Board among the members elected by the AGM in the past financial year was five men (62.5 per cent) and three women (37.5 per cent). In the preceding year, the corresponding distribution was four men (50 per cent) and four women (50 per cent). Margareta Lehmann and Håkan Lundstedt was elected to the Board of Directors at the 2018 AGM.

Board meetings

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

The company's auditors attend three of the Board meetings to report on what has emerged during the audit. The Board meets the auditors once annually without the presence of senior management. The Board held ten Board meetings during the financial year. The Board assesses its work annually.

How the Board works

The rules of procedure for the Board of Directors stipulate which items on the agenda are to be fixed and which may vary. Each Board meeting is normally to be devoted to a specific topic so that the Board can gain more in-depth knowledge and

understanding of the various parts of the company's operations. There are also presentations on these topics by employees of the company.

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

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

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

Audit Committee

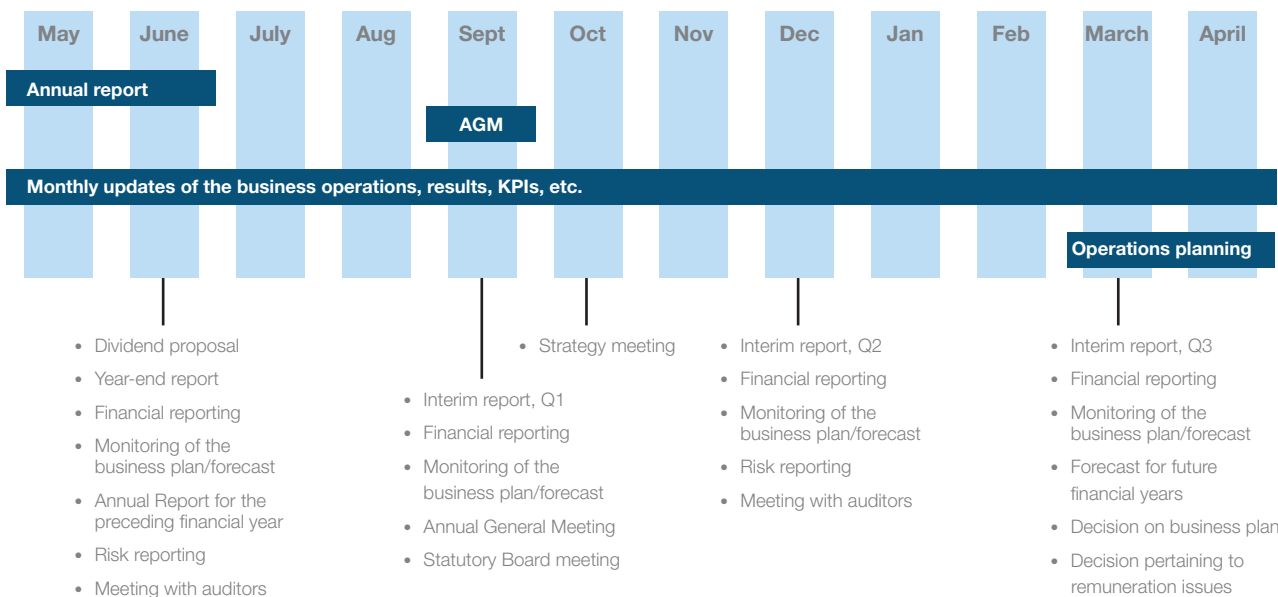
At its first meeting following the AGM, the Board established an Audit Committee comprising Göran Sundström (Chairman), Charlotte Strömberg and Håkan Lundstedt. The Board has issued instructions for the committee work.

The Audit Committee is responsible for the quality assurance of financial reporting. In addition, the Audit Committee is responsible for supervising the effectiveness of risk management and internal control of the financial reporting.

The members of the Audit Committee met the auditors on two occasions during the financial year to be informed about the focus of the audit and discuss views on the risks faced by the company. In addition, the auditors attended several of the committee's other meetings. Important tasks for the Audit Committee are to serve as a communication link, between the Board and the company's auditors and to establish what services over and beyond auditing can be procured from the company's auditors. The auditing effort is evaluated annually, after which information is passed to the Nomination Committee on the outcome.

The Audit Committee held ten meetings during the financial year. Attendance is shown in the table on page 87. The meetings are minuted and reported at the next Board meeting. Representatives of the company's management attended the committee's meetings as co-opted members. The meetings addressed issues aimed at quality assuring risk management and internal control of the financial reporting. Moreover, the Audit Committee dealt with issues regarding the company's interim reports, annual report, accounting, liquidity and other issues.

THE BOARD'S WORKING SCHEDULE



Remuneration Committee

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

The Clas Ohlson Board decided in September 2018 that the Remuneration Committee was to comprise Kenneth Bengtsson (Chairman), Göran Näsholm and Mathias Haid. The Board has issued instructions for the committee work.

The Remuneration Committee submits proposals for guidelines pertaining to basic salary and variable remuneration for senior management. The process regarding variable remuneration for all staff works in a similar way. The Committee met three times during the financial year. Attendance is shown in the table below. The meetings are minuted and reported at the next Board meeting. The Remuneration Committee addressed such issues as fixed and variable remuneration and prepared the suggestions to long-term incentive program (LTI).

Distribution of work between the Board and CEO

The Board appoints the CEO of the company. The distribution of work between the Board and CEO is indicated in the Board's rules of procedure and in the instructions to the CEO. These state that the Board is responsible for the governance, supervision, organisation, strategies, internal control, forecasts and policies of the company. In addition, the Board decides on major

investments and matters of principle relating to the governance of subsidiaries, as well as the election of Board members and the CEO. The Board is also responsible for the quality of the financial reporting.

The CEO in turn is responsible for ensuring that the company is managed in accordance with Board's guidelines and instructions. In addition, the CEO is responsible for forecasting and planning the company's operations so that specified targets are attained. The CEO ensures that the control environment is favourable and that the Group's risk-taking at any time is compatible with the Board's guidelines. Any deviations have to be reported to the Board. The Board also receives regular information from the CEO through a monthly report.

CEO and Senior Management

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

Governance of subsidiaries

The five wholly owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson Oy in Finland, Clas Ohlson Ltd in the UK, Clas Ohlson GmbH in Germany and Clas Ohlson Ltd (Shanghai)

Composition of the Board and attendance during the financial year¹

Member ^{2,3}	Elected	Independent ⁴	Independent ⁵	Board meetings	Audit Committee	Remuneration Committee	Nomination ⁹ Committee
Kenneth Bengtsson	2013	Ja	Ja	10/10 ⁶		3/3 ⁶	2/2
Ros-Mari Grusén	2016	Ja	Ja ⁸	3/10 ⁷			
Mathias Haid	2015	Ja	Nej	9/10		2/3	
Cecilia Marlow	2007	Ja	Ja	5/10 ⁷	7/7		
Göran Näsholm	2015	Ja	Ja ⁸	9/10		2/3	
Göran Sundström	2014	Ja	Nej	10/10	10/10 ⁶		2/2
Anne Thorstvedt Sjöberg	2017	Ja	Ja	10/10			
Charlotte Strömberg	2017	Ja	Ja	10/10	10/10		
Margareta Lehmann	2018	Ja	Ja	5/10 ⁷			
Håkan Lundstedt	2018	Ja	Ja	5/10 ⁷	2/3		

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

For further information on Board members, see pages 92-93. The work of the Board and its committees is described on pages 85-87

² For information on date of birth, work experience, assignments and shareholdings, see pages 92-93.

³ Remuneration of Board members is stated in Note 6, see page 109-110.

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

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

⁶ Chairman.

⁷ At the 2018 Annual General Meeting, Margareta Lehmann and Håkan Lundstedt were elected to the Board as Board members. Ros-Mari Grusén and Cecilia Marlow declined re-election.

⁸ Are, or represents, major shareholders, see page 145.

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

in China are governed by their own boards in the country concerned, principally consisting of representatives of Clas Ohlson AB in Sweden. The Board in Sweden receives continuous information about the subsidiaries through the CEO's monthly reports on the subsidiaries. These reports also include the results of operations and financial position of the company concerned.

External and internal control instruments

Clas Ohlson's governance occurs within the framework for external control instruments, such as Nasdaq Stockholm's rules and regulations, the Swedish Companies Act and the Swedish Annual Accounts Act.

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

Clas Ohlson's corporate culture

The Clas Ohlson spirit encapsulates how we treat each other and our customers and it has in essence been the same since the company was founded in 1918. Read more about the Clas Ohlson spirit on page 24 and page 27.

Remuneration

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

Remuneration as CEO amounted to 8.3 MSEK, of which 1.6 MSEK amounted to variable remuneration (STI). Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive program (LTI 2017 and LTI 2018) was a cost reduction of 0.1 MSEK for the CEO.

Remuneration to the other ten senior executives totalled 23.7 MSEK, of which 3.1 MSEK was in the form of variable remuneration. Variable remuneration pertaining to the expensed but not definite portion of the long-term incentive programs was a cost reduction of 0.2 MSEK. (Last year the corresponding figure was a total cost of 1.9 MSEK). All eleven of senior management receive the additional benefit of a company car. The 2018 AGM decided on guidelines for remuneration to senior management pertaining to the 2018/19 financial year.



Severance pay

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

Pension

The members of the Board do not receive any pension benefits for their Board engagements. The retirement age for the CEO and for other senior management is 65. The CEO has a defined-contribution pension into which 1.7 MSEK was paid during the financial year. Other members of senior management receive pension entitlements based on their applicable ITP plan, which also covers other salaried staff in Sweden.

Remuneration principles

The general principles of remuneration for senior executives are to be based on the position held, individual performance, the Group's financial results and the remuneration being competitive in the country of employment. The combined remuneration of senior executives is to consist of basic salary, variable salary in the form of a short-term incentive based on annual performance objectives, long-term incentives based on multi-year performance, pension and other benefits. The principles also regulate the terms and conditions for termination of employment and for severance pay. Clas Ohlson strives to offer a competitive total level of remuneration, focusing on payments based on performance. This means that variable remuneration may comprise a significant portion of the total remuneration. The aim is for basic remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

Risk management

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

Sustainability

For Clas Ohlson, it is important to protect and assume responsibility for people and the environment impacted by our operation. Our sustainability agenda is an integrated part of Clas Ohlson's operation and is described under the respective area, on pages 38-69, as well as in the chapter on governance and responsibility on pages 26-31. For more information, see the company's sustainability report on page 126-141.

Internal control of the financial reporting

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

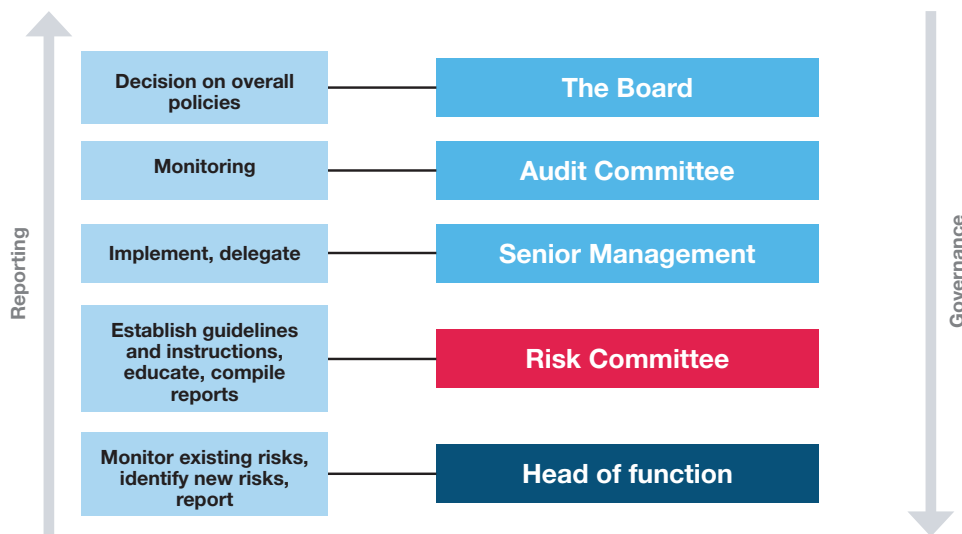
The company's work on internal control follows the framework developed by The Committee of Sponsoring Organisations of the Treadway Commission (COSO). The framework consists of five individual areas: control environment, risk assessment, control activities, information and communication and follow-up.

Control environment

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

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

RISK MANAGEMENT



The Group has regulations governing decision-making and authorisation levels that parallel the Group's organisational structure. The focus is on clarifying who has a mandate to decide on investments, activities, signing of agreements and so forth in each function and the limits in terms of the amounts involved. In the event that the amount exceeds the function's mandate, the decision is assigned to the next level in the organisation. This is done in order to maintain a good corporate governance and awareness at the various levels in the organisation. The regulations governing decision-making and authorisation constitute the basis for decision-making at Clas Ohlson.

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

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

Risk assessment and control activities

Inom Clas Ohlson arbetas kontinuerligt med de områden som bedöms mest prioriterade baserat på väsentlighet och risk.

The Group's income consists of sales in stores and online shopping where payment is principally made by credit card or in cash. This income is documented in its entirety in bank accounts which are reconciled daily. The risk of errors in the reporting of income is limited. Group expenses primarily comprise goods-related expenses, freights, salaries and social security contributions, rental expenses and marketing. Income and expenses are forecasted for each store and department. The outcome is checked monthly against both the forecast and the preceding year.

About 90 per cent of Clas Ohlson's assets consist of inventories and non-current assets. Accordingly, particular emphasis has been placed on preventing and detecting deficiencies in these areas when designing internal controls.

The processes and the control structure are documented in a separate financial manual, which is updated regularly. Work is continuously in progress to evaluate the most essential processes in the Group. The greatest risks in each process are documented.

An assessment is then made of whether the controls that take place are adequate. If there is a need, further compensatory controls are introduced to reduce the risk to an acceptable level. The subsidiaries have accounting managers and controllers who ensure that financial reporting is correct and complete. In addition, they ensure that legislation is observed and that financial reporting is completed within the time frames to senior management and to the Group accounting function. Moreover, there are controllers at major Group functions and on the Group finance function with equivalent working tasks.

The Group finance function has a close and well-functioning cooperation with subsidiaries as regards reporting and closing accounts. Each month, all subsidiaries report complete closing accounts, which constitute the basis for the Group's consolidated financial reporting.

Information and communication

Major policies, guidelines, instructions and manuals that are of significance to internal control are regularly updated and communicated to employees concerned. General guidelines and instructions are also available on the company's intranet.

There are both formal and informal information channels to the senior management and the Board for information from staff. The Board receives regular feedback from the operations on questions that relate to internal control through the Audit Committee. For external communication, there are guidelines that support the requirement to provide the equities market with correct information.

Follow-up of internal control

Senior management and the Audit Committee regularly report to the Board on the basis of established procedures. The Board receives regular information from the CEO every month through a monthly report for the Group. This monthly report also contains information on the results and financial positions of the subsidiaries.

Each interim report is analysed by the Audit Committee with regard to the correctness of the financial information. The Audit Committee also plays a key role in monitoring to ensure that there are sufficient control activities for the most essential areas of risk pertaining to the financial reporting and communicating material issues to the senior management, Board and auditors. An important aspect is to ensure that any viewpoints from the auditors are rectified.



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

Internal audit

Following evaluations in the financial year and preceding years, the Board has not found it necessary to date to establish an internal audit function. The company's Group-wide controller function has instead been adapted to also deal with work regarding internal control. The question of whether to establish a separate internal audit function is re-examined annually. Furthermore, the company has a Risk Committee that continuously evaluates material risks and control activities.

Board of Directors

Kenneth Bengtsson

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

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.
Shareholding*: 15,000 series B shares own holding and 42,000 series B shares via a legal entity.



Mathias Haid

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

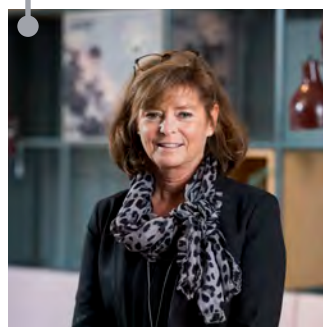
Dependent in relation to major shareholders according to the Swedish Code of Corporate Governance. Independent in relation to the company and executive management.
Shareholding*: 11,610 series B shares.



Margareta Lehmann

Member of the Board since 2018
Born in 1958.
Professional experience: Senior Advisor at Essity. Former President, Health and Medical Solutions, at Essity (part of SCA until 2018) and has previously held a number of leading positions within SCA and Mölnlycke and been a board member of Sanitec.
Other significant directorships: Board member of Essity Hygiene and Health AB.

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.
Shareholding*: 4,500 series B shares.



Håkan Lundstedt

Member of the Board since 2018
Born in 1966.
Professional experience: CEO and managing director of Synsam and has previously been the CEO of Mekonomen and Lantmännen, and held a number of senior roles with Orkla.
Other significant directorships: Board member with Carl Edmond and the Venue Retail Group.

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.
Shareholding*: 0.



Göran Näsholm

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

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.
Shareholding*: 50,500 series B shares.



Charlotte Strömberg

Member of the Board since 2017
Born in 1959.
Master of Business Administration, Stockholm School of Economics.
Professional experience: Has previously been the CEO for Jones Lang LaSalle Nordics, held a number of roles with Carnegie Investment Bank, Alfred Berg/ABN Amro, Consensus and Robur Capital Management.
Other significant directorships: Chairman of the Board of Castellum AB and Board member of Kinnevik AB, Founding Partner DHS Venture, Sofina S.A., Skanska AB and member of the Swedish Securities Council.

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.
Shareholding*: 5,000 series B shares.

* Own and related parties' shares as of 15 June 2019.

Göran Sundström

Member of the Board since 2014
 Born in 1962.
 Master of Business Administration, Lund University.
Professional experience: Founder and CEO of Sundström & Partners, various senior positions in Corporate Finance at Alfred Berg Fondkommission AB, Aros Securities AB and Nordea Securities.
Other significant directorships: Chairman of the Board of Logital AB and Board member of Parks & Resorts Scandinavia AB, Sundström & Partners AB and Clas Ohlson Foundation.

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

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



Anne Thorstvedt Sjöberg

Member of the Board since 2017
 Born in 1965.
 Master of Business Administration, University of Gothenburg.
Professional experience: Global Vice President Marketing, Electrolux AB. Previously Global Director, Consumer, Analysis and Business Development at Mondelez International. Several years of international experience in leading positions at companies such as Kraft Foods and Procter & Gamble.

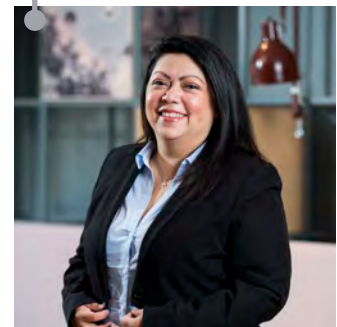
Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.

Shareholding*: 4,200 series B shares.



Freja Aleman

Member of the Board since 2018
 Born in 1979.
Deputy employee representative (Handels)
 Shareholding*: 0.



Joe Erikson

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



Caroline Östning

Member of the Board since 2018
 Born in 1978.
Employee representative (Unionen)
 Shareholding*: 0.



Lasse Zwetsloot

Member of the Board since 2012
 Born in 1976.
Employee representative (Handels)
 Shareholding*: 1,485 series B shares.

* Own and related parties' shares as of 15 June 2019.

Group management

Lotta Lyrå

President and CEO
Employed in 2017.
Born in 1975.
Master of Business Administration, Stockholm School of Economics.
Professional experience: Head of Development & Expansion at IKEA Group and several other leading positions at IKEA Group. Various positions within Södra Skogsägarna and McKinsey & Co.
Shareholding*: 17,093 series B shares.



Peder Apelgren

Chief Digital Officer
Employed in 2019.
Born in 1971.
MSc in Engineering, KTH Royal Institute of Technology.
Professional experience: Head of Customer Service globally and several other leading positions at IKEA Group. Various positions within Icon Medialab, Ericsson and Hewlett Packard.
Shareholding*: 1,272 series B shares.



Eva Berg

Director of Purchasing and Product development
Employed in 2010.
Born in 1965.
Textilinstitutet Borås, Köpmannainstitutet Stockholm.
Professional experience: Assortment Manager Clas Ohlson, Category Manager Clas Ohlson, Production office manager H&M Hong Kong and other leading positions with H&M.
Shareholding*: 3,607 series B shares.



Pär Christiansen

CFO
Employed in 2018.
Born in 1973.
MSc in Engineering, Faculty of engineering, LTH, BSc in Business administration and Economics, Lund University.
Professional experience: CFO at Gant and several leading positions with Transcom, MTR and SAS.
Shareholding*: 13,788 series B shares.



Tina Englyst

Head of Legal and Sustainability
Employed in 2011.
Born in 1976.
Master of Law, Uppsala University and University of Cambridge (LLM).
Professional experience: Associate Mannheimer Swartling Advokatbyrå, Senior Legal Counsel MTV Networks AB and Head of Legal MTV Networks AB.
Shareholding*: 7,558 series B shares.

* Own and related parties' shares as of 15 June 2019.

Geir Hoff

Director of New markets and Expansion
Employed in 1994.
Born in 1972.
Master of Arts, law, political science and social economics, University of Oslo.
Professional experience: Country Manager Clas Ohlson Norway, Marketing Manager Clas Ohlson Norway and various other positions within Clas Ohlson Norway.
Shareholding*: 12,629 series B shares.



Jesper Smith

HR Director
Employed in 2017.
Born in 1970.
Behavioural science, language and business, University of Lund. Executive Master in Leadership and Organisation, Nyenrode Business School.
Professional experience: Director of HR and Internal Communications at Telekom Austria Group and different roles within HR at Ericsson, Sony Ericsson, and Tieto.
Shareholding*: 2,767 series B shares.



Jacob Sten

Chief Growth Officer
Employed in 2018.
Born in 1967.
Business Administration, Lund University.
Professional experience: CEO at Inspira and several leading positions at Sony Mobile, Ericsson Mobile and Orkla Foods.
Shareholding*: 3,223 series B shares.



Stine Trygg-Hauger

Country Manager Clas Ohlson Norway
Employed in 2009.
Born in 1982.
Marketing & Communications, Handelshøyskolen BI.
Professional experience: Head of Communications & Customer Interaction and other positions within marketing and communications at Clas Ohlson Norway, Brand Manager at Validus.
Shareholding*: 2,910 series B shares.



Fredrik Uhrbom

Country Manager Clas Ohlson Sweden
Employed in 2017.
Born in 1971.
MSc in Business and Economics, Stockholm University, Regensburg FH and Dalarna University.
Professional experience: Director Market Operations at Hultafors Group, part of Investment AB Latour, Trade Commissioner/Country Manager at Swedish Trade Council.
Shareholding*: 11,183 series B shares.



Virpi Viinikainen

Country Manager Clas Ohlson Finland
Employed in 2019.
Born in 1973.
MSc in Economics, University of Jyväskylä.
Professional experience: A number of leading positions at the Finnish retail group Kesko. Chain Director of K-Rauta Finland.
Shareholding*: 2,057 series B shares.

* Own and related parties' shares as of 15 June 2019.

Group

Income statement

MSEK	Note	1 May 2018 –30 Apr 2019	1 May 2017 –30 Apr 2018
	1, 2		
Sales		8,772.3	8,210.7
Cost of goods sold	4, 5, 6	-5,277.5	-4,926.6
Gross profit		3,494.8	3,284.1
Selling expenses	4, 5, 6	-2,939.0	-2,579.7
Administrative expenses	4, 5, 6, 7	-253.2	-237.1
Other operating income	3	25.1	24.3
Other operating expenses	3	-233.7	-23.3
Operating profit		94.0	468.3
<i>Financial items</i>			
Financial income	8	1.1	0.7
Financial expense	8	-3.3	-1.9
Profit before tax		91.9	467.1
Income tax	9	-20.3	-109.3
Profit for the year		71.6	357.8
Number of shares at the end of the period, millions			
		63.2	63.2
Earnings per share before dilution, SEK			
	10	1.13	5.66
Earnings per share after dilution, SEK			
	10	1.13	5.65
Proposed dividend per share, SEK			
	11	6.25	6.25

Statement of consolidated comprehensive income

MSEK		1 May 2018 –30 Apr 2019	1 May 2017 –30 Apr 2018
Profit for the year		71.6	357.8
Other comprehensive income, net after tax:			
Items that can later be reversed in the consolidated income statement:			
Exchange-rate differences		1.3	54.3
Cash-flow hedging		7.0	-9.3
Items that cannot later be reversed in the consolidated income statement:			
Remeasurement of defined-benefit pension obligations		0.0	0.0
Other comprehensive income, net after tax		8.3	45.0
Comprehensive income for the year		79.9	402.8

(Of the above profits is 72.7 MSEK attributable to owners of the Parent and -1.1 MSEK is attributable to the minority. Of the above Comprehensive income is 81.0 MSEK attributable to owners of the parent and -1.1 MSEK attributable to the minority.)

Cash flow statement

MSEK		1 May 2018 –30 Apr 2019	1 May 2017 –30 Apr 2018
<i>Operating activities</i>			
Operating profit		94.0	468.3
<i>Adjustment for non-cash items</i>			
– depreciation		236.9	225.6
– loss from sale/disposal of non-current assets		56.5	1.4
– other non-cash items		38.7	-18.4
Interest received		1.1	0.7
Interest paid		-3.3	-1.9
Tax paid		-104.5	-131.8
Cash flow from operating activities before changes in working capital		319.5	543.9
<i>Cash flow from changes in working capital</i>			
– accounts receivable		-5.1	-1.8
– inventories		57.7	-361.8
– other receivables		153.7	-109.3
– accounts payable		-244.6	243.6
– other current interest-free operating liabilities		30.7	58.3
Cash flow from operating activities		312.0	372.8
<i>Investing activities</i>			
Investments in intangible assets		-104.9	-124.0
Investments in tangible assets		-105.8	-148.8
Investments in securities held as fixed assets		-0.8	-224.5
Sale of equipment		0.1	0.1
Cash flow from investing activities		-211.4	-497.2
<i>Financing activities</i>			
Change in current liabilities, interest-bearing		283.1	0.0
Repurchase of own shares		0.0	-20.9
Sales of own shares		0.0	26.1
Capital contribution from minority		0.5	0.0
Change in longterm assets		-0.6	0.0
Dividend to shareholders		-395.1	-395.0
Cash flow from financing activities		-112.0	-389.8
Cash flow for the year		-11.5	-514.2
Cash and cash equivalents at the start of the year			
		115.8	625.1
Exchange-rate differences in cash and cash equivalents			
		0.6	4.9
Cash and cash equivalents at the end of the year		105.0	115.8

Group

Balance sheet

MSEK	Note	30 Apr 2019	30 Apr 2018
Assets			
Non-current assets	12		
<i>Intangible assets</i>			
IT and software costs		476.9	428.2
Total intangible assets		476.9	428.2
<i>Tangible assets</i>			
Land and buildings		358.1	386.8
Equipment, tools, fixtures and fittings		553.5	654.6
Total tangible assets		911.6	1,041.3
<i>Securities held as fixed assets</i>			
Securities held as fixed assets	12	225.3	224.5
Total securities held as fixed assets		225.3	224.5
<i>Non-current receivables</i>			
Deferred tax assets	9	19.4	13.4
Other non-current receivables	19	2.0	1.5
Total non-current receivables		21.5	14.9
<i>Current assets</i>			
Inventories	13	1,987.3	2,038.0
Accounts receivable	14	39.0	33.7
Tax assets		53.1	61.3
Other receivables		9.6	35.4
Prepaid expenses and accrued income	15, 17	147.8	206.6
Cash and cash equivalents	16	105.0	115.8
Total current assets		2,341.7	2,490.7
Total assets		3,976.9	4,199.7

Balance sheet

MSEK	Note	30 Apr 2019	30 Apr 2018
Equity and liabilities			
Equity			
<i>Capital and reserves attributable to Parent Company shareholders</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25 SEK		82.0	82.0
Other contributed capital		90.4	90.4
Other reserves		-36.6	-44.9
Profit brought forward including profit for the year		1,804.9	2,136.4
Equity attributable to non-controlling interests		6.6	0.0
Total equity		1,947.3	2,263.9
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	187.1	210.1
Other non-current liabilities		5.0	5.0
Other non-current provisions	22	12.7	12.3
Total non-current liabilities		204.8	227.4
<i>Current liabilities</i>			
Accounts payable	20	637.3	881.6
Tax liability		43.1	35.3
Other current liabilities	20	198.6	180.8
Current liabilities, interest-bearing		283.1	0.0
Accrued expenses and deferred income	17, 21	545.7	536.5
Other provisions	22	116.9	74.2
Total current liabilities		1,824.8	1,708.4
Total equity and liabilities		3,976.9	4,199.7

Group

Consolidated statement of changes in equity (Note 18)

MSEK	Share capital	Other contributed capital	Translation difference	Hedging reserve	Profit brought forward	Income attributable to non-controlling interests	Total
Opening balance at 1 May 2017	82.0	90.4	-95.0	5.1	2,168.2	-	2,250.7
Comprehensive income							
Profit for the year	-	-	-	-	357.8	-	357.8
Other comprehensive income							
Cash-flow hedging after tax	-	-	-	-9.3	-	-	-9.3
Exchange-rate differences	-	-	54.3	-	-	-	54.3
Remeasurement of defined-benefit pension obligations	-	-	-	-	-	-	-
Total other comprehensive income	-	-	54.3	-9.3	-	-	45.0
Total comprehensive income	-	-	54.3	-9.3	357.8	-	402.8
Transactions with shareholders							
Repurchase of own share	-	-	-	-	-20.9	-	-20.9
Sales of own share	-	-	-	-	26.1	-	26.1
Employee stock options plan: value of employees' service	-	-	-	-	0.2	-	0.2
Dividend	-	-	-	-	-395.0	-	-395.0
Total transactions with shareholders	-	-	-	-	-389.6	-	-389.6
Closing balance at 30 April 2018	82.0	90.4	-40.6	-4.3	2,136.4	-	2,263.9
Opening balance at 1 May 2018	82.0	90.4	-40.6	-4.3	2,136.4	-	2,263.9
Comprehensive income							
Profit for the year	-	-	-	-	72.7	-1.1	71.6
Other comprehensive income							
Cash-flow hedging after tax	-	-	-	7.0	-	-	7.0
Exchange-rate differences	-	-	1.3	-	-	-	1.3
Remeasurement of defined-benefit pension obligations	-	-	-	-	-	-	-
Total other comprehensive income	-	-	1.3	7.0	-	-	8.3
Total comprehensive income	-	-	1.3	7.0	72.7	-1.1	79.9
Transactions with shareholders							
Change in minority share, attributable to non-controlling interests	-	-	-	-	-	7.1	7.1
Acquisition of minority share, attributable to non-controlling interests	-	-	-	-	-	0.0	0.0
Employee stock options plan: value of employees' service	-	-	-	-	-2.7	-	-2.7
Change in share, attributable to non-controlling interests	-	-	-	-	-6.4	-	-6.4
Capital contribution from minority	-	-	-	-	-	0.5	0.5
Dividend	-	-	-	-	-395.1	-	-395.1
Total transactions with shareholders	-	-	-	-	-404.2	7.6	-396.6
Closing balance at 30 April 2019	82.0	90.4	-39.3	2.7	1,804.9	6.6	1,947.3

Parent company

Income statement			
MSEK	Note	1 May 2018 –30 Apr 2019	1 May 2017 –30 Apr 2018
	1, 2		
Sales	23	6,787.8	6,444.1
Cost of goods sold	4,5,6	-4,978.5	-4,817.6
Gross profit		1,809.4	1,626.5
Selling expenses	4,5,6	-1,433.4	-1,244.9
Administrative expenses	4,5,6,7	-207.5	-195.8
Other operating income	3	25.1	24.3
Other operating expenses	3	-225.7	-23.3
Operating profit		-32.1	186.8
<i>Financial items</i>			
Dividend from subsidiaries		282.2	112.7
Interest income	8	2.4	1.3
Interest expense	8	-5.1	-2.7
Profit after financial items		247.4	298.0
Appropriations	26	41.2	12.8
Profit before tax		288.7	310.8
Income tax	9	-3.1	-45.7
Profit for the year		285.6	265.1
Proposed dividend per share, SEK	11	6.25	6.25

Comprehensive income. Parent Company			
MSEK		1 May 2018 –30 Apr 2019	1 May 2017 –30 Apr 2018
Profit for the year		285.6	265.1
Other comprehensive income, net after tax:			
Items that can later be reversed in the consolidated income statement:			
Profit/loss from hedging of net investments in foreign operations		-8.2	11.3
Comprehensive income for the year		277.4	276.4

Cash flow statement			
MSEK		1 May 2018 –30 Apr 2019	1 May 2017 –30 Apr 2018
<i>Operating activities</i>			
Operating profit		-32.1	186.8
<i>Adjustment for non-cash item</i>			
– depreciation		161.1	151.5
– loss from sale/disposal of non-current assets		8.1	0.9
– other non-cash items		-3.5	4.9
Interest received		2.4	1.3
Interest paid		-5.1	-2.7
Tax paid		-64.0	-82.9
Cash flow from operating activities before changes in working capital		66.9	259.6
<i>Cash flow from changes in working capital</i>			
– accounts receivable		-2.6	1.7
– inventories		-36.6	-265.6
– other receivables		116.6	-145.1
– accounts payable		-239.3	251.0
– other current interest-free operating liabilities		-95.3	74.6
Cash flow from operating activities		-190.4	176.2
<i>Investing activities</i>			
Investments in intangible assets		-104.9	-124.0
Investments in tangible assets		-54.7	-54.7
Investments in securities held as fixed assets		-0.8	-224.5
Investments in subsidiaries		-10.0	0.0
Sale of equipment		0.1	0.1
Cash flow from investing activities		-170.4	-403.1
<i>Financing activities</i>			
Change in short term debt interest bearing		283.1	0.0
Change in other long term receivables		-0.8	0.0
Change in long term receivables Group companies		187.9	0
Repurchase of own shares		0.0	-20.9
Sales of own shares		0.0	26.1
Repayments/Lending from subsidiaries		0.0	0.0
Dividend from subsidiaries		282.2	112.7
Dividend to shareholders		-395.1	-395.0
Cash flow from financing activities		357.3	-277.1
Cash flow for the year		-3.4	-504.0
Cash and cash equivalents at the start of the year		36.9	540.9
Cash and cash equivalents at the end of the year		33.4	36.9

Parent company

Balance sheet

MSEK	Note	30 Apr 2019	30 Apr 2018
Assets			
Non-current assets	12		
<i>Intangible assets</i>			
IT and software costs		476.9	428.2
Total intangible assets		476.9	428.2
<i>Tangible assets</i>			
Land and buildings		358.1	386.8
Equipment, tools, fixtures and fittings		297.3	327.0
Total tangible assets		655.4	713.8
<i>Financial non-current assets</i>			
Deferred tax assets		3.5	4.0
Receivables, Group companies		0.0	165.2
Securities held as fixed assets	25	225.3	224.5
Non-current receivables		0.8	0.0
Participations in Group companies	24	39.3	29.3
Total financial non-current assets		268.9	423.0
Total non-current assets		1,401.2	1,565.0
<i>Current assets</i>			
<i>Inventories</i>			
Merchandise	13	1,364.2	1,327.6
Total inventories		1,364.2	1,327.6
<i>Current receivables</i>			
Accounts receivable	14	20.6	18.0
Tax assets		52.9	60.5
Receivables from Group companies		139.1	113.6
Other receivables		0.8	29.0
Prepaid expenses and accrued income	15	82.7	127.4
Total current receivables		296.1	348.5
Cash and bank balances	27	33.4	36.9
Total current assets		1,693.7	1,713.1
Total assets		3,095.0	3,278.1

Balance sheet

MSEK	Note	30 Apr 2019	30 Apr 2018
Equity and liabilities			
Equity	18		
<i>Restricted equity</i>			
Share capital, 65,600,000 shares with a quotient value of 1.25		82.0	82.0
Statutory reserve		106.8	106.8
Development fond		22.4	15.8
Total restricted equity		211.2	204.6
<i>Non-restricted equity</i>			
Fair value fund		-6.6	-17.5
Profit brought forward		274.7	433.1
Profit for the year		285.6	265.1
Total non-restricted equity		553.6	680.7
Total equity		764.8	885.3
Untaxed reserves	28	994.5	1,035.7
<i>Provisions</i>			
Other provisions	22	49.9	50.7
Total provisions		49.9	50.7
<i>Non-current liabilities</i>			
Other non-current liabilities		5.0	5.0
Total non-current liabilities		5.0	5.0
<i>Current liabilities</i>			
Accounts payable	20	590.0	829.2
Liabilities to Group companies		0.0	126.5
Current liabilities, interest-bearing		283.1	0.0
Other current liabilities		82.7	32.8
Accrued expenses and deferred income	21	324.9	312.8
Total current liabilities		1,280.7	1,301.4
Total equity and liabilities		3,095.0	3,278.1

Parent company

Change in Parent Company equity

MSEK	Share capital	Statutory reserve	Development fund	Total non-restricted equity	Total equity
Opening balance at 1 May 2017	82.0	106.8	7.9	801.7	998.5
Dividend	-	-	-	-395.0	-395.0
Repurchase own shares	-	-	-	-20.9	-20.9
Sales of own shares	-	-	-	26.1	26.1
Employee stock options plan: value of employees' service	-	-	-	0.2	0.2
Change of development fund	-	-	7.9	-7.9	-
Other comprehensive income	-	-	-	276.4	276.4
Closing balance at 30 April 2018	82.0	106.8	15.8	680.7	885.3
Opening balance at 1 May 2018	82.0	106.8	15.8	680.7	885.3
Dividend	-	-	-	-395.1	-395.1
Repurchase own shares	-	-	-	-	-
Sales of own shares	-	-	-	-	-
Employee stock options plan: value of employees' service	-	-	-	-2.7	-2.7
Change of development fund	-	-	6.6	-6.6	-
Other comprehensive income	-	-	-	277.4	277.4
Closing balance at 30 April 2019	82.0	106.8	22.4	553.6	764.8

Accounting policies and Notes

Amounts are in MSEK unless stated otherwise

Note 1 Accounting and valuation policies

Compliance with standards and legislation

The consolidated financial statements for Clas Ohlson have been prepared in accordance with the Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC) as approved by the EU. The financial statements were prepared in accordance with the cost method, apart from financial assets and liabilities (including derivative instruments), measured at fair value.

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

Estimates and assumptions

Preparing the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that impact upon the application of the accounting policies and the carrying amounts for assets, liabilities, income and expenses. These are based on historical experience and a number of other factors that appear reasonable under the prevailing conditions. The estimates and assumptions are reviewed regularly and are not judged to entail any significant risk of material adjustment of carrying amounts for assets and liabilities during the next financial year. Any changes to estimates are recognised in the period in which the change is made if the change has only impacted upon this period, or in the period in which the change is made and future periods if the change impacts upon both the current period and future periods. Further information on estimates and assumptions made is presented in Notes 9, 13 and 22.

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

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

Restructuring costs include the necessary impairment of assets and other items that do not affect cash flow, as well as estimated costs for redundancies and other direct expenses related to the discontinuation of operations. Restructuring costs are classified as non-recurring items. Cost estimates are based on detailed action plans that are expected to improve the Group's cost structure and productivity. Historical outcomes from similar events in previous action plans are normally used as the basis for the calculations to minimise the uncertainty factor. Reserves for restructuring amounted to 49.3 MSEK (17.7 MSEK) at year-end of which 12.7 MSEK (12.3) was classified as long term.

The following new and amended IFRSs and interpretations came into effect and impacted the Group in the 2018/19 financial year.

A description of new or amended standards and new interpretations that had an impact on the Group's 2018/19 financial statements is provided below.

IFRS 9 Financial Instruments

IFRS 9 entered force on 1 January 2018 (2018/2019 financial year for Clas Ohlson) and replaced IAS 39 Financial Instruments: Recognition and Measurement in its entirety. The major changes are found in the three areas of classification and measurement, impairment and hedge accounting.

The new standard requires that financial assets be classified into three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. Classification and measurement of

financial instruments is based on the business model applied for holding the assets and the characteristics of the contractual cash flows generated by the assets. IFRS 9 did not entail any changes in measurement for the Group. In the case of financial liabilities, there were no major changes compared with IAS 39.

The new impairment rules entail that all financial assets measured at amortised cost are to have a reserve for expected credit losses ("loss allowance") as early as the date on which the asset is recognised in the balance sheet. One of the purposes of this new model is to allow for provisions for credit losses at an earlier stage. The effect of the new loss allowance model did not total a material amount on transition.

Regarding hedge accounting, IFRS 9 requires expanded disclosures on risk management and the effect of hedge accounting.

The Group has decided not to restate comparative figures for the 2017/18 financial year in accordance with the standard's transitional rules.

IFRS 15 Revenue from Contracts with Customers

The new revenue standard, IFRS 15 Revenue from Contracts with Customers, took effect on 1 January 2018. Where Clas Ohlson is concerned, the standard replaced both IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. The Group applies IFRS 15 from 1 May 2018 and has decided not to restate the comparative year 2017/2018. The transition approach entails that the total effect of the amended accounting policy is recognised in equity as per 1 May 2018. The transition did not have any effect on the date of Clas Ohlson's income recognition since the date for when control of the goods or services was passed to the buyer is the same as the date that Clas Ohlson recognised income under IAS 18. The majority – approximately 94 per cent – of all Clas Ohlson's sales are store sales. Variable payments attributable to store sales, such as discounts and price reductions, were not impacted by the introduction of the new standard. Regarding the remaining 6 per cent of income relating to online shopping, the introduction of the new standard did not impact revenue recognition concerning these portions. The introduction of IFRS 15 had no effect on equity on 1 May 2018.

New and amended standards that have not yet come into effect

The Group has not yet started to apply the new or amended standards and new interpretations that have been published, but that come into effect for financial years beginning on or after 1 May 2019. The standards and interpretations that are deemed to impact the consolidated financial statements for the period in which they are applied for the first time are described below.

Standards	To be applied to financial years beginning:
IFRS 16 Leases	1 January 2019 or later

IFRS 16 Leases

IFRS 16 Leases was published by the IASB in January 2016 and adopted by the EU on 31 October 2017. The standard replaces the previous standards on the recognition of leases, IAS 17 including the SICs and IFRICs that address recognition of leases. The new standard entails extensive changes to the recognition of leases for the lessee and differs materially from the current IAS 17. The standard comes into effect on 1 January 2019 and applies from the financial year beginning closest to this effective date. Clas Ohlson will apply the standard from 1 May 2019. The transition has resulted in extensive preparatory work within the Group, where a project group has been tasked with the assignment of compiling all lease contracts, implementing system solutions, the analysis of contract data and outcomes together with external accounting specialists, and arranging workshops and training courses together with affected parties in the Group.

The new standard primarily impacts the lessee's recognition of operating leases and entails that most leases are to be recognised in the balance sheet instead of being expensed straight-line over the lease term. Recognition by the lessor will essentially remain unchanged under IFRS 16. A contract is, or contains, a lease under IFRS 16 if it conveys the right to control the use of an identified asset for

a period of time in exchange for a consideration. IFRS 16 removes the current distinction between operating and finance leases for the lessee and instead the standard requires that an asset (right-of-use asset) and a financial liability are to be recognised for all leases that fulfil the definition of a lease.

Impact

The main impact on the Group's reporting derives from the recognition of leases for premises. The effect is deemed to be material. The effect in the small number of cases in which the Group is the lessor is not deemed to be material. The previous rental expenses will change and instead be recognised as depreciation of the right-of-use asset and as interest on the lease liability.

At the transition date, 1 May 2019, the Group will apply the modified retrospective approach whereby the lease liability will be measured at the present value of future lease payments and the right-of-use asset will be measured as if IFRS 16 has been applied since commencement. In accordance with the standard, comparative figures will not be restated. The cumulative effect of the transition will be recognised as an adjustment to the opening balance of retained earnings as per 1 May 2019. The Group applied the following voluntary exemptions in the transition calculations. Leases with a remaining term of a maximum of 12 months from the date of initial application were excluded from the calculation of lease liabilities and right-of-use assets, as are low-value assets. These leases are expensed straight-line over the lease term. Furthermore, initial direct expenses were excluded from the measurement of right-of-use assets on initial application and assessments were subsequently made on measurement on the date of initial application.

An assessment indicates an opening balance adjustment as of 1 May 2019, with the following estimated balance-sheet effects, without taking into consideration any adjustments of interim items related to right-of-use assets on the transition.

Right-of-use assets	2,100 MSEK
Deferred tax assets	50 MSEK
Lease liabilities	2,300 MSEK
Retained earnings	-170 MSEK

Given the 2018/19 Group structure and exchange rates, Clas Ohlson expects the transition to result in an increase in operating profit for 2019/20 compared with application of the previous accounting policies. The expected increase in operating profit results from a portion of the lease expenses being recognised as an interest expense. EBITDA is expected to increase as a result of a portion of the lease expenses being recognised as depreciation. Cash flow is expected to increase from operating activities and decrease from financing activities due to the recognition of the principal repayment portion of lease payments as payments under financing activities.

Subsequent measurement

All leases are measured after the transition in accordance with the cost method, which entails that the right-of-use assets are measured at cost less accumulated depreciation and impairment and any adjustments due to remeasurement of the lease liability that reflects a revision or modification of the lease. The remeasurement amount is recognised as an adjustment of the right-of-use asset.

Consolidate financial statements

The consolidated financial statements pertain to the Parent Company and all companies over which the Parent Company directly or indirectly has controlling influence. The Group controls a company when it is exposed to or is entitled to variable return from its holdings in the company and has the opportunity to impact the return through its influence in the company.

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

The consolidated financial statements include the wholly owned subsidiaries Clas Ohlson AS, Clas Ohlson Oy, Clas Ohlson Ltd (UK), Clas Ohlson GmbH, Clas Ohlson Ltd (Shanghai) and the partially owned C/O P investments AB (owned share 30.5 per cent).

Segment accounting

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

Translation of foreign currencies

a) Functional currency and reporting currency

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

b) Transactions in foreign currency

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

c) Group companies

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

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

Non-current assets

Non-current assets are recognised at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and expenses directly attributable to the asset in order to bring it into the position and condition necessary for it to be utilised in accordance with the purpose of the acquisition. Depreciation is based on the cost and estimated useful life of the assets. Straight-line depreciation is used for all assets. Land is not depreciated. The Group applies component depreciation, which means that depreciation is based upon the estimated useful life of the components. The following depreciation periods are applied:

Intangible assets	5-10 years
Equipment, tools, fixtures and fittings	5-15 years
Buildings	20-33 years
Land improvements	20 years
Leashold improvements	10 years

New acquisitions and replacements are capitalised, while maintenance and repair costs are expensed. The assets' residual value and useful life are tested at the end of each reporting period and adjusted as needed. An asset's carrying amount is immediately impaired to its recoverable amount if the asset's carrying amount exceeds its assessed recoverable amount. As assets are sold or disposed of, the cost and appurtenant accumulated depreciation are written off. Any profit or loss is recognised. All of Clas Ohlson's properties are owner-occupied properties.

NOTES

Intangible assets

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

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

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

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

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

Impairment of non-financial assets

Intangible assets with an indeterminable useful life or intangible assets not ready for use, are not impaired but are tested annually for any impairment requirements. Depreciable assets are assessed to determine any decrease in value resulting from events or changes in circumstances indicating that the carrying amount might not be recoverable. An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value of the asset less selling expenses and value in use. In assessing impairment loss, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units). For assets that have been previously impaired, testing is conducted on each balance-sheet date on whether reversal should be done.

Financial instruments, IFRS 9

The Group has applied IFRS 9 Financial Instruments since 1 May 2018, which replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard is divided into three parts: classification and measurement, hedge accounting and impairment. The Group will not restate comparative figures for the 2017/18 financial year in accordance with the standard's transitional rules.

A financial asset or a financial liability is recognised in the balance sheet when the Group becomes party to the contractual terms of the instrument. A financial asset is derecognised from the balance sheet when the contractual right to receive cash flows from the asset ceases, are regulated or when the Group loses control of the asset. A financial liability, or portion of a financial liability, is derecognised from the balance sheet when the contractual obligation is met or extinguished in another manner.

Classification and measurement

Financial assets are classified based on the business model under which the asset is held and the characteristics of the cash flows generated by the asset. If the financial asset is held under a business model whose objective is to collect the contractual cash flows (hold to collect) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is recognised at amortised cost.

If, instead, the objective of the business model is to both collect the contractual cash flows and sell financial assets (hold to collect and sell) and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, the asset is recognised at fair value through other comprehensive income.

All other business models (other) for which the objective is speculation, held for trading or where the cash flow characteristics exclude other business models entail recognition at fair value through profit or loss.

The Group applies the hold to collect business model for all financial assets, except for securities held as non-current assets which are measured at fair value through profit or loss. The Group's financial assets are initially measured at fair value and subsequently at amortised cost by applying the effective interest method, less any provision for depreciation.

Financial liabilities are measured at fair value through profit or loss unless they are held for trading or if they are initially identified as liabilities measured at fair value through profit or loss. Other financial liabilities are measured at amortised cost. All of the company's financial liabilities are measured at amortised cost.

Fair value of financial instruments

The fair value of financial assets and liabilities traded in an active market is determined based on the quoted market prices. The fair value of other financial assets and liabilities is determined in accordance with generally accepted measurement models, such as discounting of future cash flows and the use of information obtained from current market transactions.

The carrying amount of all financial assets and liabilities is deemed to be a good approximation of their fair value, unless otherwise specifically stated.

Amortised cost and effective interest method

Amortised cost for a financial asset is the amount at which the financial asset is measured on initial recognition less the principal amount, plus the accumulated depreciation with the effective interest method of any difference between the principal amount and principal amount outstanding, adjusted for any impairment. The recognised gross amount for a financial asset is the amortised cost of a financial asset before adjustments for any loss allowance. Financial liabilities are recognised at amortised cost using the effective interest method or at fair value through profit or loss.

The effective interest is the rate that on discounting all future expected cash flows over the expected term results in the initial carrying amount of the financial asset or the financial liability.

Impairment

The Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. On each balance-sheet date, the Group recognises the change in expected credit losses since initial recognition in profit or loss. For all financial assets, the Group measures the loss allowance at an amount corresponding to the 12-month expected credit losses. For financial instruments for which the credit risk has significantly increased since initial recognition, a reserve is recognised based on full lifetime expected credit losses (general approach).

Simplifications are permissible for accounts receivable entailing that the Group directly recognises expected credit losses for the remaining lifetime of the assets (simplified approach). Cash and cash equivalents and receivables from Group companies are encompassed by the general approach for impairment. The exception for low credit risk is applied to cash and cash equivalents.

The Group's accounts receivable encompassed by the simplified approach for impairment. The expected credit losses on accounts receivable are calculated using a reserve matrix based on past events, current conditions and forecasts of future economic conditions.

The Group defines default as if it is deemed improbable that the company will meet its obligations due to such indicators as financial difficulties and missed payments. Regardless of this, default is deemed to exist when payment is more than 90 days late. The Group writes off a receivable when no possibility of collecting further cash flows is deemed to exist.

Cash-flow hedging

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

Hedging of net investments

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

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

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

Receivables

Receivables with a due date more than 12 months after the balance-sheet date are recognised as non-current assets, while others are regarded as current assets. Receivables are recognised at the amount expected to be paid after individual testing.

Accounts receivables are initially measured at fair value and then at amortised cost applying the effective interest rate method, less any provision for depreciation. A provision for depreciation is posted when there is objective evidence that the Group will not be able to receive all sums due according to the original terms of the receivables. The amount of the provision is recognised in profit or loss.

Cash and cash equivalents

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

Accounts payable

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

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

Financial instruments, IAS 39

Purchases and sales of financial instruments are recognised on the trade date - the date when the Group binds itself to purchase or sell the asset. Financial instruments are initially measured at fair value plus transaction expenses, which applies to all financial assets not measured at fair value through profit or loss. If the market for a financial asset is not active (and for unlisted securities), the Group will establish the fair value by applying such valuation methods as the use of information concerning recently completed transactions on an arms-length basis, reference to the fair value of another instrument that is essentially equivalent, analyses of discounted cash flow and options valuation methods. In this connection, market information is widely used while company-specific information is used as little as possible. Financial instruments are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred virtually all the risks and benefits associated with right of ownership.

Securities held as non-current assets

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

Inventories

Inventories have been valued at the lower of cost and net selling price on the balance-sheet date, applying the "first in, first out" principle. Net selling price is the estimated selling price in operating activities less selling expenses. Inter-company profits arising from delivery between companies forming part of the Group are deducted. Necessary provision for obsolescence has been made. Inventory expenses include transfers from other comprehensive income of any gains/losses from cash-flow hedging fulfilling the conditions for hedge accounting, attributable to purchases of goods.

Borrowing

Borrowing is initially measured at fair value, net after transaction expenses. Borrowing is thereafter recognised at amortised cost and any difference between the amount received (net after transaction expenses) and the repayment amount is recognised in profit or loss distributed over the borrowing period, applying the effective interest method.

Charges paid for credit facilities are recognised as transaction expenses for borrowing insofar as it is probable that the credit will be utilised in full or in part. In such cases, charges are recognised when the credit has been utilised. When there is no evidence that the credit will be utilised in full or in part, the charges will be recognised as advance payment for financial services and distributed over the term of current credit facilities.

Borrowing is classified as current liabilities if the Group is not unconditionally entitled to defer payment of the debt for at least 12 months after the balance-sheet date.

Loan expenses

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

Current and deferred income tax

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

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

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

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

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

Employee benefits

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

a) Pension obligations

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

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

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

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

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

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

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

b) Remuneration in the event of termination of employment

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

Share-based payments

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

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

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

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

Provisions

Provisions are recognised in the balance sheet among current and non-current liabilities when the Group has a legal or informal obligation resulting from an event that has occurred and it is likely that an outflow of resources will be required to discharge the commitment and a reliable estimate can be made of the amount. Provisions are made for open buy, unredeemed gift cards, estimated future guarantee commitments, bonus points to club members as well as for restructuring of the store network in the UK, which is described in more detail in recognition of income. For further information see note 22.

Revenue, IFRS 15

The Group conducts retail operations, whereby a large share of all sales (about 94 per cent) are made through store sales. Income from sales of goods is recognised when the Group company sells a good to a customer in a store. The transaction price falls due for payment immediately when the customer purchases the good and receives the good in the store. Regarding the remaining 6 per cent of income relating to online shopping, income is recognised when control of the goods is passed to the customer, which takes place on the delivery date. Variable remuneration, such as discounts and price reductions, are recognised in both cases through deductions from the selling price directly when the transaction takes place in store or as a deduction on the invoice for online shopping. Retail sales usually take place using cash or via invoice with payment terms of 30 days.

Clas Ohlson's customers can choose to become a member of the Club Clas loyalty program where customer collect points on their purchases. Earning bonus points means that customers have the opportunity to utilise points saved in the form of bonus cheques as payment in the future. A contract liability for the points is recognised at the time of sale. Not all issued bonus cheques are redeemed which is why each sale in the loyalty program is reduced by the fair value with respect to future redemption of bonus cheques, considering the current degree of redemption. The member's probable redemption of bonus cheques in the future is also taken into account. Earnings are recognised through a reduction in income during the earnings period with a corresponding provision in the balance sheet. Provisions for open purchases and gift vouchers are based on historical data. Clas Ohlson also has sales of other services for which income is recognised when the service has been completed. The portion of such services of Clas Ohlson's total sales is not material.

Income

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

Clas Ohlson's customers can choose to become a member of the Club Clas loyalty program. Sales are conducted in accordance with IFRIC 13 in order to take into account club members' earning of bonus points and the opportunity to utilise points saved in the form of bonus cheques as payment in the future. All issued bonus cheques are not redeemed which is why each sale in the loyalty program is reduced by the fair amount with respect to future redemption of bonus cheques, considering the current degree of redemption. Consideration is also taken to the member's probable redemption of bonus cheques in the future. Earnings are recognised through a reduction in sales during the earnings period with a corresponding provision in the balance sheet.

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

Leasing, IAS 17

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

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

Cash-flow statement

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

Parent Company accounting policies

The Parent Company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Accounting for Legal Entities, of the Swedish Financial Reporting Board. This means that the Parent Company, in the annual accounts of the legal entity, has to apply all EU-approved IFRS standards and interpretations as far as possible under the terms of the Annual Accounts Act and taking into account the connection between accounting and taxation. The recommendation specifies the exceptions from and additions to IFRS that are to be made. The regulations in IAS 39 pertaining to financial guarantee agreements are not applied with respect to guarantee agreements for subsidiaries. In the Parent Company, loan expenses are charged against profits for the period to which they refer. Shares in the subsidiaries are recognised at cost less deductions for any impairment.

The financial reports are rounded to the nearest million Swedish kronor plus one decimal point. The accounting policies for the Parent Company have been consistently applied to all periods presented in the Parent Company's financial statements.

Amended accounting policies in RFR 2

The amendments in RFR 2 that impacted the Parent Company's financial statements 2018/19 are presented below.

RFR 2 contains exemptions for applying IFRS 9 in legal entities. The amendments that came into force on 1 January 2018 entail that the impairment requirements under IFRS 9 are also to be applied by companies that use the exemption. The Group has decided to apply this exemption.

RFR 2 contains exemptions for applying IFRS 16 in legal entities. The Group has decided to apply this exemption.

Amendments to RFR 2 that have not yet come into effect

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

Classification and format

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

Tax

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

Other

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

Note 2 Financial risks

The Group is exposed to a variety of financial risks through its operations: market risk (including currency risk and interest-rate risk), credit risk, liquidity risk and capital risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and endeavours to minimise potential unfavourable effects on the Group's financial results. The Group's Board has prepared a financial policy, which is updated and adopted at least once a year, to control and manage financial risks. The financial policy stipulates the framework and guidelines for managing financial risks and how the Group is to relate to the financial markets. It states the responsibilities and authorities in the area and how the Group is to act as regards financial matters.

Currency risk

A significant portion of accounts payable comprises liabilities in foreign currencies and is therefore subject to currency risks. In the Group, the principal currencies used in purchases are hedged in order to reduce any currency risks, in accordance with the financial policy.

About 50 per cent of the company's purchases is made in currencies other than SEK. The principal currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). In addition, movements of SEK against the Norwegian krone (NOK) are very significant to the Group because about 40 per cent of sales take place in Norway. Net exposure to EUR is low, because the company has higher sales in EUR due to its expansion in the Finnish and German market. The table below shows how profit is affected by changes in the principal currencies (excluding hedging).

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

Sensitivity analysis regarding currency risk 2018/19

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 96
USD	+/- 5	-/+ 79
HKD	+/- 5	-/+ 6
EUR	+/- 5	+/- 5
GBP	+/- 5	+/- 1

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

Refinancing and liquidity risks

Refinancing and liquidity risk pertain to the risk that Clas Ohlson is unable to receive loans or meet payment obligations due to insufficient liquidity. Refinancing requirements are regularly reviewed by Clas Ohlson's central finance function, which is responsible for external borrowing. Refinancing requirements are primarily contingent on market trends and investment plans. The aim of the principles for investing cash and cash equivalents is to safeguard the Group's short and long-term solvency. Investments may only be made in instruments with low credit risk and high liquidity, meaning investments that can be converted into cash and cash equivalents at any given point in time. The Group had bank balances only with Nordic banks on 30 April 2019. See also Note 27.

NOTES

Granted credit limits	Group	
	30 Apr 2019	30 Apr 2018
Overdrafts	200	100
Credit facility	550	300
Total credit limits granted*	750	400
Appropriated credit lines	283	0
Unspent credit lines	467	400
Available bank balances	105	115.8
Refinancing reserve	572	515.8

*From July 1, a total of granted credit lines amount to 850 MSEK.

Group

Maturity structure financial liabilities	<3 mos	3-6 mos	6-12 mos	1 year>
Other long-term provisions	-	-	-	12.7
Liabilities to credit institution	-	283.1	-	-
Other current liabilities	663.6	-	-	-
Accounts payable and other liabilities	637.3	-	-	-
Total	1,301	283.1	0	12.7

Interest-rate risk

Interest-rate risk entails how changes in interest levels impact the Group's net financial items and how the value of financial instruments varies depending on changes in market interest rates. All of the Group's loans that bear interest have short fixed-interest periods. The Group has assessed that loans with short fixed-interest periods provide the lowest risk and financing expenses over time. Interest-rate risk is also minimised by distributing credit lines over several different loans and maturity dates. A certain level of working capital is also ensured in the Group's currency accounts to optimise the levels.

The effect on interest expense during the forthcoming 12-month period in the event of a 1-percentage-point increase/decrease in interest rates on interest-bearing liabilities amounts to +/- 2.1 MSEK (0). The effect on interest income during the same period and under the same conditions for interest-bearing assets amounts to +/- 0.3 MSEK (3.8).

Credit risk

The vast majority of credit risks and credit losses are attributable to holdings of cash and cash equivalents and accounts receivable. Accounts receivable are characterised by a very low risk, as each sub-item is small and the Group's credit policy is restrictive. The credit policy states the conditions for credit assessments, credit monitoring, requirements and handling insolvency. The Group's customers are subject to credit checks for which information about customers' financial position is obtained from various credit information companies and limits are set individually per customer. Taking these measures ensures that risk exposure and credit losses are kept at a commercially acceptable level.

The Group uses a matrix model based on historical confirmed credit losses to calculate expected credit losses on accounts receivable. The losses are then adjusted to include current and forward-looking information that could impact customers' ability to pay the receivable. The outcome shows that the loss allowance on the closing date does not total a material amount and thus has not been recognised.

Age analysis of accounts receivable

Group	
Accounts receivable not due	33,9
Accounts receivable due <1 month	1,1
Accounts receivable due 1-3 months	1,6
Accounts receivable due 3-6 months	0,3
Accounts receivable due 6-12 months	0,4
Accounts receivable due >12 months	1,7
Total	39,0

Cash and cash equivalents are invested in various bank accounts. The counterparties' solvency is deemed to be favourable and credit risk is thus deemed to be very low. The total liquidity risk comprises cash and cash equivalents and unutilised overdraft facilities.

Capital risk

Capital risk is regarded as low because the Group had a low portion of liabilities at the end of the financial year and an equity/assets ratio of 49 per cent.

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

Note 3 Other operating income and operating expenses

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Other operating income				
Rental income	24.9	24.2	24.9	24.2
Profit on sale or disposal of tangible assets	0.2	0.1	0.2	0.1
Other operating income	0.0	0.0	0.0	0.0
Total	25.1	24.3	25.1	24.3
Other operating expenses				
Leasing expenses	-23.7	-22.5	-23.7	-22.5
Loss on sale or disposal of tangible assets	0.0	-0.8	0.0	-0.8
Restructuring costs	-210.0	0.0	-201.9	0.0
Total	-233.7	-23.3	-225.7	-23.3

Note 4 Depreciation

Group	2018/19	2017/18
Depreciation broken down by type of asset		
Intangible assets ¹	48.7	35.9
Land and buildings	28.7	29.5
Equipment, tools, fixtures and fittings	159.5	160.1
Total	236.9	225.6

<i>Depreciation broken down by function</i>		
Cost of goods sold	82.3	76.2
Selling expenses	147.2	141.6
Administrative expenses	7.4	7.8
Total	236.9	225.6
Parent Company	2018/19	2017/18
<i>Depreciation by type of asset</i>		
Intangible assets ¹	48.7	35.9
Land and buildings	28.7	29.5
Equipment, tools, fixtures and fittings	83.6	86.0
Total	161.1	151.5
<i>Depreciation by function</i>		
Cost of goods sold	82.3	76.2
Selling expenses	71.4	67.4
Administrative expenses	7.4	7.8
Total	161.1	151.5

Note 5 Expenses by type of cost

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

Payroll expenses including social security expenses during the financial year totalled 2,070.6 MSEK (1,813.1) in the Group and 1,261.6 MSEK (1,080.7) in the Parent Company.

Depreciation during the financial year totalled 236.9 MSEK (225.6) in the Group and 161.1 MSEK (151.5) in the Parent Company.

Note 6 Expenses for employee benefits

	2018/19		2017/18	
<i>Salaries and other remuneration</i>				
Parent Company	917.4		776.5	
Subsidiaries	692.8		627.5	
Group total	1,610.3		1,404.0	
	2018/19		2017/18	
	Social security expenses	of which, pension expenses	Social security expenses	of which, pension expenses
<i>Social security expenses</i>				
Parent Company	344.0	67.5	304.2	59.2
Subsidiaries	116.2	39.2	104.9	35.8
Group total	460.2	106.6	409.1	95.0

Of the Parent Company's pension expenses, 2.3 MSEK (2.5) pertained to the group consisting of the Board and CEO. Of the subsidiaries' pension expenses, 2.6 MSEK (0.3) pertained to presidents of subsidiaries.

In the Group, expenses for defined-contribution pensions amounted to 93.1 MSEK (82.7) and defined-benefit pensions to 0.0 MSEK (0.0).

The Parent Company only has defined-contribution pension plans (including Alecta) for which the year's expenses was 54.1 MSEK (47.0).

In the Parent Company, the year's expenses for special employer's contribution on pension premiums was 13.5 MSEK (12.3). For more information on the defined-benefit pension plans in the Group, refer to Note 19.

Remuneration of Board members, presidents and other senior management

	2018/19	2017/18
<i>Parent Company</i>		
Salaries and other remuneration	31.4	28.9
– of which, variable remuneration	4.3	1.2
Pension expenses	5.3	5.1
Number of individuals in Group ¹	18	18
	2018/19	2017/18
<i>Group</i>		
Salaries and other remuneration	37.7	35.6
– of which, variable remuneration	4.6	1.8
Pension expenses	7.9	5.5
Number of individuals in Group ¹	20	22

¹ The composition of the Senior Management includes 11 persons (12).

Board remuneration

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

No director fees were paid in the subsidiaries.

	2018/19		2017/18	
	Director fees	Commit-tee fees	Director fees	Commit-tee fees
<i>Board of Directors</i>				
Kenneth Bengtsson, Chairman	0.64	0.12	0.64	0.12
Göran Sundström, member	0.32	0.14	0.32	0.08
Mathias Haid, member	0.32	0.06	0.32	0.06
Göran Näsholm, member	0.32	0.06	0.32	0.06
Charlotte Strömberg, member	0.32	0.08	0.32	0.08
Anne Thorstvedt Sjöberg, member	0.32	0.00	0.32	0.00
Margareta Lehmann, member	0.32	0.00	0.00	0.00
Håkan Lundstedt, member	0.32	0.08	0.00	0.00
Ros-Marie Grusén, member	0.00	0.00	0.32	0.00
Cecilia Marlow, member	0.00	0.00	0.32	0.14
Board total	2.88	0.54	2.88	0.54

At the 2018 Annual General Meeting, Håkan Lundstedt and Margareta Lehmann was elected to the Board.

Gender distribution on the Board among the members elected by the AGM in the past financial year was five men and three women. In percentage terms, the distribution is 62.5 per cent men and 37.5 per cent women.

NOTES

Remuneration of Senior Management

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

For the composition of senior management at 30 April 2019, see page 94-95.

	2018/19				2017/18			
	Basic salary	Vari. remun. STI	Vari. remun. LTI ¹	Benefits	Basic salary	Vari. remun. STI	Vari. remun. LTI ¹	Benefits
Salaries paid to senior management								
Lotta Lyrå, CEO ²	6.7	1.6	-0.1	0.2	4.9	0.2	0.7	0.3
Peter Jelkeby CEO ³	0.0	0.0	0.0	0.0	6.0	0.1	-0.7	0.1
Other senior management (10 individuals, of whom 11 individuals in 2017/18) ⁴	20.5	3.1	-0.2	1.0	14.0	1.2	-0.2	0.5
Management total	27.1	4.7	-0.3	1.2	24.8	1.5	-0.2	0.8

¹ LTI (Long term incentive program) pertains to a reported cost/cost reduction for, LTI 2016, LTI 2017 och LTI 2018. See description below of STI (Short term incentive program) and LTI.

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

³ Deputy CEO Peter Jelkeby held the role of Acting President and CEO between 2017-01-01 - 201-07-31.

⁴ The composition of the Senior Management changed from 7 members to 11 members 13 September 2017.

	2018/19		2017/18	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
Pension expenses for senior management				
Lotta Lyrå, CEO ¹		2.3	0.0	1.7
Peter Jelkeby tf CEO ²		0.0	0.0	0.7
Other senior management (10 individuals, of whom 11 individuals in 2017/18) ³		5.5	0.0	2.7
Management total		7.9	0.0	5.2

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

² Deputy CEO Peter Jelkeby held the role of Acting President and CEO between 2017-01-01 - 201-07-31.

³ The composition of the Senior Management changed from 7 members to 11 members 13 September 2017.

Under the contract of employment with the acting CEO, the mutual period of notice is six months. Six months' salary is payable should employment be terminated by the company. Applicable salary and benefits are payable during the period of notice. The retirement age is 65.

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

Salaries and other remuneration for other Senior Management are decided by the CEO, supported by the Remuneration Committee within the framework decided by the Board.

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

Provisions for STI and LTI are posted continuously in the individual annual accounts. All members of Senior Management are entitled to annual pension contributions, primarily in accordance with the ITP plan. The retirement age is between 65 and 67.

The gender distribution during the financial year among Senior Management of the Parent Company, is three women and five men. In percentage terms, the distribution is thus 62.5 per cent male and 37.5 per cent female. The distribution

in the preceding year was seven men and three women. The gender distribution during the financial year among Senior Management of the Group, is five women and seven men. In percentage terms, the distribution is thus 58.3 per cent male and 41.7 per cent female. The distribution in the preceding year was eight men and four women.

Further information on decision-making processes in the Group is presented on pages 83-91.

Remuneration principles

The general principles of remuneration for senior executives are to be based on the position held, individual performance, the Group's financial results and the remuneration being competitive in the country of employment. The combined remuneration of senior executives is to consist of basic salary, variable salary in the form of a short-term incentive based on annual performance objectives, long-term incentives based on multi-year performance, pension and other benefits. In addition, notice of termination and severance pay are subject to terms and conditions.

Clas Ohlson aims to offer a competitive total level of remuneration, focusing on payments based on performance. This means that variable remuneration may comprise a significant portion of total remuneration. The aim is for fixed remuneration to be in line with the median of the comparable market, while total remuneration, when Clas Ohlson meets or exceeds its objectives, is to be in the upper quartile of the market.

Basic salary

The basic salary is to comprise the basis for total remuneration. The salary is to be related to the relevant market and reflect the extent of the responsibilities included in the position. The development of basic salary is to depend on how well work is performed and how well the employee develops his/her expertise to assume future work assignments involving greater responsibility. The basic salary is to be reviewed annually to ensure that it is market-based and competitive.

Variable remuneration (Short Term Incentive, STI)

In addition to basic salary, senior executives are to qualify for STI for performance that exceeds one or several predetermined performance levels during a financial year, designed to promote the company's long-term value creation. Clearly defined performance targets are to be decided annually by the Board or by individuals elected by the Board. The performance targets may be connected to operational, financial or personal results. Remuneration from the STI plan is subject to a ceiling, which means that Clas Ohlson can calculate maximum remuneration levels from the beginning. Insofar as performance does not match the lowest performance level, no STI will be paid. STI will depend on the position held and may not exceed 50 per cent of salary if the ceiling is achieved, which also represents the maximum outcome of STI. STI remuneration is also conditional upon the performance on which earnings are based being sustainable over time, and that Clas Ohlson is able to reclaim such remuneration that was paid due to information that later turned out to be obviously erroneous.

Long-term incentive programs (Long Term Incentive, LTI)

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

Long-term incentive programs that entitle employees to acquire shares are subject to AGM approval. The qualification period for LTI 2016, LTI 2017 and LTI 2018 were in effect during the financial year. The qualification period for LTI 2016 was concluded after the close of the financial year and LTI 2019 was launched. All long-term incentive programs are share matching and profit-based employee stock option plans.

All ongoing long-term incentive programs have been approved by an Annual General Meeting. The current program covers up to 100 senior executives and other individuals deemed to be able to influence Clas Ohlson's development in the long-term.

All participants up to and including LTI 2014 acquired series B shares in Clas Ohlson corresponding to a value of not less than 5 per cent and not more than 10 per cent of their annual basic salary. Participants acquired series B Clas Ohlson shares, at market price, which the company will later match (1:1) free of charge through allotment of shares. If the employee holds the acquired shares and is still

employed by the Group after the end of the qualification period, the company will issue matching shares to the employee.

The employee may also be allotted profit-based employee stock options, see the description below.

The programs from LTI 2015 have been changed by dividing the participants into two groups:

1. senior management comprising senior management including the CEO, Group Management and country managers elected by the Board or corresponding positions, regarded as having considerable potential in their present position to influence Clas Ohlson AB's long-term development (Senior Management).

2. other employees who could develop into members of Senior Management or assume other key positions within the Group and thus influence Clas Ohlson AB's long-term development (Key Individuals).

For senior management, the program is unchanged compared with earlier programs, see the description above. For Key Individuals, LTI 2016, LTI 2017 and LTI 2018 entails that participants receive an allocation of conditional performance-based employee stock options free of charge. The number of allocated employee stock options is based on the calculated number of shares, which, at the prevailing market price at the start of the program, corresponds to a value of a minimum of 5 per cent and a maximum of 10 per cent of the Key Individual's annual basic salary.

Employee stock options are allocated free of charge and each stock option entitles the holder to acquire one series B Clas Ohlson share. Up to and including LTI 2014, the price per share when the option was exercised was calculated at 110 per cent of the average of the volume-weighted average price paid for the series B Clas Ohlson share on the Nasdaq Stockholm established for each day during a period of 10 trading days prior to the acquisition period. For subsequent LTI plans, the figure is 100 per cent. The exercise price for LTI 2016, LTI 2017 and LTI 2018 has been set at 161.00 SEK, 148.30 SEK and 93.80 SEK, respectively. The options may be exercised not earlier than three years and not later than seven years from the date of allotment. For an option to be exercised, the holder must still be employed by the Clas Ohlson Group and have retained his/her personal investment for three years from the date of allotment. The option holdings do not provide entitlement to receive dividends on the underlying shares.

The number of employee stock options that may be exercised by participants of LTI programs up to and including LTI 2014 depends on the number of series B shares that the employee has acquired within the framework of the plan, and whether the company's growth and profit growth during the first three financial years increase to the levels set by the Board. These established levels are: Entry, Target and Stretch, with a straight-line increase between each profit level.

For Key Individuals under LTI 2017 and LTI 2018, the number of employee stock options that may be exercised depends on the number of shares as corresponded by the Key Individual's salary at the start of the program (a minimum of 5 per cent and a maximum of 10 per cent).

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

- Entry: 5 options per acquired/calculated series B share
- Target: 10 options per acquired/calculated series B share
- Stretch: 15 options per acquired/calculated series B share

In addition to the levels described above, there is a "Max" level. This level is conditional upon the existence of a specific situation and a single member of Senior Management fulfilling the exceptional tasks resolved by the Board. The level corresponds to a maximum of 25 options per acquired series B share.

Accordingly, the total number of employee stock options that may be exercised by each participant is limited to 15 options (25 options for exceptional tasks).

It was not possible to exercise any of the options for LTI 2016, LTI 2017 or LTI 2018 on 30 April 2019. The number that may be exercised after three years is based on the achievement of growth and profit targets in accordance with the above. The sum that is expensed is based on the level of 0 options for LTI 2016, 0 options per share for LTI 2017 and 10 options per share for LTI 2018. The total outcome for all ongoing LTI programs during the financial year (LTI 2016, LTI 2017 and LTI 2018) was a cost reduction of 3.3 MSEK, including social security contributions. Last year the corresponding figure was a total cost of 8.9 MSEK.

Extent of LTI 2017 and LTI 2018 at target level¹

Participants	LTI 2017		Target value MSEK ³
	Matching shares series B-shares ²	No. of employee stock options ²	
CEO and President	4,352	43,520	1.3
Other members of Senior Management	2,654	32,000	0.9
Other participants	1,633	144,980	2.8
Total	8,639	220,500	5.0

Participants	LTI 2018		Target value MSEK ³
	Matching shares series B-shares ²	No. of employee stock options ²	
CEO and President	4,426	44,260	0.8
Other members of Senior Management	10,280	102,800	1.9
Other participants	1,005	265,175	3.1
Total	15,711	412,235	5.9

¹ Initially, at the start of the program, the participants acquired 17,859 and 17,014 shares under the frameworks of the LTI 2017 and LTI 2018 respectively.

² The number of shares and employee stock options may be recalculated due to decisions concerning a possible new share issue or split.

³ The target value of the plan is calculated based on the fair value on the date of allotment. The share value on the date of allotment was 130.72 SEK LTI 2017 and 75.31 SEK LTI 2018 and the fair value of the option was 17.58 and 11.38 SEK. To calculate the fair value of the options, the binomial model for option valuation was used. Valuation has been conducted using an initial share price of 149.47/94.06 SEK, an exercise price of 148.30/93.80 SEK, an expected dividend per share annually, an anticipated lifetime for the options of five years, an interest rate of -0.08 per cent / -0.18 per cent, a volatility of 23 per cent / 23 per cent and annual withdrawals of 5 per cent. Volatility is measured as the standard deviation for the expected return on the share price based on a statistical analysis of daily share prices during the past three years. The values were adjusted for the discounted value of future dividends.

In accordance with the below, LTI 2017 and LTI 2018 will include the following number of series B shares and employee stock options for the various participant categories if the Target level is achieved (refer to the tables below).

Share awards

The table below outlines the number of granted, forfeited and exercised share awards during this and previous financial year:

Share awards	2018/19			
	LTI 2018	LTI 2017	LTI 2016	LTI 2015
<i>At 1 May</i>		11,916	4,712	9,659
Granted	17,014			
Forfeited	-1,303	-3,277	-2,076	
Exercised				-9,659
<i>At 30 April</i>	15,711	8,639	2,636	0

Share awards	2017/18			
	LTI 2017	LTI 2016	LTI 2015	LTI 2014
<i>At 1 May</i>		10,831	11,939	24,115
Granted	17,859			
Forfeited	-5,943	-6,119	-2,280	
Exercised				-24,115
<i>At 30 April</i>	11,916	4,712	9,659	0

NOTES

Number of options to exercise

Participants	Number of options to exercise		
	LTI 2015	LTI 2014	LTI 2013
CEO and President	0	0	0
Other members of Group Management	0	27,957	19,102
Other participants	0	148,952	274,060
Total	0	176,909	293,162

LTI 2016 result

The qualification and performance periods for LTI 2016 were valid from 1 May 2016 until 30 April 2019. A total of 2,636 shares were allotted on 2 May, after the end of the financial year, in accordance with the AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period. The set criteria pertaining to the average sales and profit growth per share for the period 2016 to 2019 were not achieved, which resulted in no options being allotted to participants and the LTI 2016 was thus concluded. Participants of LTI 2014 and LTI 2013 were already entitled to exercise 10.9 and 15 options respectively, per purchased share at an exercise price of 153.60 SEK and 94.30 SEK, respectively.

The table below outlines the number of awarded matching share and options for LTI 2016.

Participants	Share awards LTI 2016	
	Matching share	Options
CEO and President	0	0
Other members of Group Management	899	0
Other participants	1,737	0
Total	2,636	0

Share repurchase for LTI programs

During 2016 and 2017, Clas Ohlson repurchased series B Clas Ohlson shares to fulfil the company's long-term obligations under the incentive pro-programmes. Repurchased shares will be allotted, sold to participants or to correspond to social security expenses.

Pensions and other benefits

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

Note 7 Remuneration to auditors

Deloitte AB	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Remuneration for audit engagement	2.3	2.0	1.4	1.3
Remuneration for audit related services	0.3	0.2	0.2	0.1
Tax consultations	0.1	0.1	0.0	0.1
Other	0.1	0.5	0.0	0.5
Total	2.7	2.8	1.6	2.0

Note 8 Financial income and expenses

Financial income is distributed as follows:

Group	2018/19	2017/18
Interest income	1.1	0.7
Group total	1.1	0.7

Parent Company	2018/19	2017/18
Interest income	1.1	0.7
Interest income, subsidiaries	1.3	0.6
Parent Company total	2.4	1.3

Financial expenses are distributed as follows:

Group	2018/19	2017/18
Financial expenses	-3.3	-1.9
Group total	-3.3	-1.9

Parent Company	2018/19	2017/18
Interest expense	-3.2	-1.7
Interest expense, subsidiaries	-1.9	-1.1
Parent Company total	-5.1	-2.7

Note 9 Income tax

	Group		Parent Company		
	2018/19	2017/18	2018/19	2017/18	
Tax on profit for the year					
Income tax on profit for the year	-51.3	-88.6	-2.6	-46.6	
	-51.3	-88.6	-2.6	-46.6	
Deferred tax					
Deferred tax pertaining to temporary differences	31.0	-20.7	-0.5	0.9	
	31.0	-20.7	-0.5	0.9	
Total recognised tax expense	-20.3	-109.3	-3.1	-45.7	
Reconciliation of applicable tax rate and effective rate					
Recognised profit before tax	91.9	467.1	288.7	310.8	
Expected tax expense according to the Swedish tax rate 22%	-20.2	-102.8	-63.5	-68.4	
Tax effect of:					
Differences in foreign tax rates	-0.7	-0.1	0.0	0.0	
Non-deductible/non-recognised	-1.2	-4.1	-0.8	-0.3	
Adjustment earlier taxation	5.1	-1.9	0.0	-1.9	
Tax-free dividend subsidiaries	0.0	0.0	62.1	24.8	
Other	-3.4	-0.5	-0.9	0.0	
Recognised tax expense	-20.3	-109.3	-3.1	-45.7	
Effective tax rate, %	22.1	23.4	1.1	14.7	
Deferred tax items recognised directly in equity	-1.2	2.6	0.0	0.0	
Deferred tax assets	19.4	13.4	3.5	4.0	
Deferred tax liabilities	-187.1	-210.1	0.0	0.0	
	Amount at start of year	Recognised in profit or loss	Recognised in comprehensive income	Exchange rate differences	Amount at the end of year
Group 2018/19					

Change in deferred tax in temporary differences during the year

Inter-company profit in inventories	12.0	10.8	0.0	0.0	22.8
Accruals and deferrals	7.3	-2.3	0.0	0.0	5.0
Pensions	3.4	-0.3	0.0	0.2	3.4
Accelerated depreciation	-82.6	10.6	0.0	0.0	-72.1
Tax allocation reserves	-138.2	9.1	0.0	0.0	-129.1
Hedging reserves	1.2	0.0	-1.2	0.0	0.0
Provisions DE/UK	0.0	2.2	0.0	0.0	2.2
Other	0.2	0.0	0.0	0.0	0.2
Total	-196.7	30.8	-1.2	0.2	-167.7

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

	Amount at start of year	Recognised in profit or loss	Recognised in comprehensive income	Exchange rate differences	Amount at the end of year
Group 2017/18					
Change in deferred tax in temporary differences during the year					
Inter-company profit in inventories	31.2	-19.2	0.0	0.0	12.0
Accruals and deferrals	8.8	-1.6	0.0	0.0	7.3
Pension	2.3	1.0	0.0	0.2	3.4
Accelerated depreciation	-72.4	-10.3	0.0	0.0	-82.6
Tax allocation reserves	-147.8	9.7	0.0	0.0	-138.2
Hedging reserves	-1.4	0.0	2.6	0.0	1.2
Other	0.4	-0.2	0.0	0.0	0.2
Total	-178.9	-20.7	2.6	0.2	-196.7

Note 10 Earnings per share*

	2018/19	2017/18
Earnings per share before dilution		
Profit for the year	71.6	357.8
Average number of shares before dilution	63.2	63.2
Earnings per share before dilution	1.13	5.66
Earnings per share after dilution		
Profit for the year	71.6	357.8
Average number of shares before dilution	63.2	63.2
Adjusted for:		
- share savings program	0.0	0.1
Average number of shares after dilution	63.2	63.3
Earnings per share after dilution	1.13	5.65

*number of shares are express in millions of share.

Earnings per share before and after dilution

The calculation of earnings per share has been based on profit for the year, totalling 71.6 MSEK (357.8) and on a average number of shares outstanding before and after dilution during both 2018/19 and 2017/18.

Options pertaining to LTI 2014, LTI 2015, LTI 2016, LTI 2017 and LTI 2018 are not included in the calculation of earnings per share after dilution as they did not generate any dilution effect during the reported periods.

Note 11 Dividend per share

The dividends paid in 2018/19 and 2017/18 totalled 395.1 MSEK (6.25 SEK per share) and 395.0 MSEK (6.25 SEK per share). A dividend pertaining to 2018/19 of 6.25 SEK per share, comprised of two separate payments of 3.13 SEK per share and 3.12 SEK per share will be proposed at the Annual General Meeting to be held on 7 September 2019. The first payment is proposed to be in September 2019 and the second payment in January 2020. The proposed dividend amounts to a total of 410 MSEK (410), representing 573 per cent (115) of the financial year's profit after tax. The proposed dividend has not been recognised as a liability in these financial statements.

NOTES

Note 12 Non-current assets

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
<i>Intangible assets</i>				
Capitalised IT and software costs				
Opening cost	596.1	472.3	596.1	472.3
Acquisitions for the year	104.9	124.0	104.9	124.0
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	-4.5	-0.2	-4.5	-0.2
Closing accumulated cost	696.5	596.1	696.5	596.1
Opening depreciation	-167.8	-132.1	-167.8	-132.1
Depreciation for the year	-48.7	-35.9	-48.7	-35.9
Reclassifications	-3.3	0.0	-3.3	0.0
Sales and disposals	0.4	0.1	0.4	0.1
Closing accumulated depreciation	-219.5	-167.8	-219.5	-167.8
Closing residual value according to plan	476.9	428.2	476.9	428.2

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
<i>Tangible assets</i>				
Land and buildings				
Opening cost	754.8	755.0	754.8	752.2
Acquisitions for the year	0.0	2.6	0.0	2.6
Reclassifications	0.0	-2.9	0.0	0.0
Sales and disposals	0.0	0.0	0.0	0.0
Translation differences	0.0	0.1	0.0	0.0
Closing accumulated cost	754.8	754.8	754.8	754.8
Opening depreciation	-368.1	-340.7	-368.1	-338.5
Reclassifications	0.0	2.2	0.0	0.0
Sales and disposals	0.0	0.0	0.0	0.0
Depreciation for the year	-28.7	-29.5	-28.7	-29.5
Translation differences	0.0	0.0	0.0	0.0
Closing accumulated depreciation	-396.8	-368.1	-396.8	-368.1
Closing residual value according to plan	358.1	386.8	358.1	386.8
Carrying amount, land	6.5	6.5	6.5	6.5

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Equipment, tools, fixtures and fittings				
Opening cost	1,974.6	1,789.8	1,094.1	1,052.0
Acquisitions for the year	105.8	146.2	54.7	52.0
Reclassifications	0.0	2.9	0.0	0.0
Sales and disposals	-158.3	-15.6	-16.8	-9.9
Translation differences	6.4	51.3	0.0	0.0
Closing accumulated cost	1,928.4	1,974.6	1,132.1	1,094.1
Opening depreciation	-1,320.0	-1,139.8	-767.1	-690.2
Depreciation for the year	-159.4	-160.2	-83.6	-86.0
Reclassifications	3.3	-2.2	3.3	0.0
Sales and disposals	105.9	14.2	12.7	9.1
Translation differences	-4.7	-32.0	0.0	0.0
Closing accumulated depreciation	-1,374.9	-1,320.0	-834.8	-767.1
Closing residual value according to plan	553.5	654.6	297.3	327.0

	Parent Company	
	2018/19	2017/18
<i>Financial non-current assets</i>		
Opening cost	198.5	186.3
Increase/decrease in non-current receivables	-154.9	12.2
Closing accumulated cost	43.6	198.5

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
<i>Securities held as fixed assets, valued at fair value*</i>				
Securities held as fixed assets, valued at fair value at the beginning of the year	224.5	0.0	224.5	0.0
Acquisition	0.8	224.5	0.8	224.5
Revaluation during the year	0.0	0.0	0.0	0.0
Securities held as fixed assets, valued at fair value at the end of the year	225.3	224.5	225.3	224.5

*According to level three in the fair value hierarchy, see note 20

Investment commitments

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

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Equipment, tools, fixtures and fittings	10.2	21.0	6.4	10.1

Note 13 Inventories

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Merchandise	1,987.3	2,038.0	1,364.2	1,327.6
Total	1,987.3	2,038.0	1,364.2	1,327.6
Cost of goods sold	5,277.5	4,926.6	4,978.5	4,817.6
Of which, obsolescence	-8.0	-3.8	-9.3	-2.6

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

Note 14 Accounts receivable

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Accounts receivable	39.0	33.7	20.6	18.0
Total	39.0	33.7	20.6	18.0
Fair value	39.0	33.7	20.6	18.0

Provisions for bad debt has not been accounted for as the historic outcome has not been material.

Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Prepaid rent	67.1	93.4	38.9	45.6
Prepaid costs of materials	0.0	39.5	0.0	39.5
Other prepaid expenses	80.7	73.7	43.8	42.3
Total	147.8	206.6	82.7	127.4

Note 16 Cash and cash equivalents

Group	2018/19	2017/18
Cash and bank balances	105.0	115.8
Group total	105.0	115.8

At the end of the year, utilised overdraft facilities in the Group, which are not included in cash and cash equivalents, totalled 283.0 MSEK (0.0), refer to Note 20.

Unutilised overdraft facilities in the Group, amounted to 750.0 MSEK (400.0).

Cash and cash equivalents consists of cash placements in Swedish banks, cash on the way and cash in stores.

Provisions for bad debt has not been accounted for as the historic outcome has not been material.

Note 17 Forward contracts

As per the balance-sheet date, outstanding cash-flow hedging existed according to the following table.

Currency	Carrying amount and fair value		Nominal amount		Average remaining term in months. ¹	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Sell/buy						
NOK/SEK	-6.1	-10.7	152.0	160.3	2.3	2.1
NOK/USD	8.5	4.4	414.9	391.7	3.3	3.4
SEK/USD	1.1	0.8	26.6	18.2	5.5	5.5
Total	3.5	-5.5	593.5	570.3	3.2	3.1

¹ Maturity ranges from 15 May - 11 Sept for NOK/SEK, 8 May - 30 Oct for NOK/USD and 16 Oct to 16 Oct for SEK/USD. In the preceding year, the maturity ranges were from 9 May - 12 Sept for NOK/SEK, 9 May - 24 Oct for NOK/USD and 17 Oct - 17 Oct for SEK/USD.

Forward contracts belong to the derivative category, which is used for hedging purposes. All derivatives are measured at fair value, established by using forward contract prices on the balance-sheet date, meaning, level 2 in the fair value hierarchy according to IFRS 13.

Forward contracts with negative market values totalled 6.1 MSEK (14.1), which was recognised in the item accrued expenses and deferred income. Forward contracts with positive market values amounted to 9.6 MSEK (8.6), which was recognised in the item Prepaid expenses and accrued income.

A deferred tax liability of 0.8 MSEK (previous year a deferred tax assets of 1.2 MSEK) was taken into account and the remaining fair value of 2.7 MSEK (-4.3) was recognised in the hedging reserve within equity. The amount for forward contracts NOK/USD of 8.5 MSEK (4.4) is allocated on the currency pair NOK/SEK with -9.8 MSEK (-18.0) and on the currency pair SEK/USD with 18.3 MSEK (22.4).

Note 18 Proposed allocation of earnings and Equity

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

Profit brought forward	268,033
Profit for the year	285,564
Total	553,597

The Board and Chief Executive Officer propose:

Dividend payable to shareholders 6.25 SEK per share	410,000 ¹
Carried forward to new account	143,597
Total	553,597

¹Dividends are based on the number of shares outstanding on the record date and will be splitted on two payouts, each 3.125 SEK.

The record date for the first payment of the dividend is proposed as 10 September 2019, the second record date for the payment is proposed as 14 January 2020. It is anticipated that the dividend decided upon by the Annual General Meeting will be despatched on 13 September 2019 and 17 January 2020.

With reference to the information presented above and what has otherwise come to the knowledge of the Board, the view of the Board is as follows: A comprehensive assessment of the financial position of the Parent Company and Group indicates that the dividend is justifiable with reference to the demands made by the nature, size and risks of the operation on the equity and liquidity of the Parent Company and Group. The Group's equity/assets ratio is 49 per cent before payment of dividend and 39 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio.

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The total number of ordinary shares is 65,600,000 (2018/19: 65,600,000) with a quotient value of 1.25. The number of series A shares is 5,760,000, while the number of series B shares is 59,840,000. Each series A share carries ten votes, while each series B share carries one vote. All issued shares are fully paid up. The company has outstanding stock option plans, whose outcome was hedged through the repurchase of 2,382,206 series B shares (2,391,865). The number of shares outstanding at the end of the year was 63,217,794 (63,208,135). The average number of shares before and after dilution is reported in Note 10.

The Group's reserves contain translation differences of -39.3 MSEK (-40.6), and hedging reserve of 2.7 MSEK (-4.3).

Note 19 Pension obligations

The Group has defined-benefit occupational pension plans for only a few formerly employed salaried employees. The following tables provide an overview of the items included in the net expense for the remuneration recognised in the consolidated income statement for the Group's defined-benefit pension plans. The amounts for the pension plans are also recognised in the consolidated balance sheet. For more information, refer to the pages 105-106.

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

	2018/19	2017/18
At the start of the year	1.5	1.6
Net Periodic Pension Cost	-0.3	-0.2
Employer contribution	0.0	0.1
Exchange-rate differences	0.0	0.1
Recognised provision at end of the financial year:	1.2	1.5

Pension obligations:

	2018/19	2017/18
Present value of funded obligations	4.7	4.6
Fair value of plan assets	6.0	6.1
Non-recognised actuarial gains/losses	0.0	0.0
Asset in balance sheet	1.2	1.5

Defined-contribution plans

Defined-contribution plans exist in Sweden, Norway and Finland. Payments to these plans are made continuously according to the rules of each plan.

	2018/19	2017/18
Group	93.1	82.7
Parent Company	54.1	47.0

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension obligations retirement and family pensions are insured on the basis of insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed by insurance in Alecta, this is a multi-employer defined-benefit plan. For the current financial year, the company did not have access to information to recognise its proportionate share of the plan's obligations, plan assets and expenses, which entails that the plan cannot be recognised as a defined-benefit plan. The ITP 2 pension plan insured through insurance with Alecta is therefore recognised as a defined-contribution plan. The premium for the defined-benefit retirement and family pensions are individually calculated and depend on such factors as salary, previously earned pension and expected remaining service period. The expected contributions for the next reporting period for ITP 2 insurance policies taken out with Alecta amount to 15.2 MSEK (12.5).

The collective funding ratio comprises the market value of Alecta's assets as a percentage of the insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not comply with IAS 19. The collective funding ratio is normally permitted to vary between 125 and 155 per cent. If Alecta's collective funding ratio falls below 125 per cent or exceeds 155 per cent, measures are to be taken to create the conditions for returning the collective funding ratio to the normal interval. In the event of a low collective funding ratio, a measure could be raising the contracted price for new policies and expanding existing benefits. In the event of a high collective funding ratio, a measure could be introducing premium reductions. At the end of 2019, Alecta's surplus in the form of the collective funding ratio was 142 per cent (154).

Note 20 Financial instruments

Assets 30 April 2019	Level	Received contractual cashflows and sale of financial assets		Other financial assets		Total
		Received contractual cashflows	Financial assets measured at fair value through other comprehensive income	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through profit or loss	
Securities held as fixed assets*	3	0.0	0.0	225.3	225.3	225.3
Accounts receivable	2	39.0	0.0	0.0	39.0	39.0
Other receivables	2	2.7	0.0	0.0	2.7	2.7
Cash and cash equivalents	2	105.0	0.0	0.0	105.0	105.0
Total		146.7	0.0	225.3	372.0	

*The holding in Mathem Sverige AB was valued based on a transaction between two independent parties, and adjusted by the amount of the holding compared with the observed transaction. The fair value was measured according to level 3 of the fair value hierarchy since the value is based on the value of a transaction in a non-active market.

Liabilities 30 April 2019	Level	Financial assets measured at amortized cost	Total
Other liability provisions	2	12.7	12.7
Skulder till kreditinstitut	2	283.1	283.1
Other current liabilities	2	663.6	663.6
Accounts payable and other liabilities	2	637.4	637.35
Total		1,596.75	1,596.75

For other financial assets and liabilities the carrying amount represents a reasonable approximation of fair value.

Assets 30 April 2018	Level	Loan receivables and accounts receivable	Derivatives for hedging purposes	Securities that can be sold	Summa
Accounts receivable	2	33.7	0.0	0.0	33.7
Derivative instruments	2	0.0	8.6	0.0	8.6
Securities held as fixed assets*	3	0.0	0.0	224.5	224.5
Cash and cash equivalents	2	115.8	0.0	0.0	115.8
Summa		149.6	8.6	224.5	382.6

Liabilities 30 April 2018	Level	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	2	14.1	0.0	14.1
Accounts payable and other liabilities	2	0.0	1,024.8	1,024.8
Total		14.1	1,024.8	1,038.9

Fair value measured according to the three levels below:

Level 1: Listed prices in an active marketplace.

Level 2: Valuation model mainly based on observable market data for the asset or liability.

Level 3: Valuation model mainly based on own assumptions.

Note 21 Accrued expenses and deferred income

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Accrued payroll expenses	129,3	114,5	67,9	59,2
Accrued holiday pay expenses	206,5	191,2	120,3	108,8
Accrued social security contributions	99,7	101,5	83,8	77,2
Other items	110,2	129,4	52,9	67,5
Total	545,7	536,5	324,9	312,8

Note 22 Other provisions

Refers to:

a) Sales-related provisions

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

Gift cards

When purchasing Clas Ohlson's gift cards in stores or via online shopping, the entire amount is recognised as a provision and recognised as income only when the gift card has been used in a store or has expired.

Open purchase and complaints

Clas Ohlson offers its customers open purchase for 90 days and the right to complain about unsatisfactory purchases for up to ten years after the purchase. Most of the returns occur during the week following the purchase. Every month, sales and cost of goods sold are adjusted taking into account the estimated proportion of returns.

Club Clas

Members of the Clas Ohlson's loyalty program, Club Clas, receive bonus cheques in various amounts depending on the amount of purchases the customer made at Clas Ohlson. The cheques are distributed continuously and are valid for six months. All issued bonus cheques are not redeemed which is why each sale in the loyalty program is reduced by the fair amount with respect to future redemption of bonus cheques, considering the current degree of redemption.

b) Restructuring

During the financial year 2018/19 a provisions for a restructuring cost of 210.0 MSEK pertaining to the closure of the store network in UK and Germany.

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Guarantee commitments				
Opening provisions	11.3	10.2	6.1	5.8
Utilised during the year	-11.3	-10.2	-6.1	-5.8
Allocated during the year	12.0	11.3	6.7	6.1
Total	12.0	11.3	6.7	6.1
Open purchase, unredeemed gift cards and bonus points				
Opening provisions	57.5	53.2	44.6	40.2
Utilised during the year	-57.5	-53.2	-44.6	-40.2
Allocated during the year	55.5	57.5	43.2	44.6
Total	55.5	57.5	43.2	44.6
Restructuring				
Opening provisions	17.7	40.5	0.0	0.0
Utilised during the year	-165.7	-26.8	0.0	0.0
Allocated during the year	210.0	3.9	0.0	0.0
Total	62.0	17.7	0.0	0.0
Of which long-term provision amounts to	12.7	12.3	0.0	0.0
Total provisions	129.4	86.5	49.9	50.7

NOTES

Note 23 Inter-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for 2,934.4 MSEK (2,783.9). Of this sum, 2,303.1 MSEK (2,177.2) related to sales to Clas Ohlson AS in Norway, 609.4 MSEK (561.7) to sales to Clas Ohlson Oy in Finland, 18.4 MSEK (40.1) to sales to Clas Ohlson Ltd in the UK and 3.5 MSEK (4.9) sales to Clas Ohlson GmbH in Germany. No purchases were made from subsidiaries.

Note 24 Participations in Group companies

Parent company	2018/19	2017/18
<i>Accumulated acquisition value</i>		
Opening value	29.3	29.3
Shareholder contribution	10.0	0.0
Total	39.3	29.3

The table below shows Clas Ohlson AB's holding of shares and participations in subsidiaries according to the balance sheet 30/4. All companies are owned 100 percent.(C/O P 30.5 percent)

Holding of shares and participations in subsidiaries for Clas Ohlson AB

Country	Company	Registered office	Registration number	2019-04-30		2018-04-30	
				Number of shares	Value MSEK	Number of shares	Value MSEK
Norway	Clas Ohlson AS	Oslo	NO 937402198	10,000	0.1	10,000	0.1
Finland	Clas Ohlson OY	Helsinki	FI 1765891-7	500,000	4.7	500,000	4.7
UK	Clas Ohlson Ltd	London	6298382	300,000	4.0	300,000	4.0
Germany	Clas Ohlson GmbH	Hamburg	HRB 130004	1	9.3	1	9.3
China	Clas Ohlson (Shanghai) Co, Ltd	Shanghai	310000400574190	1,500,000	11.3	1,500,000	11.3
Sweden	C/O P Investment AB	Sweden	559160-9903	305	10.0	0.0	0.0
Total					39.3		29.3

Note 25 Securities held as fixed assets

Parent Company	2018/19	2017/18
<i>Accumulated acquisition value</i>		
Opening value	224.5	0.0
Acquisitions for the year	0.8	224.5
Total	225.3	224.5

The table below shows Clas Ohlson AB's holding of securities held as fixed assets according to the balance sheet 30/4.

Holding of securities held as fixed asset for Clas Ohlsons AB

Country	Company	Registered office	Registration number	Number of shares	Percentage of votes	2019-04-30	2018-04-30
						Value MSEK	Value MSEK
Sweden	MatHem i Sverige AB	Stockholm	556775-7264	668,550	8 %	225.3	224.5
Total						225.3	224.5

Note 26 Appropriations

Parent Company	2018/19	2017/18
<i>The difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	-30.8	-32.2
– land and buildings	0.0	1.0
<i>Provision for tax allocation reserves</i>		
Provisions for the year	72.0	44.0
Parent Company total	41.2	12.8

Note 27 Cash and bank balances

Parent Company	2018/19	2017/18
Cash and bank balances	33.4	36.9
Parent Company total	33.4	36.9

Utilised Group overdraft facilities, totalled 283.0 MSEK (0.0 MSEK). Unspent credit lines amounts to 750.0 MSEK (400.0 MSEK) in the Group and Parent Company.

Note 28 Untaxed reserves

Parent Company	2018/19	2017/18
<i>Accumulated difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	438.5	407.7
– land and buildings	0.0	0.0
<i>Provision for tax allocation reserve</i>		
Tax 2013:1	0.0	0.0
Tax 2013:2	0.0	72.0
Tax 2014	101.0	101.0
Tax 2015	138.0	138.0
Tax 2016	123.0	123.0
Tax 2017	131.0	131.0
Tax 2018	63.0	63.0
Parent Company total	994.5	1035.7

Note 29 Pledged assets

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Cash and cash equivalents	0.0	0.0	0.0	0.0
Total pledged assets	0.0	0.0	0.0	0.0

The company has no collateral for own obligations pertaining to currency forward contracts. Regarding contracted overdraft facilities, the company's reports financial covenants, for which the company met the terms and conditions by a healthy margin. Utilised overdraft facilities in the Group and Parent Company amounted to 283.0 MSEK (0.0) in the year end. Total credit limits granted in the Group and in the Parent Company amounts to 750.0 MSEK (400.0 MSEK).

Note 30 Contingent liabilities and commitments

Parent Company	2018/19	2017/18
<i>Contingent liabilities, Parent Company</i>		
Guarantee in favour of Group companies pertaining to future rental commitments	236.8	273.3

Parent Company commitments

All store premises, with the exception of Insjön, are leased and treated as operating leases. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30 April 2019 was three years.

Contracted leases were calculated according to rent levels for 2019.

	2018/19	2017/18			
Rents and lease payments in financial year	317.2	297.0			
	2019/20	2020/21	2021/22	2022/23	2023-
Contracted future rents	281.2	208.9	165.6	99.1	63.5

Contingent liabilities, The Group

The Group has no contingent liabilities.

Group commitments

All store premises, with the exception of Insjön, are leased and treated as operating leases. The company's policy is that rent should be fixed and not based on store turnover. The average contract period at 30 April 2019 was four years. Contracted leases were calculated according to rent levels for 2019.

Group	2018/19	2017/18			
Rents and lease payments in financial year	770.6	737.3			
	2019/20	2020/21	2021/22	2022/23	2023-
Contracted future rents	744.6	614.8	478.9	335.4	489.4

Note 31 Related-party transactions

The number of shareholders in the company totalled 42,336. The major shareholders are Clas Ohlson's descendants Helena Ek-Tidstrand, Björn Haid, Johan Tidstrand, Peter Haid and Claus-Toni Haid, who hold 38 per cent of the capital and 66 per cent of the votes. No transactions with related parties took place during the financial year or previous year. Remuneration of the Board and senior management is presented in Note 6 to the Annual Report. For further description, refer to the corporate governance report, pages 83-91.

NOTES

Note 32 Average numbers of employees

	Group		Parent Company	
	2018/19	2017/18	2018/19	2017/18
Total Sweden	1,777	1,667	1,777	1,667
– of whom, women	(799)	(713)	(799)	(713)
Total Norway	797	772		
– of whom, women	(311)	(299)		
Total Finland	352	336		
– of whom, women	(172)	(153)		
Total UK	81	86		
– of whom, women	(44)	(44)		
Total China	53	52		
– of whom, women	(32)	(26)		
Total Germany	39	37		
– of whom, women	(19)	(18)		
Total	3,099	2,951	1,777	1,667
– of whom, women	1,377	1,253	799	713

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

Note 33 Segment reporting

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

	2018/19	2017/18
Sales per segment		
Sweden	3,853.4	3,657.6
Norway	3,571.4	3,286.8
Finland	1,063.9	998.1
Outside Nordic countries	283.5	268.2
Group-wide	-2,934.4	2,783.9
Eliminations of sales to other segments	2,934.4	-2,783.9
Total	8,772.3	8,210.7
Operating profit per segment		
Sweden	158.2	150.3
Norway	150.0	138.6
Finland	34.1	32.0
Outside Nordic countries	8.7	9.1
Group-wide	-257.0	138.2
Total	94.0	468.3

Assets per segment

Sweden	932.0	776.8
Norway	621.6	661.7
Finland	194.4	193.6
Outside Nordic countries	42.7	150.5
Group-wide	2,081.2	2,301.2
Total	3,872.0	4,083.9

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

Investment and depreciation per segment

	Investments		Depreciation	
	2018/19	2017/18	2018/19	2017/18
Sweden	24.8	20.3	36.9	36.7
Norway	34.3	59.6	52.0	51.3
Finland	14.0	15.2	14.5	15.1
Outside Nordic countries	2.6	18.7	8.9	7.6
Group-wide ¹	135.8	383.5	124.6	114.9
Total	211.4	497.2	236.9	225.6

¹Investments in intangible assets amounted to 104.9 MSEK (124.0).
Depreciation attributable to intangible assets amounted to 48.7 MSEK (35.9).
Investment in MatHem i Sverige AB amounted to till 225.3 MSEK.

Note 34 Events after the end of the period

External financing

After the end of the financial year, the company signed an agreement for an external credit facility corresponding to 100 MSEK to meet the company's financing requirements. The company's total credit facility thereafter amounts to 850 MSEK.

End of performance period, Long-term Incentive Plan, LTI 2016

The qualification and performance periods for the LTI 2016 long-term incentive plan ran from 1 May 2016 until 30 April 2019. After the end of the reporting period, a total of 2,636 shares were allotted on 2 May in accordance with the AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period.

The established performance criteria regarding average sales growth and increased earnings per share for the period 2016–2019 were not achieved, meaning that no options were allotted to the participants and, accordingly, the LTI 2016 has been concluded.

LTI 2019 and utilisation of authorisation to buy back shares

In May 2019, the long-term incentive plan LTI 2019 was introduced under the same structure as LTI 2018. Senior management will purchase shares in LTI 2019 in mid-June. The exercise price for the conditional employee stock options has been set at SEK 77.50 per share, with exercise possible, following the three-year qualification period between June 2022 and April 2026.

On 8 September 2018, the Annual General Meeting of Clas Ohlson AB authorised the Board of Directors to acquire a maximum of 860,000 shares during the period until the next Annual General Meeting to secure the company's commitment in connection with the introduction of a share-based incentive programme, LTI 2019. The total number of shares required to secure the undertaking for LTI 2019 is estimated at 780,000. The entire LTI 2019 undertaking can be secured by using shares that were bought back to secure previous LTI plans where the need has been recalculated.

As per 30 April 2019, the company's holding of Clas Ohlson treasury shares amounted to 2,382,206 shares, corresponding to 4 per cent of the total number of registered shares.

Certification of the Annual Report

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

Insjön 26 June 2019

Kenneth Bengtsson

Chairman of the Board

Mathias Haid

Margareta Lehmann

Göran Näsholm

Charlotte Strömberg

Göran Sundström

Håkan Lundstedt

Anne Thorstvedt Sjöberg

Lotta Lyrå

President and CEO

Caroline Östning

Employee representative (Unionen)

Lasse Zwetsloot

Employee representative (Handels)

Our audit report was submitted on 30 June 2019.

Deloitte AB

Kent Åkerlund

Authorized Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting on 7 september 2019.

Auditor's report

**To the general meeting of the shareholders of Clas Ohlson AB (publ)
corporate identity number 556035-8672**

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Clas Ohlson AB (publ) for the financial year 2018-05-01 - 2019-04-30 except for the corporate governance statement on pages 83-91. The annual accounts and consolidated accounts of the company are included on pages 72-122 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 April 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 83-91. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of inventories

Risk description

Clas Ohlson report inventories of SEK 1 987 million as of April 30, 2019. Inventories comprise a substantial part of the group's assets and consists of a large number of articles assorted over 232 stores and a central warehouse. Inventory is accounted for at the lower of cost and net sales value. Inventory accounting is subject to significant judgment and estimates, mainly related to obsolescence, calculation of costs included in the inventory value and supplier bonuses. In addition, we have considered the large transaction volumes and the complexity due to the number of warehouse locations. For further information, please refer to the Risk assessment and control activities on page 90, Estimates and assumptions on page 102, group accounting principles for inventory on page 105 and note 13.

Our audit included but was not limited to the following audit procedures:

- Auditing Clas Ohlson's control environment for inventory management and procurement.
- Auditing of Clas Ohlson's applied calculations of costs included in the inventory value.
- Auditing of the inventory valuation as the lower of cost and net sales value and applied model for obsolescence.
- Completeness testing with data analytics covering all in- and outgoing deliveries from the warehouses.
- Participating in stock taking for selected stores and Clas Ohlson's distribution central in Insjön.
- Evaluating the adequacy of applied accounting principles and relevant disclosures.

Revenue recognition

Risk description

The group's sales as of April 30, 2019 amounts to SEK 8 772,3 million. The company recognizes revenue at the time of sales/delivery to the customer when material performance obligations are fulfilled. Revenue recognition has been identified as a key audit matter since sales comprise a significant financial statement line item and consists of a large number of small transactions, in all material aspects to consumers through own stores with upfront payment. For further information refer to Risk assessment and control activities on page 90 and note 33 segment reporting.

AUDITOR'S REPORT

Our audit included but was not limited to the following audit procedures:

- Auditing of Clas Ohlson's process for revenue recognition, handling of cash and evaluation of the control environment.
- Analytical audit procedures of recorded revenue and reconciliation of total sales on receipt level traced against the corresponding movement in inventory facilitated by data analytics tools.
- Auditing of Clas Ohlson's analysis and evaluation of fluctuations in the gross margin.
- Auditing of the process of handling cash in a selection of stores.
- Evaluating the adequacy of applied accounting principles and relevant disclosures.

Closure of stores in UK and Germany

Risk description

During the financial year, Clas Ohlson decided to close stores outside the Nordic region. As a result, a provision of SEK 210 million was recorded during the third quarter.

Accounting for provisions requires significant estimates and assumptions from management of the costs entailed by the closure of the store network outside the Nordic region. For further information, refer to Estimates and Assumptions on page 102 and note 22 on provisions.

Our audit included but was not limited to the following audit procedures:

- Auditing of Clas Ohlson's process for calculating and supporting a reliable estimate of costs.
- Analysis of estimated costs against actuals.
- Auditing a selection of significant input data in calculations.
- Evaluating the adequacy of applied accounting principles and relevant disclosures.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-71 and 126-156. The Board of Directors and the Managing Director are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The

Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Clas Ohlson AB (publ) for the financial year 2018-05-01 - 2019-04-30 and the proposed appropriations of the company's profit or loss.

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

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar.

This description forms part of the auditor's report.

Auditor's examination of the corporate governance report

The Board of Directors is responsible for that the corporate governance statement on pages 83–91 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Deloitte AB, was appointed auditor of Clas Ohlson AB by the general meeting of the shareholders on the 2018-09-08 and has been the company's auditor since 2013-09-07.

Insjön, June 30, 2019
Deloitte AB

Kent Åkerlund
Authorized Public Accountant



Sustainability report 2018/19

In accordance with Chapter 6, Section 11 of the Annual Accounts Act, Clas Ohlson has chosen to prepare its statutory sustainability report separately from its statutory Annual Report.

The table below shows where the requirements for sustainability information are presented in this integrated annual and sustainability report.

Area	Description	Page reference
General	Business model	24-25
Environment	Policy and environmental issues	28-30
	Risks and risk management in environmental issues	31, 80, 136
	Targets and results related to environmental issues	23, 128-129
Social conditions and personnel	Policies and social issues	28-30
	Risks and risk management in social issues	31, 81, 137
	Targets and results related to social issues	35-37
Respect for human rights	Policies and staff issues	28-30
	risks and risk management in environmental issues	31, 80, 137
	Targets and results related to staff issues	23, 44-45, 128
Anti-corruption	Anti-corruption policy	28-30
	Risks and risk management in anti-corruption	31, 80, 137
	Targets and results related to anti-corruption	28, 129



Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Clas Ohlson AB (publ), corporate identity number 556035-8672.

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 2018-05-01 to 2019-04-30 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Insjön, 30 June 2019
Deloitte AB

Kent Åkerlund
Authorized Public Accountant

Eight current target areas

Our sustainability targets were restructured during the financial year, and resulted in eight target areas meant to clearly reflect and support our strategy for 100 more years. Both the three important priorities (see page 31) and the parts covered by the redefined targets were identified in the materiality analysis we carried out in spring 2018.

1. A SUSTAINABLE OFFERING

We want to simplify people's everyday lives at home through a combination of products, guidance and supplementary services. We will continue to develop a product range that supports a sustainable lifestyle, promotes reuse, extends the life of existing products and seeks to recycle products at the end of their life cycle. We will also expand the service offering to our customers in order to promote a circular economy. This includes Clas Fix it, the partnership with Vinden, and our rental services.

We will retain our goal of having the share of sustainable products total at least 25 per cent of sales in 2020. The criteria for products for a more sustainable lifestyle have been updated, and an advanced model specific to Clas Ohlson has been developed in order to make assessments. On the production side, focus in 2019/20 will be on issues including classifying products based on the new model, implementing the plastics strategy launched during the year, increasing the share of sustainable electronic products and defining a strategy for wood and paper.



2. A RESPONSIBLE SUPPLY CHAIN

The majority of the products we sell are manufactured in countries where there is an increased risk for deviations from our Code of Conduct. This is why taking responsibility in our supply chain is important. Our target is that all suppliers will be in compliance with our requirements, with no serious deviations. One challenge we continue to work on is achieving long-lasting change in the supply chain, and not temporary improvements as the result of an audit. That is why we are looking at how we can further promote long-term improvements among our suppliers through a pilot project regarding closer collaboration with a small number of manufacturers.

We see increased requirements for traceability in the supply chain; during the year we will define Clas Ohlson's level of responsibility in our supply chain as regards subcontractors. Together with other companies, we are part of a national project called SLEEP, conducted by Chalmers University of Technology, that focuses on sustainable new production of electronics, traceability, conflict minerals, re-use and materials recycling.



3. A SUSTAINABLE CUSTOMER MEETING

We are passionate about simplifying life in all kinds of homes, and about solving our customers' problems sustainably. In our interactions with customers – either in physical stores or online – we can guide them to select the sustainable alternative. This is why it is important to integrate sustainability into everything we do, so that our co-workers who interact with customers can help and guide them to sustainable choices and solutions.

Going forward, we will increase the knowledge of sustainability issues among our employees in our stores, inform our customers more clearly, and measure our brand position in sustainability. "From Here to Sustainability" is one way of communicating our sustainability initiatives, which will be further strengthened over the coming financial year.



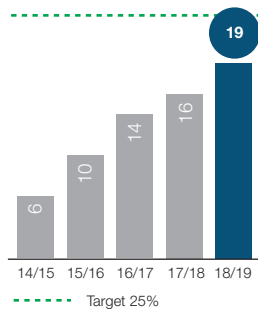
4. AN ATTRACTIVE AND SUSTAINABLE EMPLOYER

Sustainability issues are important for Clas Ohlson as an employer. The ability to attract and retain capable employees is fundamental for our competitiveness, and when the fight for labour power becomes even fiercer, being a values-governed, sustainable company becomes even more important to us. We have a zero tolerance policy regarding discrimination. Diversity issues are important to us, since we want – and need – to reflect our customer base. During the financial year, we set a goal for international diversity: 15 per cent of our employees are to have a background in another country than the one they currently work in. Over the long term, the target will be raised to 20 per cent.

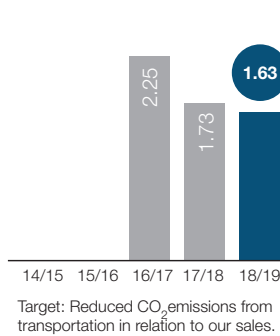
We will continue to work on increasing employee attendance, having an equal distribution of men and women in all groups and at all levels, and being an inclusive organisation in which we respect one another and act in accordance with our culture and core values.



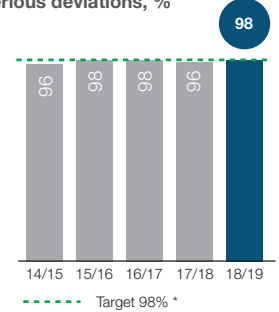
Products for a more sustainable lifestyle, share of sales, %



CO₂ emissions, grams of CO₂ relative to our sales



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



* The goal was adjusted to 100% during the year.

5. ENSURE COMPLIANCE AND HIGH BUSINESS ETHICS

Clas Ohlson has a strong corporate culture, which is the starting point for being a meaningful and trusted brand and company. Our Code of Conduct and Code of Business Ethics define the requirements and instructions that both employees and partners are expected to follow.

The focus going forward is to ensure, through information and continued training initiatives – internally and with external partners – zero tolerance toward corruption and compliance with our standards for business ethics. Unannounced audits will be carried out at regular intervals.



6. OUR ROLE IN SOCIETY SHALL CONTRIBUTE TO OUR TARGET OF BEING A MEANINGFUL AND TRUSTED BRAND AND COMPANY

We focus our social responsibilities on initiatives that are close to operations, including the rights of children and support for the UN Children's Rights and Business Principles. Our social responsibility is and should be linked to our operations, where it is the most efficient and credible. We can then also strengthen confidence and commitment among our owners, employees, customers and other stakeholders.

Going forward, we will continue to focus on initiatives via the Clas Ohlson Foundation and our strategic partnerships with organisations such as the World Childhood Foundation and the Save the Children Fund, in which training of our suppliers in China and employees in our home markets is an important part of achieving our goal.



7. REDUCE CO₂ EMISSIONS IN OUR OPERATIONS

As we continue to grow as a company, it is essential that our emissions do not follow suit. Energy use in our properties and stores needs to be as efficient as possible, and we promote the use of electricity and heating from renewable energy sources to best support climate-efficient distribution to end customers. During the year, we set a target for energy efficiency: 30 per cent energy efficiency by 2030, with 2014 as a base year.

Since our products are a large part of our core operations, our environmental impact is associated with transporting them. We continue to increase the fill rate in containers by consolidating products in Asia. The same applies to the fill rate in our transports from the distribution centre out to stores.

Increased online shopping impacts customers' expectations of quickly receiving products shipped right to their door, which is why understanding and managing the environmental impact from various sales and distribution channels is becoming increasingly important to us. We place strict demands on our distributors for home deliveries, in order to promote more environmentally friendly alternatives for our customers. Through innovative partnerships – with MatHem, for example – we can optimise the transportation flow and reduce our emissions.



8. EFFICIENT AND SUSTAINABLE PACKAGING THROUGHOUT OUR VALUE CHAIN

Packaging is found along our entire value chain, which is why enhancing the efficiency of the entire packaging chain – from design phase all the way to the stores or direct to customers' homes – is important. This goal involves several functions at the company such as our distribution centre, the logistics division, the purchasing offices in China and the product development and design teams.

We are enhancing the efficiency of the chain and making it more sustainable by reducing the use of packaging materials, choosing the right materials and ensuring that the packaging can be recycled. This work takes place internally, and in partnership with our suppliers. As help, we have our new model for assessing sustainable products, which also includes packaging. In 2019/20, all packaging is to be recyclable in accordance with our new plastics strategy adopted during the financial year.



Our value chain

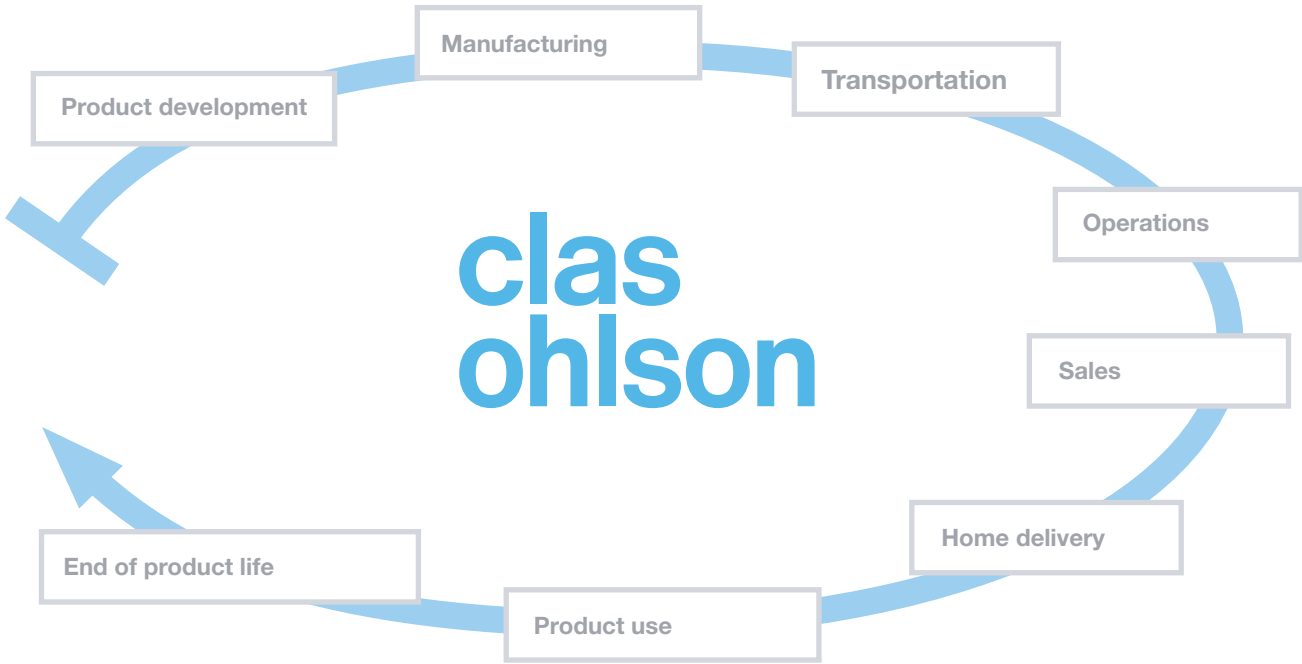
We take responsibility for all our operations, and integrate our sustainability initiatives along our entire value chain to ensure that over the long term it will be as resource-efficient as possible. Managing our positive and negative impact in an effective manner requires that we work on the most material issues along the entire value chain.

Our responsibility extends outside of our own operations' direct impact and also encompasses our impacts through our business relations with, for example, suppliers, transport companies, strategic partners and customers.

We also have considerable scope for influencing the various parts of the value chain. We work constantly along the entire value chain to find risks and opportunities to create value for our stakeholders.

	Product development	Manufacturing	Transportation	Operations
AREA	Together with strategic suppliers for our proprietary brands.	70 per cent of our products manufactured in Asia.	1,367 million tonne kilometres of product transports.	About 5,000 employees in six countries.
ISSUES	<ul style="list-style-type: none"> • Water and energy efficiency • More sustainable material • Packaging • Recycling opportunities • Functionality • Product life 	<ul style="list-style-type: none"> • Code of Conduct and quality requirements • Anti-corruption and bribes • Human rights in new and existing markets • Migrant worker conditions 	<ul style="list-style-type: none"> • Emissions of CO₂ and energy consumption • Transportation efficiency • Fill rate and freight consolidation 	<ul style="list-style-type: none"> • Skills development • Diversity • Health and well-being • Young people in our workforce • Energy efficiency and waste • Anti-corruption and bribes
VALUE CREATION	<ul style="list-style-type: none"> • Reduced impact from products during use and when recycling • Relevant and unique products 	<ul style="list-style-type: none"> • Improved conditions for suppliers, their employees and families and local communities • Increased confidence in the Clas Ohlson brand 	<ul style="list-style-type: none"> • Reduced CO₂ emissions • More cost-efficient transportation solutions 	<ul style="list-style-type: none"> • A high-performing organisation • Attract and retain skilled employees • Increased employee commitment • Skills development in fields such as business ethics
ABILITY TO INFLUENCE	MEDIUM	MEDIUM	MEDIUM	HIGH

VALUE CHAIN



	Sales	Home delivery	Product use	End of product life
AREA	232 stores in four countries and online shopping in five countries	Promote environmentally friendly alternatives for home delivery of our online shopping products.	Products with a high environmental performance at attractive prices allow our customers to live more sustainably.	Participate in collection and recycling schemes.
ISSUES	<ul style="list-style-type: none"> • Availability of products that have a high environmental performance • Products and services for a more sustainable lifestyle that promotes a circular economy • Energy efficiency in stores 	<ul style="list-style-type: none"> • Work to limit CO₂ emissions in the logistics chain • Transportation efficiency, optimisation and consolidation • Expanded selection to consumers of environmentally friendly delivery alternatives 	<ul style="list-style-type: none"> • Product life • Environmental impact during the product's service life • Hazardous chemicals • Product safety • Services for a more sustainable lifestyle and circular economy • Spare parts 	<ul style="list-style-type: none"> • Waste • Recycling • Reuse • Producer responsibility and collection systems • Chemicals • Information and training regarding environment and littering
VALUE CREATION	<ul style="list-style-type: none"> • Loyal customers • Motivated co-workers • Attractive, unique and relevant product offering • Reduced energy costs • More information about environmental impact 	<ul style="list-style-type: none"> • Reduced CO₂ emissions • Attractive and relevant selection with environmentally friendly transportation alternatives as a competitive advantage • Loyal customers • Committed employees and partners • More information about environmental impact 	<ul style="list-style-type: none"> • Extended product use • High confidence in the products • Less waste and increased resource efficiency • Fewer chemicals to the environment • Reduced energy consumption and CO₂ emissions • Cost savings 	<ul style="list-style-type: none"> • Less waste and more material recycling • Fewer chemicals in the environment
ABILITY TO INFLUENCE	HIGH	MEDIUM	MEDIUM	MEDIUM

Clas Ohlson’s contributions to the SDGs

As part of the UN’s Sustainable Development Goals (SDG), the world has united around eliminating extreme poverty, decreasing inequalities, solving the climate crisis, and promoting peace and justice. We can make this vision a reality through shared efforts in all sectors of society. Clas Ohlson will do its part by working strategically on its most important sustainability issues. During the financial year, we mapped the SDGs based on our areas of activity. The SDGs have been discussed among both Group Management and the Board of Directors, and we have linked our new sustainability targets to several of the SDGs. Refer to our new sustainability targets on pages 128–129.

The table shows how our sustainability initiatives support the SDGs we have chosen to focus on.

SDG	Milestones	How Clas Ohlson promotes the goal
4. Quality education	4.7 Global citizenship and sustainable development education.	Education opens up a world of opportunities that make it possible for each and every one of us to promote a sustainable society. Using the QuizRR training tool, workers are educated in their rights and obligations. Together with CCR CSR, we engage our suppliers in educating migrant workers in parenthood, as well as in their and their children’s rights and well-being. Read more on page 45. Since the spring of 2019, we have been informing and training our employees in partnership with the World Childhood Foundation in identifying and preventing children from being subjected to violence and sexual abuse. Read more on page 8.
5. Gender equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making.	Equality between women and men is a precondition for peaceful, sustainable development. Read about our work on equality issues, and gender distribution targets in all groups and at all levels, on pages 34–35.
7. Affordable and clean energy	7.2 Increase substantially the share of renewable energy in the global energy mix.	Access to sustainable, reliable and renewable energy and pure fuels is a precondition for meeting several of the challenges the world faces today. Read about energy efficiency in our stores on page 53, and about emissions from transportation on pages 64–65.
8. Decent work and economic growth	8.4 Improve global resource efficiency in consumption and production. 8.5 Achieve full and productive employment and decent work for all women and men, and equal pay for work of equal value. 8.7 Eradicate forced labour, end human trafficking and eliminate the worst forms of child labour. 8.8 Protect labour rights and promote safe and secure working environments for all workers.	By protecting labour rights and promoting a safe working environments for all workers, we create the conditions for sustainable economic growth. Read about our work on educating workers in China using the QuizRR training tool on page 45. Read about our work on audits at manufacturers in high-risk countries, and our partnership with Sedex, on pages 44–45.
10. Reduced inequalities	10.3 Ensure equal opportunity and eliminate discrimination.	An equitable society is built on the principle of equal rights and opportunities for everyone regardless, for example, of gender, ethnicity, religion, disability, age or other situation. Diversity enables creativity and innovation, which helps us interact with our customers in the best way possible. Read more about our diversity initiatives on pages 34–35.

SDG	Milestones	How Clas Ohlson promotes the goal
12. Responsible consumption and production	<p>12.2 Achieve sustainable management and efficient use of natural resources.</p> <p>12.4 Environmentally sound management of chemicals and all wastes.</p> <p>12.5 Substantially reduce waste generation.</p> <p>12.8 Ensure people everywhere have the relevant information for sustainable development and lifestyles.</p>	<p>Current levels of production and consumption of products promotes a drastic overuse of resources, and our total climate footprint today is significantly greater than the planet's capacity.</p> <p>We have a long-term goal of creating a resource-efficient value chain, and we want to help our customers live more sustainably. Read about our new sustainability targets, which include solutions for a sustainable lifestyle, expanded services and sustainable packaging on pages 128–129.</p> <p>Read about our work on chemicals and our updated model for assessing sustainable products on pages 40–41 and 46.</p>
13. Climate action	<p>13.3 Improve education and human and institutional capacity on climate change mitigation.</p>	<p>Climate change is a fact, and we must act now. By creating awareness concerning the climate and finding innovative, circular solutions to how this can be managed, we can make a difference. Read about our new targets regarding sustainable products and services that promoted a circular economy on page 128. We are increasing knowledge among school students regarding the environment and recycling through the Battery Hunt. Read more on page 40.</p>
14. Life below water	<p>14.1 Reduce marine pollution of all kinds.</p>	<p>Eight million tonnes of plastic end up in the oceans every year, and we need to help to reduce marine pollution. Read more about our new plastics strategy on pages 9 and 46.</p>
16. Peace, justice and strong institutions	<p>16.2 End abuse, exploitation, trafficking and all forms of violence against children.</p> <p>16.5 Substantially reduce corruption and bribery in all their forms.</p>	<p>Lasting success cannot be achieved in a context of conflict and violence. We previously partnered with Epcat to ensure that our internal policies and processes maintain a high level of ethics in this area. We continue to work actively on spreading knowledge internally about these policies and missives. We will be installing Netclean, a tool to stop images of sexual abuse of children, on all the computers in the Group.</p> <p>Read about our ongoing partnership with the World Childhood Foundation, which works to stop violence against and sexual abuse of children, on page 8.</p> <p>A responsible and inclusive way of working, free from corruption and with a high degree of business ethics, is expected from every individual employee at, and partner of, Clas Ohlson. Read more about zero tolerance towards corruption and bribery on pages 28-29 and 129.</p>
17. Partnerships for the goals	<p>17.16 Enhance the global partnership for sustainable development.</p>	<p>Today, the world is more connected than ever before, and through partnerships with other players we can truly make a difference. Read more about our partnerships with the Save the Children Fund, QuizRR, the World Childhood Foundation and Sedex on pages 8, 45 and 129.</p>

The SDGs from the perspective of children's rights

For many years, Clas Ohlson has had a focus on children's rights for our social responsibility. Our Code of Conduct contains the UN Children's Rights and Business Principles, and the topics addressed by the Code of Business Ethics include how we are expected to act if we suspect abuse of children. We focus our social responsibilities on initiatives that are close to operations, including the rights of children and support for the UN Children's Rights and Business Principles. This focus on children's rights is directly connected to our playing field – the home – and all children's rights to a secure home and childhood. Viewing the impact that we have from the perspective of future generations promotes our long-term agenda.

The illustration shows how our sustainability initiatives in children's rights issues support the SDGs we have chosen to focus on.



3 HEALTH AND WELL-BEING

- Clas Ohlson intends to be an employer that creates conditions and opportunities for balance in life, where family and work life can easily be combined.

4 QUALITY EDUCATION

- Our partnership with Save the Children and CCR CSR, which includes support programmes and training for parents, and also social support for migrant workers and their children as well as the establishment of safe areas for children at two manufacturers. The training material is also available in QuizRR.
- The Clas Ohlson Foundation supports the Insjön primary school in 2018/19, as well as Junior Achievement Sweden.

6 CLEAN WATER AND SANITATION

- The Clas Ohlson Foundation made a one-time donation to the Save the Children catastrophe efforts after the March 2019 hurricane in Mozambique.

8 DECENT WORK AND ECONOMIC GROWTH

- Clas Ohlson has long worked preventively on issues concerning child labour, both through the audit work we conduct in China and through training from CCR CSR (Save the Children), in which our offices in China also received training during the financial year.

10 REDUCED INEQUALITIES

- More than 15 million children in China are estimated to be separated from their parents and left in the countryside while their parents work in the plants around the cities. Our strategic partnership with Save the Children and their CSR centre in China is intended to improve the situation for migrant workers who are parents and their children.
- Our internal diversity targets, our work on equality and zero tolerance toward discrimination supports the individual and the opportunities of future generations.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Legislation places strict requirements regarding toys, but we place stricter requirements than are expected as regards product safety, since we also test all products that are not classified as toys but are used by children.

13 CLIMATE ACTION

- The Battery Hunt is an information campaign and competition that started in 2013 for the purpose of making children aware early on of the importance of recycling batteries for the sake of both the environment and our own health. We thereby promote positive change as regards recycling and education. In 2019, nearly 170,000 schoolchildren in Sweden and Norway took part.

- Furthermore, we work to ensure more sustainable transportation for online shopping, reduced energy use and CO₂ emissions (Fossil Free Sweden, etc.), which enables safeguarding the planet for future generations.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

- We partner with the World Childhood Foundation, which was founded to strengthen children's rights to a safe, loving childhood, and to work in particular on improving living conditions for children who risk being subjected to violence or sexual abuse. In addition to financial support, our partnership includes the opportunity for Clas Ohlson's employees to receive free training in how to prevent violence and sexual abuse of children by being an "important adult."

- At the start of the 2019/20 financial year, Netclean will be installed on all computers in the Group in order to stop material that shows the sexual abuse of children.

Risk areas from a sustainability perspective

Our business model entails risks that can negatively impact people, the environment and society to various extents. Unless managed correctly, these risks could impact Clas Ohlson's reputation as a meaningful and trusted brand and company. They can also impact the confidence employees have in us as an employer and our market position, disrupt production and deliveries, incur unforeseen costs and cause violations of the law. Identifying environmental, social, human rights and anti-corruption risks is an integral part of our sustainability initiatives, and systematic risk management is integrated into our operations. For more information on the Group's risks, refer to the Risks and uncertainties section on pages 78-81.

ENVIRONMENT			
AREA	DESCRIPTION OF RISK	POTENTIAL IMPACT	MANAGEMENT
RAW MATERIALS	<p>Non-optimised use of non-renewable resources</p> <p>Inefficient use of raw materials for products and packaging, among suppliers and in Clas Ohlson's operations</p>	<p>Consequences attributable to costs of materials, which impacts product pricing</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> • Replace fossil fuel-based material with more sustainable alternatives • Reduce use of materials • Use materials with less environmental impact • Increase use of recycled materials • Increase opportunities for recycling
EMISSIONS	<p>CO₂ emissions as a consequence of electricity consumption when using our products</p> <p>CO₂ emissions from transportation</p> <p>CO₂ emissions occurring in operations</p>	<p>Regulatory consequences</p> <p>Impact on the environment and climate</p> <p>Reduced access to raw materials for future needs</p> <p>Disruptions to production, operations and customers' purchasing behaviour as a result of extreme weather conditions and thus increased costs</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> • Energy-efficient products • products and services that promote a circular economy • Phase out single-use articles and less sustainable products or product categories • Energy-efficient stores, offices, warehouses and premises • Replace fossil fuel-based material with more sustainable alternatives • Reduce CO₂ emissions in relation to our net sales • Increase the fill rate by consolidating goods and adapting to more sustainable logistics systems
CHEMICALS	<p>Risk for ground and water pollution</p> <p>Health risks in manufacturing, processing and using products among suppliers and in Clas Ohlson's operations</p>	<p>Regulatory consequences</p> <p>Impact on work environment</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> • Limit the potential hazardous chemicals in our products • Apply frameworks for handling chemicals adapted to the EU RoHS and Reach legislation • Apply the cautionary principle through Clas Ohlson's chemicals requirements, which define both general and product-specific requirements that are updated annually
END-OF-LIFE PRODUCTS	<p>Inefficient use of products and short service lives increase demand for raw materials</p> <p>Low value from material recycling</p>	<p>Regulatory consequences</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> • Long-term work on increasing quality of products to extend service life and product design for the purpose of working for more sustainable material and facilitating recycling • Furnish spare parts and solutions for repairs • Offer products with more fields of application, hiring and sharing services that reduce waste • Collection initiatives • Offer solutions that extend products' service life and facilitate collection, reuse and recycling

SOCIAL CONDITIONS, HUMAN RIGHTS AND EMPLOYEES

AREA	DESCRIPTION OF RISK	POTENTIAL IMPACT	MANAGEMENT
WORKING CONDITIONS AND HUMAN RIGHTS	<p>Risk of violations of the right to free association, fair wages, safety, discrimination and access to social insurance systems among suppliers in high-risk countries</p> <p>Risk of forced and compulsory labour and child labour among suppliers in high-risk countries</p> <p>Families negatively impacted by workforce migration</p>	<p>Regulatory consequences</p> <p>Transparency regarding the impact of our products on consumers' purchasing behaviour</p> <p>Partnerships with suppliers must be terminated</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> Consolidate and focus on strategic suppliers Train both workers and management at our suppliers Check compliance with the Code of Conduct and monitor deviations Check potential suppliers based on the requirements in the Code of Conduct before any partnership begins Refrain from initiating partnership if serious deviations are discovered Ensure improvements to working conditions over time at our suppliers Initiatives for children's rights
HEALTH AND SAFETY	<p>Product safety, consumer safety and health when using our products</p> <p>Workplace accidents and stress-related health factors among employees</p> <p>Workplace accidents at suppliers</p>	<p>Regulatory consequences</p> <p>Costs related to interruptions in operations as a consequence of absence due to illness</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> Take responsibility for all employees and subcontractors working in Clas Ohlson's operations
SKILLS	<p>Risk that we do not prepare our employees prior to the transition to rapid digital development</p> <p>Risk of not successfully recruiting and utilising talents</p>	<p>Limited access to benefits</p> <p>Damaged reputation</p> <p>A brand that is not relevant as an employer and/or an offering that is not attractive</p>	<ul style="list-style-type: none"> Apply shared policies and processes for skills development and remuneration Skills survey Target-based individual development Management development
DIVERSITY	<p>Risk of discrimination and failing to enable an inclusive society</p>	<p>Limited access to benefits</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> Zero tolerance towards discrimination Equality goals Apply shared policies for diversity Recruit for increased diversity
CONFIDENTIALITY AND SECURITY	<p>Customers' right to privacy and confidentiality in connection with purchases and as members in the loyalty programme</p>	<p>Regulatory consequences</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> Apply the information security policy and manage personal data in accordance with the applicable legislation New, digital tools make it easy for customers to change and learn about personal information

ANTI-CORRUPTION

AREA	DESCRIPTION OF RISK	POTENTIAL IMPACT	MANAGEMENT
BRIBERY IN THE SUPPLY CHAIN	<p>Corruption, among both suppliers and employees, that threatens economic and social stability, especially in high-risk countries</p> <p>Deficiencies in compliance with Clas Ohlson's Code of Conduct</p>	<p>Regulatory consequences</p> <p>Obstacles to establishment in new purchasing regions</p> <p>Increased costs</p> <p>Deficiencies in quality and deliveries</p> <p>Damaged reputation</p>	<ul style="list-style-type: none"> Apply the Code of Business Ethics, which is a part of our Code of Conduct, and report suspected deviations Train senior executives and employees who work with purchasing, high-value contracts, and agents in Asia External anonymous whistle-blower service implemented Zero tolerance toward corruption

GRI Standards Index

For the ninth consecutive year, Clas Ohlson is reporting its work with sustainability pursuant to the GRI Standards. This annual report describes our sustainability areas, as well as relevant goals and key indicators linked to these areas.

The GRI index provides references as regards standard disclosures concerning the company and corporate governance, as well as disclosures concerning material aspects of Clas Ohlson. The page references refer to the annual report or the website.

With the exception of energy consumption and transportation, all data refers to the 2018/19 financial year.

As a signatory of the UN Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption, the Sustainability Report comprises Clas Ohlson's Communication on Progress (COP).

2016 STANDARD DISCLOSURES		
GRI	DISCLOSURE	REFERENCE
102-1	Name of the organisation	Directors' Report, p. 72
102-2	Activities, brands, products and services	Business model, p. 24-25; Directors' Report, p. 72
102-3	Location of headquarters	Directors' Report, p. 72
102-4	Location of operations	Directors' Report, p. 72
102-5	Ownership and legal form	Directors' Report, p. 74-75
102-6	Markets served	Directors' Report, p. 72
102-7	Scale of the organisation	Directors' Report, p. 73
102-8	Information on employees and other workers	Employees, p. 32, 35
102-9	Supply chain	Purchasing, p. 44
102-10	Significant changes to the organisation and its supply chain	Ten-year overview, p. 150-151
102-11	Precautionary principle or approach	Risks and uncertainties, p. 78-81, Sustainability risks, p. 136-137
102-12	External initiatives	Chairman's statement, p. 82
102-13	Membership of associations	about.clasohlson.com
STRATEGY		
102-14	Statement from senior decision-maker	CEO's statement, p. 11
102-15	Key impacts, risks and opportunities	Risks and uncertainties, p. 78-81; Sustainability risks, p. 136-137
ETHICS AND INTEGRITY		
102-16	Values, principles, standards and norms of behavior	Governance and responsibility, p. 24-28
102-17	Mechanisms for advice and concerns about ethics	Governance and responsibility, p. 24-28

GRI	DISCLOSURE	REFERENCE
GOVERNANCE		
102-18	Governance structure	Governance and responsibility, p. 24-26; Corporate governance, p. 83-91; Board of Directors, p. 92-93
102-20	Executive-level responsibility for economic, environmental and social topics	Governance and responsibility, p. 28-30
102-27	Collective knowledge of highest governance body	Board of Directors, p. 92-93; Group management, p. 94-95
102-29	Identifying and managing economic, environmental and social impacts	Sustainability risks, p. 136-137
102-30	Effectiveness of risk management processes	Risks and uncertainties, p. 78-81
102-31	Review of economic, environmental and social topics	Our value chain, p. 130-131; Materiality analysis, p. 31, 128-129
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	Stakeholder expectations, p. 16-17
102-41	Collective bargaining agreements	On average, 96 per cent of Clas Ohlson's employees are covered by collective agreements
102-42	Identifying and selecting stakeholders	Stakeholder expectations, p. 16-17
102-43	Approach to stakeholder engagement	Stakeholder expectations, p. 16-17
102-44	Key topics and concerns raised	Stakeholder expectations, p. 16-17; Materiality analysis, p. 31, 128-129
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	Directors' Report, p. 72
102-46	Defining report content and topic Boundaries	Materiality analysis, p. 31, 128-129
102-47	List of material topics	Our value chain, p. 130-131; Materiality analysis, p. 31, 128-129
102-48	Restatements of information	GRI index, introduction, p. 138
102-49	Changes in reporting	Directors' Report, p. 72
102-50	Reporting period	GRI index, introduction, p. 138
102-51	Date of most recent report	GRI index, introduction, p. 138
102-52	Reporting cycle	GRI index, introduction, p. 138
102-53	Contact point for questions regarding the report	Contacts, p. 156-157
102-54	Claims of reporting in accordance with the GRI Standards	GRI index, introduction, p. 138
102-55	GRI content index	GRI index, introduction, p. 138
102-56	External assurance	The auditor's statement in regards to meeting Swedish legislation on sustainability reporting, p. 127
MATERIAL TOPICS		
FINANCIAL STANDARDS		
ECONOMIC IMPACT		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Corporate governance, Control environment, p. 89, Auditor's report, p. 123-125
201-1	Direct economic value generated and distributed	Business model, Economic value by stakeholder group, p. 24-25
203-2	Significant indirect economic impacts	Business model, Economic value by stakeholder group, p. 24-25
205-2	Communication and training about anti-corruption policies and procedures	Governance and responsibility, p. 28-29
ENVIRONMENTAL STANDARDS		
MATERIALS		
103-1-3	Explanation of the material topic and its boundary, the management approach and its	Eight current target areas, p. 128; A unique customer offering p. 40-41, 46

Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson has continued its process of defining a relevant indicator.

GRI	DISCLOSURE	REFERENCE
ENERGY		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 129 about.clasohlson.com
302-1	Energy consumption within the organisation	Diagram: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 53
302-2	Energy consumption outside of the organisation	Smart and Simple, p. 64-65
EMISSIONS		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas p. 129 Diagram: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 53 Smart and Simple, p. 64-65
305-1	Direct (Scope 1) GHG emissions	Diagram: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 53
305-2	Energy indirect (Scope 2) GHG emissions	Diagram: Energy use and related CO ₂ emissions from indirect and direct energy consumption, p. 53
EFFLUENTS AND WASTE		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 128-129, Our value chain, p. 130-131
<p><i>Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson has continued its process of defining a relevant indicator.</i></p>		
SUPPLIER ENVIRONMENTAL ASSESSMENT		
103-1-3	<p>Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach</p> <p>New suppliers that were screened using environmental criteria</p> <p>Negative environmental impacts in the supply chain and actions taken</p>	<p>Eight current target areas, p. 128-129. about.clasohlson.com</p> <p>Deviations from the Code of Conduct when audited, p. 44-45</p> <p>Deviations from the Code of Conduct when audited, p. 44-45</p>
SOCIAL STANDARDS		
EMPLOYMENT		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 128-129. about.clasohlson.com Commitment index, p. 37.
401-1	New employee hires and employee turnover	Employee turnover: Sweden 16%, Norway 37%
OCCUPATIONAL HEALTH AND SAFETY		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 128-129 about.clasohlson.com Diagram: Employee attendance, p. 36*

* Clas Ohlson has defined its own indicator for this topic.

GRI	DISCLOSURE	REFERENCE
DIVERSITY AND EQUAL OPPORTUNITY		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 128; about.clasohlson.com. Employees, p. 32-35
405-1	Diversity of governance bodies and employees	Corporate governance, p. 84-85; Board of Directors, p. 92-92, Diagram: Managers, proportion of women/men, % p. 34-35
NON-DISCRIMINATION		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 128 about.clasohlson.com. Governance and responsibility, p. 28
406-1	Incidents of discrimination and corrective actions taken	Employees, p. 34-35
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 129. about.clasohlson.com; Deviations from the Code of Conduct when audited, p. 29, 44-45; Sustainable Development Goals, p. 134-135
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Diagram: Deviations from the Code of Conduct when audited, p. 45*
408-1	Operations and suppliers at significant risk for incidents of child labor	Diagram: Deviations from the Code of Conduct when audited, p. 45*
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Diagram: Deviations from the Code of Conduct when audited, p. 45*
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Diagram: Deviations from the Code of Conduct when audited, p. 45**
414-1	New suppliers that were screened using social criteria	A unique customer offering, p. 44-45
414-2	Negative social impacts in the supply chain and actions taken	Diagram: Deviations from the Code of Conduct when audited, p. 45
<p>* This indicator tracks non-compliances based on supplier audits, where there is a higher risk for deviations in regards to freedom of association. ** All new suppliers are evaluated on their performance against our Code of Conduct criteria.</p>		
CUSTOMER HEALTH AND SAFETY		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Eight current target areas, p. 128 about.clasohlson.com; A unique customer offering, p. 40-41, 46
<p>Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson has continued its process of defining a relevant indicator.</p>		
CUSTOMER PRIVACY		
103-1-3	Explanation of the material topic and its boundary, the management approach and its components, evaluation of the management approach	Risks and uncertainties, p. 80
<p>Although this topic is considered material for Clas Ohlson, the associated GRI indicator is not relevant for measuring our impact. Clas Ohlson has continued its process of defining a relevant indicator.</p>		

The Clas Ohlson share

Clas Ohlson's series B share has been listed on Nasdaq Stockholm since 1999. The share is included in the Consumer Services sector index. The share reported a 18 per cent decline during the financial year. Clas Ohlson's total market capitalization amounted to 5.2 billion SEK (6.3) calculated on the most recent share price of 79 SEK paid for the share on 30 April 2019.

Share trend

The Clas Ohlson share decreased by 18 per cent to 78.80 SEK (96.00) compared with the year-earlier period, while the SIX General Index increased by 6 per cent. The total return for the share, including reinvested dividends, was minus 11 per cent.

The highest price paid was 92.60 SEK, recorded in May 2018, while the lowest price paid was 65.30 SEK, recorded in June 2018.

Share turnover

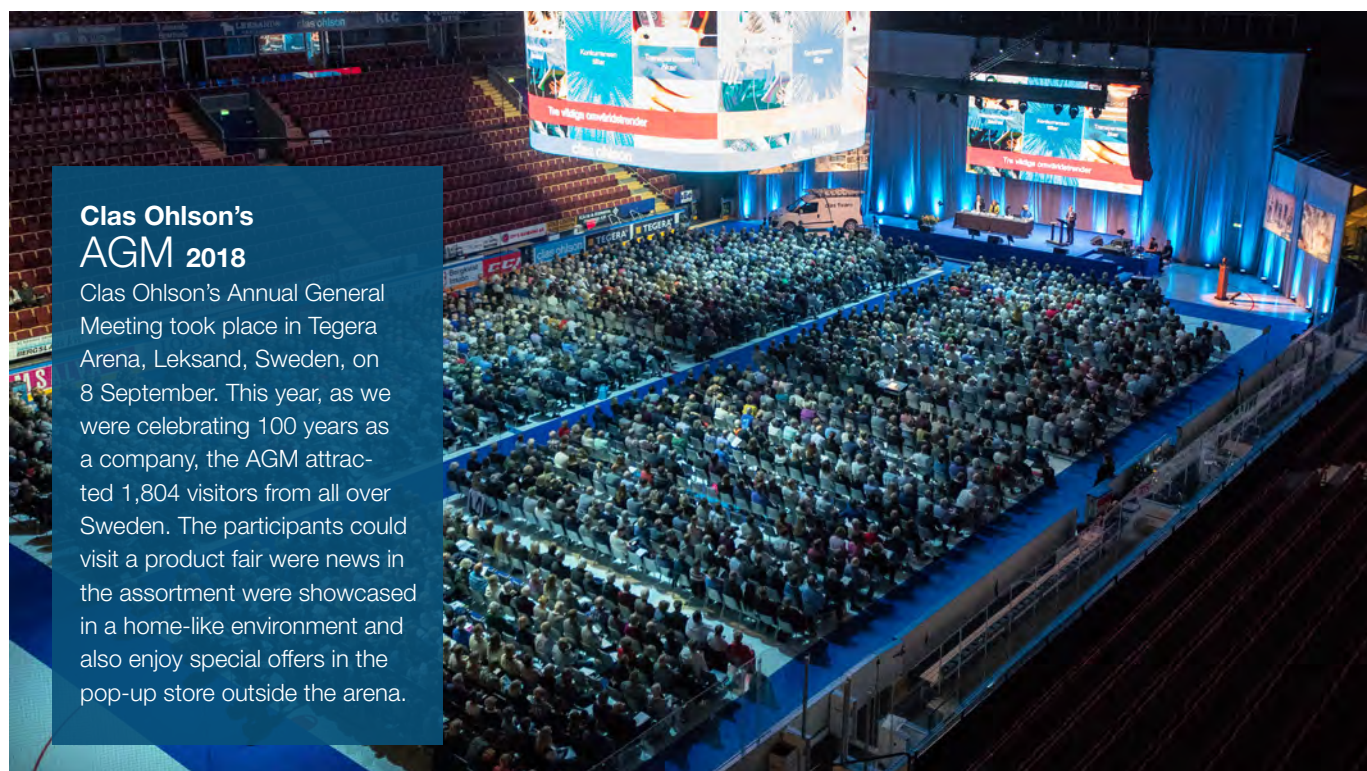
During the financial year 2018/19, 98,197,030 Clas Ohlson shares were traded, representing a turnover rate of 150 per cent.

Share capital

The share capital of Clas Ohlson at the end of the financial year totalled 82 MSEK, comprising 5,760,000 series A shares and 59,840,000 series B shares, each with a quotient value of 1.25. Each series A share carries ten votes, while each series B share carries one vote. All shares carry equal rights to payment of dividends. Holders of series A shares can request that their A shares be converted to series B shares.

Treasury shares

The number of registered shares amounted to 65,600,000, of which 2,382,206 shares (2,391,865) were held by the company at the end of the financial year. At the end of the period, the number of shares outstanding, net after buy-back, was 63,217,794 (63,208,135).



Clas Ohlson's AGM 2018

Clas Ohlson's Annual General Meeting took place in Tegera Arena, Leksand, Sweden, on 8 September. This year, as we were celebrating 100 years as a company, the AGM attracted 1,804 visitors from all over Sweden. The participants could visit a product fair where news in the assortment were showcased in a home-like environment and also enjoy special offers in the pop-up store outside the arena.

The entire commitment for LTI 2018 has been secured by using shares that have been repurchased to secure previous LTI programs where the need has been recalculated (previous year repurchases, 21 MSEK).

Shareholding structure

On 30 April 2019, the company had a total of 42,336 shareholders (34,717). Non-Swedish owners accounted for 32 per cent (37) of the capital and 33 per cent (36) of the votes.

The Swedish ownership is dominated by private individuals and companies, owning 47 per cent (42) of the capital, while institutions own 21 per cent (21).

Dividend policy and dividend

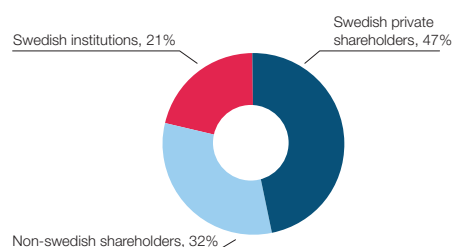
Clas Ohlson's dividend policy is that the dividend is to comprise at least 50 per cent of earnings per share after tax, with consideration for the company's financial position.

The Board of Directors proposes that a dividend of 6.25 SEK (6.25) per share for the fiscal year 2018/19, splitted in two payouts each 3.13 SEK per share and 3.12 SEK per share. The payouts is proposed to be in September and January. The proposed dividend totals 410 MSEK (410), which represents 573 per cent (115) of the financial year's net profit.

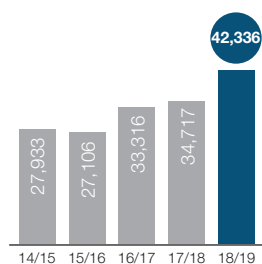
Share data

Listing:	Nasdaq Mid Cap
Ticker:	Clas B
Industry:	Consumer Services
ISIN code:	SE0000584948

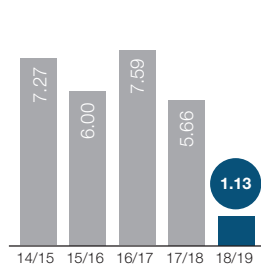
Shareholder categories, %



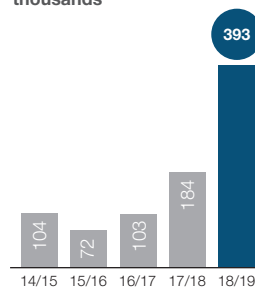
Number of shareholders



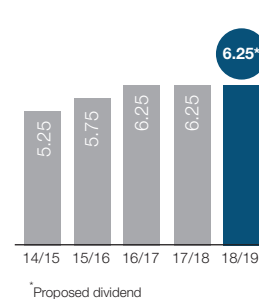
Earnings per share, SEK



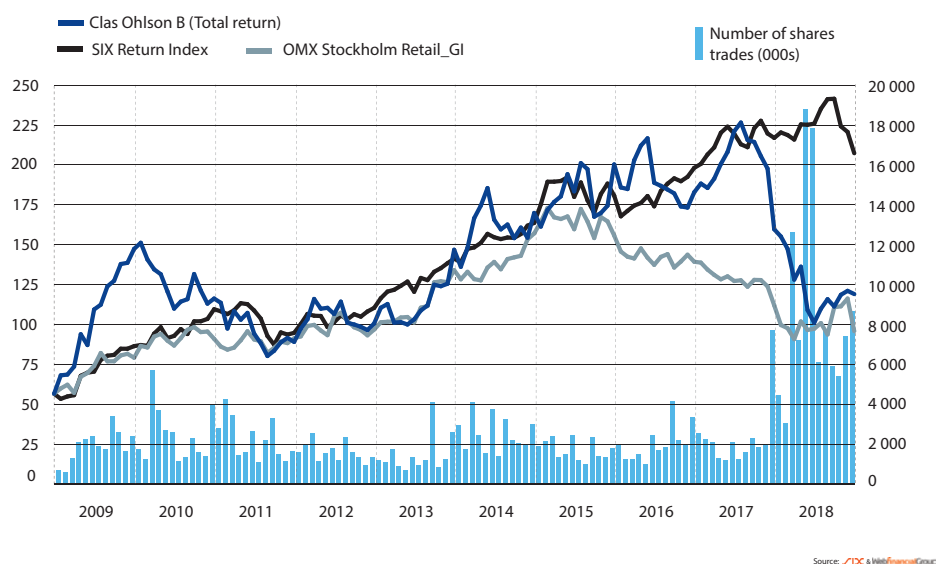
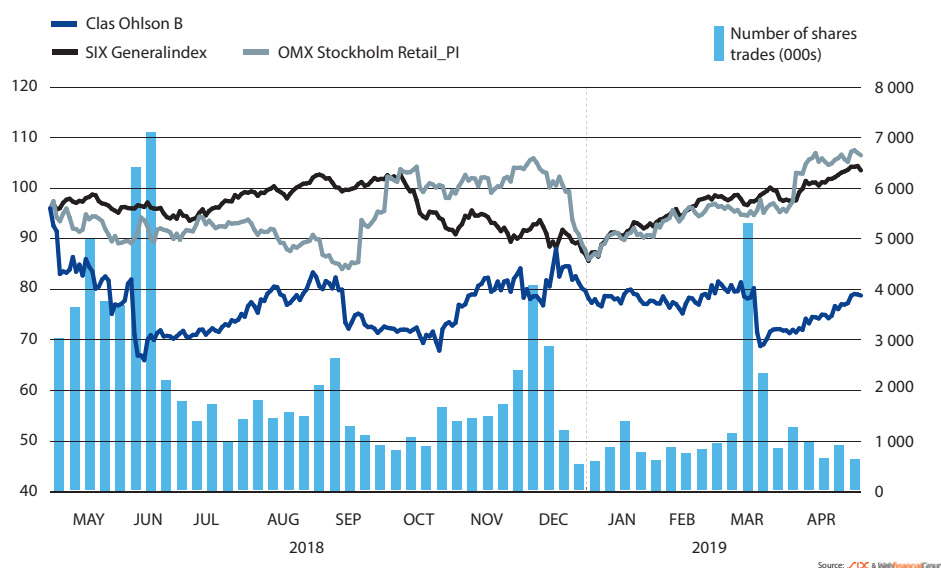
Average daily trading, thousands



Dividend per share, SEK



The Clas Ohlson-share price and turnover trend 2018/19



Data per share¹

	2018/19 ⁵	2017/18	2016/17	2015/16 ²	2014/15
Average number of shares before dilution, million	63.2	63.2	63.1	63.2	63.1
Earnings per share before dilution, SEK	1.13	5.66	7.59	6.00	7.27
Comprehensive income per share, SEK	1.26	6.37	8.30	5.07	7.41
Cash flow per share, SEK ³	4.93	5.90	11.08	11.15	10.25
Equity per share, SEK	30.8	35.82	35.68	33.75	33.92
Share price at 30 April, SEK	79	96	147	162	143
Dividend per share, SEK	6.25 ⁴	6.25	6.25	5.75	5.25
P/E-ratio, multiple	70	17	19	27	20
Dividend yield, %	7.9	6.5	4.3	3.5	3.7
Payout ratio, %	553	110	82	96	72
Total return, %	-11	-30	-6	17	3

¹ See key ratio definitions on page 147.

² Including a non-recurring cost of 107 MSEK.

³ From the operating activities.

⁴ Proposed dividend.

⁵ Including non-recurring cost of 210 MSEK for closure of the store network in the UK and Germany.

Trend in share capital

Year	Transaction	Additional shares	Accumulated number of shares	Total share capital
1994			48,000	4,800,000
1999	Split 10:1	432,000	480,000	4,800,000
1999	Bonus issue	6,720,000	7,200,000	72,000,000
1999	New share issue	1,000,000	8,200,000	82,000,000
2001	Split 4:1	24,600,000	32,800,000	82,000,000
2004	Split 2:1	32,800,000	65,600,000	82,000,000

Major shareholders¹

Shareholder	Number of series A shares	Number of series B shares	Percentage of capital	Percentage of votes
Helena Ek Tidstrand	1,368,060	6,179,828	12	17
Björn Haid	1,007,960	4,756,334	9	13
Johan Tidstrand	1,368,060	900,000	3	12
Peter Haid	1,007,960	3,785,243	7	12
Claus-Toni Haid	1,007,960	3,475,916	7	12
Nordea Fonder	0	4,249,322	6	4
If Skadeförsäkring AB	0	3,114,337	5	3
Swedbank Robur Fonder	0	2,133,654	3	2
Svenska Handelsbanken AB	0	1,006,500	2	1
Avanza pension	0	893,345	1	1
Other shareholders	0	29,345,521	45	24
Total	5,760,000	59,840,000	100.0	100.0

Shareholder categories¹

Shareholder	Number of series A shares	Number of series B shares	Percentage of capital	Percentage of votes
Swedish private individuals	3,744,080	27,232,655	47.2	55.1
Swedish institutions	0	13,491,888	20.6	11.5
Non-Swedish owners	2,015,920	19,115,457	32.2	33.4
Total	5,760,000	59,840,000	100.0	100.0

Shareholding structure¹

Size interval	Number of shares	Percentage	Number of shareholders
1–500	4,149,308	6.3	34,412
501–1000	3,786,979	5.8	4,645
1 001–5 000	5,909,047	9.0	2,750
5 001–10 000	2,198,549	3.4	300
10 001–15 000	813,021	1.2	67
15 001–200 000	573,170	0.9	32
200 001–	48,169,926	73.4	130
Total	65,600,000	100.0	42,336

¹ at 30 April 2019

Quarterly results

MSEK	2018/19				2017/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
	1 May 2018 –31 Jul 2018	1 Aug 2018 –31 Oct 2018	1 Nov 2018 –31 Jan 2019	1 Feb 2019 –30 Apr 2019	1 May 2017 –31 Jul 2017	1 Aug 2017 –31 Oct 2017	1 Nov 2017 –31 Jan 2018	1 Feb 2018 –30 Apr 2018
Sales	1,958.1	2,157.1	2,914.8	1,742.2	1,782.6	1,991.1	2,745.9	1,683.1
Cost of goods sold	-1,203.8	-1,260.1	-1,736.3	-1,077.3	-1,059.9	-1,175.7	-1,625.1	-1,065.9
Gross profit	754.3	897.0	1,178.5	664.8	722.7	823.3	1,120.8	617.3
Selling expenses	-659.2	-787.2	-799.9	-692.7	-572.6	-632.3	-706.8	-668.1
Administrative expenses	-63.0	-76.8	-62.4	-51.0	-49.8	-65.9	-64.7	-56.6
Other operating income/expenses	-0.2	0.4	-211.1	2.2	-0.2	-0.2	-0.1	1.5
Operating profit/loss	32.0	33.4	105.2	-76.6	100.1	124.9	349.2	-105.9
Financial income	0.3	0.3	0.5	0.1	0.1	0.1	0.3	0.2
Financial expense	-0.6	-0.8	-1.6	-0.3	-0.3	-0.5	-0.5	-0.6
Profit before tax	31.7	32.9	104.1	-76.9	99.9	124.5	349.0	-106.3
Income tax	-1.9	-7.9	-25.5	15.1	-22.5	-28.7	-78.6	20.6
Profit/loss for the period	29.7	25.0	78.6	-61.8	77.4	95.8	270.4	-85.7
KEY RATIOS FOR THE PERIOD								
Gross margin, %	38.5	41.6	40.4	38.2	40.5	41.2	40.8	36.7
Operating margin, %	1.6	1.6	3.6	-4.4	5.6	6.2	12.7	-6.3
Earnings per share before dilution, SEK	0.47	0.40	1.24	-0.98	1.22	1.52	4.28	-1.36
Earnings per share after dilution, SEK	0.47	0.40	1.24	-0.98	1.22	1.51	4.27	-1.36

Comments to the quarterly results

Three new stores (2) were opened during the first quarter 2018/19 and zero stores were closed (0). Six new stores (5) were opened during the second quarter and one stores were closed (0). In the third quarter one store (4) were opened and zero stores were closed (3). One store (6) were opened during the fourth quarter and seven store were closed (1).

Seasonal fluctuations

Clas Ohlson's market and operations are influenced by consumer purchasing behaviour. The company's product range is particularly well suited to Christmas preparations and Christmas shopping, which means that the third quarter (November-January) is generally the strongest quarter of the financial year. This is followed by the second and first quarters and, finally, the fourth quarter, which is the weakest in terms of sales and profit.

Key ratio definitions

Clas Ohlson uses certain financial measures in this annual report that are not defined in accordance with IFRS. Clas Ohlson believes that these key ratios are relevant to users of the financial report as a supplement for assessing Clas Ohlson's performance. These financial measures are not always comparable with the measures used by other companies since not all companies calculate such financial measures in the same way. Accordingly, these financial measures are not to be regarded as a replacement for measures defined according to IFRS. The measures not defined according to IFRS are presented below, unless otherwise stated.

Average inventory value

Average inventory value is calculated as the total inventories for the most recent 12 months divided by 12.

Capital employed

Balance-sheet total (total assets) less current and long-term non-interest-bearing liabilities.

Cash flow from operating activities

Operating profit adjusted for items not included in cash flow, interest, paid tax and change in working capital.

Cash flow from operating activities per share

Cash flow from operating activities divided by the average number of shares before dilution.

Comprehensive income per share

Comprehensive income divided by average number of shares before dilution.

Dividend yield

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

Earnings per share (before and after dilution)*

Profit for the period divided by the number of shares (before and after dilution).

EBITDA

Earnings before interest, taxes, depreciation and amortization

Equity per share

Equity divided by the number of shares outstanding at the end of the period.

Equity/assets ratio

Equity at the end of the period divided by the balance-sheet total (total assets).

Gross margin

Gross profit divided by sales for the period.

Gross profit

Gross profit is calculated as the total of sales less cost of goods sold.

Net debt

Interest-bearing liabilities less cash and cash equivalents.

Net debt/EBITDA

Net debt divided by EBITDA for the latest 12 months period

Non-recurring cost

Cost that is not regularly found in the business.

Operating margin

Operating profit divided by sales for the period.

Operating profit

Operating profit comprises profit before financial items and tax.

Payout ratio

Dividend divided by earnings per share before dilution.

P/E ratio

Share price at year-end divided by earnings per share before dilution.

Return on capital employed

Operating profit plus financial income expressed as a percentage of average capital employed. Average capital employed is calculated as the total capital employed for the most recent 12 months divided by 12.

Return on equity

Net profit for the period expressed as a percentage of average equity. Average equity is calculated as the total equity for the most recent 12 months divided by 12.

Sales growth

Sales in relation to sales during the year-earlier period.

Share of selling expenses, %

Selling expenses in relation to sales.

Total return

Increase or decrease in share price between the end of the year and the beginning of the year plus re-invested dividend as a percentage of the share price at the beginning of the year.

Underlying operating profit/loss

Operating profit adjusted for non-recurring costs and costs related to the CO100+ action programme.

Working capital

The total of assets, minus cash and cash equivalents (inventories and current receivables), less current non-interest-bearing liabilities.

*Defined in accordance with IFRS.

Glossary

Clas Office

Our concept that facilitates purchases for our corporate customers.

Club Clas

Our loyalty program, our customer club.

CO100+

An action programme where our strategic initiatives have been defined. The programme contains initiatives to drive sales growth and cost reductions mainly in the following areas: A more optimised product range, enhanced purchasing efficiency, administration, logistics and customer offering.

Code of Conduct

The standards we set for ourselves, and the suppliers of our products and services, regarding working conditions, workplace health and safety and the environment.

Comparable units

Units that have been in operation during the current period and the entire year-earlier period.

GDPR

The EU's new General Data Protection Regulation sets requirements covering the handling of personal data and applies in all EU countries from May 2018.

GRI

Global Reporting Initiative, a global standard for sustainability reporting.

Level of service

Percentage of product range that is available "on the shelf" in our sales channels.

Nasdaq Stockholm

Marketplace for trading with securities, where Clas Ohlson's B share is listed.

Organic growth

Sales growth in local currencies, excluding acquisitions.

Products for a more sustainable lifestyle

Products with a positive, or significantly lower, environmental impact throughout their life cycle than a standard product.

Sales per square metre

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

sCORE

Systems for Clas Ohlson Retail Efficiency, our project for the introduction of a new business system.

Sedex

Clas Ohlson works together with Sedex, a global organisation that promotes responsible supply chains.

Store traffic

Number of visitors.

UN Global Compact

UN international principles regarding human rights, labour standards, the environment and corruption, designed for companies.

Alternative Performance Measures

This section contains a reconciliation of certain alternative performance measures (APMs) with the closest reconcilable items in the financial statements. As analysis tools, APMs are limited, and must be considered in their context and not as a replacement of financial measures prepared in accordance with IFRS. APMs are presented to improve an investor's evaluation of the operations, as an aid in forecasts of forthcoming periods, and to simplify meaningful comparisons of earnings between periods. Management uses these APMs, for example, to evaluate the operating activities compared with previous results, for internal planning and forecasts and to calculate certain performance-related remuneration. For definitions, refer to page 147. The APMs recognised in this annual report may differ from similarly named measures used by other companies.

Average inventory value

	Group	
	2018/19	2017/18
Average inventory value	2,049.0	1,869.0

Capital employed

	Group	
	2018/19	2017/18
Total assets	3,976.9	4,199.7
Long-term non-interest-bearing liabilities	-204.8	-227.4
Current non-interest-bearing liabilities	-1,541.7	-1,708.4
Capital employed	2,230.5	2,263.9

Reason for use: Capital employed measures the company's ability, in addition to cash balances and cash and cash equivalents, to meet the needs of the operations.

Cash flow from operating activities per share

	Group	
	2018/19	2017/18
Cash flow from operating activities	312.0	372.8
Number of shares before the dilution	63.218	63.208
Cash flow from operating activities per share	4.93	5.90

Reason for use: Cash flow from operating activities per share measures the cash flow that the company generates per share before capital investments and cash flows attributable to the company's financing.

Comprehensive income per share

	Group	
	2018/19	2017/18
Comprehensive income	79.9	402.8
Average number of shares before dilution	63.217	63.208
Comprehensive income per share	1.26	6.37

Dividend Yield

	Group	
	2018/19	2017/18
Dividend per share	6.25	6.25
Share price 30 April	78.8	96.0
Dividend Yield	7.9 %	6.5 %

Earnings per share (before and after dilution)*

	Group	
	2018/19	2017/18
Profit for the year	71.6	357.8
Number of shares before dilution	63.218	63.208
Number of shares after dilution	63.230	63.312
Number of shares before dilution	1.13	5.66
Number of shares after dilution	1.13	5.65

*Defined in accordance with IFRS.

Equity per share

	Group	
	2018/19	2017/18
Total equity	1,947.3	2,263.9
Number of shares at end of period	63.218	63.208
Equity per share	30.80	35.82

Reason for use: Equity per share measures the company's net value per share and determines whether a company increases its shareholders' capital over time.

Equity/assets ratio

	Group	
	2018/19	2017/18
Total equity	1,947.3	2,263.9
Total assets	3,976.9	4,199.7
Equity/assets ratio	49.0 %	53.9 %

Reason for use: A high equity/assets ratio provides the financial scope and independence required for conducting the operations and managing variations in the need for working capital and for capitalising on business opportunities.

Gross margin

	Group	
	2018/19	2017/18
Gross profit	3,494.8	3,284.1
Sales	8,772.3	8,210.7
Gross margin	39.8 %	40.0 %

Reason for use: Gross margin shows the difference between net sales and the cost of goods sold expressed as a percentage of net sales. Gross margin is affected by several factors, for example, product mix, price trend and cost reductions.

Gross Profit

	Group	
	2018/19	2017/18
Sales	8,772.3	8,210.7
Cost of goods sold	-5,277.5	-4,926.6
Gross profit	3,494.8	3,284.1

Operating margin

	Group	
	2018/19	2017/18
Operating profit	94.0	468.3
Sales	8,772.3	8,210.7
Operating margin	1.1 %	5.7 %

Reason for use: The operating margin shows operating profit as a percentage of net sales and shows operational profitability.

Payout ratio

	Group	
	2018/19	2017/18
Dividend	6.25	6.25
Earnings per share before dilution	1.13	5.66
Payout ratio	553.1 %	110.4 %

Return on capital employed

	Group	
	2018/19	2017/18
Operating profit	94.0	468.3
Interest income	1.1	0.7
Average capital employed	2,345.2	2,230.7
Return on capital employed	4.1 %	21.0 %

Reason for use: Return on capital employed is a measure of profitability after taking into account the amount of capital used. A higher return on capital employed indicates that capital is used more efficiently.

Return on equity

	Group	
	2018/19	2017/18
Profit for the year	71.6	357.8
Average equity	2,062.1	2,230.7
Return on equity	3.5 %	16.0 %

Reason for use: Return on equity is a measure of profitability in relation to the carrying amount of equity. Return on equity is also a measure of how investments are used to generate increased income.

Sales growth

	Group	
	2018/19	2017/18
Sales actual year	8,772.3	8,210.7
Sales previous year	8,210.7	7,990.1
Sales growth	6.8 %	2.8 %

Reason for use: The change in sales reflects the company's realised sales growth over time.

Total return

	Group	
	2018/19	2017/18
Share price at the beginning of the year	96.0	147.0
Share price at the end of the year	78.8	96.0
Re-invested dividend	6.25	6.25
Total	-10.95	-44.75
Total return	-11.41 %	-30.44 %

Working capital

	Group	
	2018/19	2017/18
Total current assets	2,341.7	2,490.7
- Cash and cash equivalents	-105.0	-115.8
- Current non-interest-bearing liabilities	-1,541.7	-1,708.4
Working capital	695.0	666.5

Reason for use: Working capital is used to measure the company's ability to meet short-term capital requirements.

Ten-year summary

MSEK	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015	2013/2014
INCOME STATEMENT						
Sales	8,772.3	8,210.7	7,990.1	7,601.6	7,329.8	6,807.7
Operating profit	94.0	468.3	609.9	506.4	596.0	530.5
Underlying operating profit	497.0	538.0	609.9	506.4	596.0	530.5
Profit before tax	91.9	467.1	608.9	507.6	597.2	530.2
Income tax	-20.3	-109.3	-130.2	-128.8	-138.3	-124.8
Profit for the year	71.6	357.8	478.7	378.8	458.9	405.4
BALANCE SHEET						
Non-current assets	1,388.5	1,469.5	1,404.5	1,397.8	1,399.9	1,424.2
Non-current receivables	246.8	239.4	18.5	18.1	11.6	8.1
Inventories	1,987.3	2,038.0	1,630.7	1,639.2	1,569.3	1,348.2
Current receivables	249.4	336.9	220.6	263.4	242.5	229.5
Cash and cash equivalents	105.0	115.8	625.1	604.3	517.4	358.3
Total assets	3,976.9	4,199.7	3,899.4	3,922.8	3,740.7	3,368.3
Equity attributable to owners of the parent	1,940.8	2,263.9	2,250.7	2,138.8	2,144.5	1,964.9
Equity attributable to non-controlling interests	6.6	0.0	0.0	0.0	0.0	0.0
Equity	1,947.3	2,263.9	2,250.7	2,138.8	2,144.5	1,964.9
Non-current liabilities, interest-bearing	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities, non-interest-bearing	204.8	227.4	226.8	195.2	213.3	206.5
Current liabilities, interest-bearing	283.1	0.0	0.0	0.0	0.0	0.0
Current liabilities, non-interest-bearing	1,541.7	1,708.4	1,421.9	1,588.8	1,382.9	1,196.9
Total equity and liabilities	3,976.9	4,199.7	3,899.4	3,922.8	3,740.7	3,368.3
CASH FLOW						
Cash flow from operating activities	312.0	372.8	698.9	704.6	647.3	689.1
Investments	-211.4	-497.2	-263.5	-274.1	-192.3	-171.8
Cash flow after investments	100.5	-124.4	435.4	430.5	455.0	517.3
Financing activities	-112.0	-389.8	-418.0	-335.9	-298.9	-283.6
Cash flow for the year	-11.5	-514.2	17.5	94.6	156.1	233.7
KEY RATIOS¹						
Growth in sales, %	6.8	2.8	5.1	3.7	7.7	4.4
Gross margin, %	39.8	40.0	41.2	42.4	42.9	42.6
Operating margin, %	1.1	5.7	7.6	6.7	8.1	7.8
Return on capital employed, %	4.1	21.0	28.4	23.6	29.3	28.0
Return on equity, %	3.5	16.0	22.4	17.6	22.5	21.7
Equity/assets ratio, %	49.0	53.9	57.7	54.5	57.3	58.3
Net debt/EBITDA	0.5	0.0	0.0	0.0	0.0	0.0
Sales per square metre in store, SEK 000s	30.8	31	31	30	30	30
Number of stores at year-end	232	229	216	205	198	185
Number of full-time equivalent employees	3,099	2,951	2,835	2,787	2,736	2,629
DATA PER SHARE						
Average number of shares before dilution	63,217,741	63,200,598	63,052,803	63,167,924	63,121,729	63,137,148
Average number of shares after dilution	63,230,062	63,311,743	63,254,614	63,461,923	63,400,934	63,243,692
Number of shares at period end	63,217,794	63,208,135	63,083,438	63,376,420	63,216,061	63,140,994
Earnings per share before dilution, SEK	1.13	5.66	7.59	6.00	7.27	6.42
Earnings per share after dilution, SEK	1.13	5.65	7.57	5.97	7.24	6.41
Comprehensive income per share, SEK	1.26	6.37	8.30	5.07	7.41	6.41
Cash flow per share, SEK ²	4.93	5.90	11.08	11.15	10.25	10.91
Equity per share, SEK	30.8	35.82	35.68	33.75	33.92	31.12
Share price 30 April, SEK	78.8	96	147	162	143	143
Dividend per share, SEK	6.25 ³	6.25	6.25	5.75	5.25	4.75
P/E ratio	70	17	19	27	20	22
Dividend Yield, %	7.9	6.5	4.3	3.5	3.7	3.3

2012/2013	2011/2012	2010/2011	2009/2010
6,518.9	6,260.0	5,828.0	5,555.8
430.6	560.6	507.1	590.5
430.6	560.6	507.1	590.5
419.9	551.0	499.0	588.2
-88.4	-150.5	-134.6	-155.4
331.5	400.5	364.4	432.8
1,461.6	1,515.0	1,469.5	1,365.5
3.2	3.5	10.9	1.0
1,303.9	1,228.7	1,429.2	1,204.1
214.9	197.5	176.7	173.4
124.6	111.8	132.6	98.8
3,108.2	3,056.5	3,218.9	2,842.8
1,836.5	1,843.8	1,656.8	1,646.1
0.0	0.0	0.0	0.0
1,836.5	1,843.8	1,656.8	1,646.1
0.0	0.0	300.0	100.0
185.7	195.7	165.9	90.3
0.0	30.0	261.7	171.4
1,086.0	987.0	834.5	835.0
3,108.2	3,056.5	3,218.9	2,842.8
517.8	964.9	350.3	602.8
-166.5	-206.1	-295.3	-315.8
351.3	758.8	55.0	287.0
-334.4	-781.5	-6.0	-267.9
16.9	-22.7	49.0	19.1
4.1	7.4	4.9	12.7
41.6	42.1	41.6	40.8
6.6	9.0	8.7	10.6
23.2	27.9	24.6	32.6
18.3	23.1	22.5	28.0
59.1	60.3	51.5	57.9
0.0	0.1	1.1	0.5
31	34	34	38
174	157	139	120
2,524	2,370	2,219	2,048
63,349,241	63,635,998	63,802,230	64,383,906
63,421,154	63,702,052	63,870,584	64,432,321
63,287,808	63,615,000	63,710,000	64,280,000
5.23	6.29	5.71	6.72
5.23	6.29	5.71	6.72
4.68	6.75	4.79	6.43
8.17	15.16	5.49	9.36
29.02	28.98	26.01	25.61
87	99	98	128
4.25	4.25	3.75	3.75
17	16	17	19
4.9	4.3	3.8	2.9

Comments*

Sales

Sales increased to 8,772 MSEK, up 7 per cent compared with 8,211 MSEK in the preceding year. In local currencies, sales increased by 4 per cent.

Number of stores

During the financial year, 11 new stores (17) opened; seven in Sweden, one in Norway and three in Finland. During the fiscal year, four stores in UK and four stores in Germany have been closed.

During previous year, one store in Norway, one store in Finland and two franchise stores in Dubai were closed. The number of stores at the end of the period was 232, of which 97 were in Sweden, 90 in Norway, 42 in Finland and 3 in the UK.

Gross margin

The gross margin was 39.8 per cent, down 0.2 percentage points compared with the year-earlier period (40.0). During the financial year, the gross margin was negatively impacted by increased commercial investments, higher sourcing costs and negative currency hedging effects (NOK), comprising both currency forwards and exchange-rate effects related to delays in inventory. This was somewhat offset by a strong sales currency (NOK) and a weaker purchasing currency (USD).

Operating profit

Operating profit amounted to 94 MSEK (468). Operating profit for the period were affected by non-recurring costs, costs linked to the CO100+ action programme and implementation of the business system (sCORE) of approximately 195 MSEK (70), as well as the costs for the closure of the store network in the UK and Germany totalling about 210 MSEK (0). The Underlying operating profit amounted to 497 MSEK (538).

Operating margin

The operating margin was 1.1 per cent (5.7 per cent).

Cash flow

During the financial year, cash flow from operating activities totalled 312 MSEK (373). Cash flow for the financial year, after investing and financing activities, was -11 MSEK (-514). The cash dividend paid to Clas Ohlson's shareholders in September 2018 totalled 395 MSEK (395).

Return

The return on capital employed amounted to 4.1 per cent (21.0) and the return on equity was 3.5 per cent (16.0).

* Refers to the financial year 2018/19.

¹See key ratio definitions on page 147. ²From operating activities. ³Proposed dividend.

Clas Ohlson's stores*

SWEDEN			NORWAY		
Store	Opening date		Store	Opening date	
A	Alingsås	27 Mar 2014	P	Piteå	20 Sep 2007
B	Borlänge	26 Sep 2013	S	Skellefteå	17 Mar 2005
	Borås	24 Oct 2002		Skövde	27 Nov 2008
E	Eskilstuna	30 May 2002		Stockholm, Barkarby Gate	27 Nov 2014
F	Falun	5 Feb 2009		Stockholm, Bromma	23 Sep 2010
G	Gävle	27 Nov 2003		Stockholm, Drottninggatan	21 Oct 2010
	Gothenburg, Backaplan	19 April 2018		Stockholm, Farsta	18 Nov 1999
	Gothenburg, Bäckebo	10 Apr 2003		Stockholm, Gallerian	30 Jun 1989
	Gothenburg, Mölndal	27 Sept 2018		Stockholm, Haninge	10 Dec 2004
	Gothenburg, Nordstan	1 Jun 1992		Stockholm, Hornstull	27 Oct 2016
	Gothenburg, Partille	9 Apr 2006		Stockholm, Kista	5 Dec 2002
	Gothenburg, Sisjön	19 Apr 2012		Stockholm, Kungens Kurva	24 Apr 2014
	Gothenburg, Västra Frölunda	23 Oct 2009		Stockholm, Liljeholmen	15 Oct 2010
H	Halmstad, Flygstaden	16 Jun 2011		Stockholm, Nacka	29 Mar 2007
	Halmstad, Gallerian	8 Mar 2001		Stockholm, Södermalm, Ringen	18 Oct 2018
	Helsingborg, Kullagatan	4 Jun 2009		Stockholm, Sickla	6 Dec 2007
	Helsingborg, Väla centrum	12 Jun 2003		Stockholm, Skärholmen	7 Dec 2000
	Hudiksvall	23 Apr 2009		Stockholm, Sollentuna	31 May 2007
I	Insjön	27 Jun 1918		Stockholm, Solna	7 Apr 2005
J	Jönköping, Asecs	22 May 2003		Stockholm, Solna, Mall of Scandinavia	12 Nov 2015
	Jönköping, City	9 Dec 2010		Stockholm, Sveavägen	25 Oct 2018
K	Kalmar, Baronen	24 Nov 2005		Stockholm, Täby	25 Oct 2001
	Kalmar, Hansa City	14 Mar 2013		Stockholm, Tyresö Centrum	3 May 2018
	Karlskrona	27 Nov 2014		Stockholm, Vällingby	15 Nov 2007
	Karlstad, Bergvik	20 Aug 2015		Stockholm, Värmdö	17 Jun 2015
	Karlstad, Mitt i City-gallerian	21 Sep 2006		Stockholm, Väsby	27 Apr 2007
	Kiruna	11 Nov 2010		Strömstad	29 May 2009
	Kristianstad, Boulevard	18 Apr 2007		Sundsvall, Birsta	30 Apr 2008
	Kristianstad, C4	22 Nov 2018		Sundsvall, In: gallerian	10 Jun 1999
	Kungälv	28 Mar 2019		Södertälje	29 Apr 2010
	Kungsbacka	13 Mar 2008	T	Trelleborg	25 Apr 2007
L	Lidköping	25 Apr 2012		Trollhättan	28 Jun 2012
	Linköping	10 Jun 2004	U	Uddevalla	19 Oct 2006
	Ljungby	14 June 2018		Umeå, Avion	17 Mar 2016
	Luleå, Smedjan	21 Mar 2002		Umeå, MVG	13 Apr 2000
	Luleå, Storheden	16 Feb 2012		Uppsala, Gränby	25 Aug 2011
	Lund	7 Nov 2013		Uppsala, S:t Per Gallerian	16 Nov 2000
	Löddeköpinge	26 Nov 2015	V	Valbo	23 Feb 2012
M	Malmö, Burlöv	25 Mar 2010		Varberg	28 Sept 2017
	Malmö, Emporia	25 Oct 2012		Visby	17 Apr 2008
	Malmö, Mobilia	26 Sep 2013		Västervik	6 Dec 2012
	Malmö, Triangeln	3 Dec 1993		Västerås, Erikslund	22 Sep 2011
	Motala	29 Jan 2009		Västerås, Igor	22 Nov 2001
	Märsta	26 April 2018		Växjö	6 May 2004
N	Norrköping, Domino	2 May 1996	Ä	Ängelholm	23 Mar 2017
	Norrköping, Mirum Galleria	10 Dec 2009	Ö	Örebro, Kråmaren	27 Nov 1997
	Norrtälje	14 Jun 2012		Örebro, Marieberg	26 Mar 2009
	Nyköping	5 Oct 2006		Örnsköldsvik	12 Apr 2007
				Östersund	28 Apr 2005
A	Alta	17 Nov 2011	A	Alta	17 Nov 2011
	Arendal	28 Nov 2007		Arendal	28 Nov 2007
	Asker	16 Oct 2008		Asker	16 Oct 2008
	Askim	11 Oct 2017		Askim	11 Oct 2017
B	Bergen, Galleriet	30 Nov 2017	B	Bergen, Galleriet	30 Nov 2017
	Bergen, Lagunen	6 Mar 2003		Bergen, Lagunen	6 Mar 2003
	Bergen, Sartor	16 Feb 2006		Bergen, Sartor	16 Feb 2006
	Bergen, Sentrum	22 Apr 1999		Bergen, Sentrum	22 Apr 1999
	Bergen, Vestkanten Kjøpesenter	22 Nov 2012		Bergen, Vestkanten Kjøpesenter	22 Nov 2012
	Bergen, Åsane	30 Sep 2004		Bergen, Åsane	30 Sep 2004
	Bodø, City Nord	7 June 2011		Bodø, City Nord	7 June 2011
	Bodø, Glasshuset	1 Feb 2018		Bodø, Glasshuset	1 Feb 2018
	Bryne	5 Nov 2009		Bryne	5 Nov 2009
D	Drammen, Buskerud	8 Sep 2011	D	Drammen, Buskerud	8 Sep 2011
	Drammen, Gulsbogen	18 Sep 2008		Drammen, Gulsbogen	18 Sep 2008
E	Elverum	22 Mar 2012	E	Elverum	22 Mar 2012
F	Farsund	1 June 2017	F	Farsund	1 June 2017
	Finnsnes	9 Jun 2016		Finnsnes	9 Jun 2016
	Fredrikstad, Dikeveien	25 Nov 2010		Fredrikstad, Dikeveien	25 Nov 2010
	Fredrikstad, Tonvbyen	1 Dec 2005		Fredrikstad, Tonvbyen	1 Dec 2005
	Førde	22 Nov 2012		Førde	22 Nov 2012
G	Gjøvik	10 Mar 2006	G	Gjøvik	10 Mar 2006
H	Halden	12 Mar 2015	H	Halden	12 Mar 2015
	Hamar	11 Nov 2014		Hamar	11 Nov 2014
	Harstad, Sjøkanten Senter	24 Feb 2011		Harstad, Sjøkanten Senter	24 Feb 2011
	Harstad, Amfi Kanebogen	6 Apr 2017		Harstad, Amfi Kanebogen	6 Apr 2017
	Haugesund	3 Oct 2002		Haugesund	3 Oct 2002
	Horten	9 Jun 2011		Horten	9 Jun 2011
	Husnes	8 Mar 2018		Husnes	8 Mar 2018
	Hønefoss	19 Feb 2009		Hønefoss	19 Feb 2009
J	Jessheim	5 Nov 2008	J	Jessheim	5 Nov 2008
K	Kongsberg	3 Jun 2010	K	Kongsberg	3 Jun 2010
	Kongsvinger	24 May 2012		Kongsvinger	24 May 2012
	Kristiansand, Sandens	6 Nov 2008		Kristiansand, Sandens	6 Nov 2008
	Kristiansand, Sorlandssenteret	19 Nov 1998		Kristiansand, Sorlandssenteret	19 Nov 1998
	Kristiansund	24 Mar 2011		Kristiansund	24 Mar 2011
L	Larvik	23 Apr 2009	L	Larvik	23 Apr 2009
	Levanger	5 Jun 2014		Levanger	5 Jun 2014
	Lillehammer	18 Nov 2010		Lillehammer	18 Nov 2010
	Lillestrøm	23 Mar 2017		Lillestrøm	23 Mar 2017
	Lørenskog	30 Nov 2006		Lørenskog	30 Nov 2006
M	Mandal	20 Nov 2014	M	Mandal	20 Nov 2014
	Mo i Rana	7 Jun 2012		Mo i Rana	7 Jun 2012
	Molde	22 Oct 2009		Molde	22 Oct 2009
	Moss	12 Oct 2006		Moss	12 Oct 2006
N	Narvik	4 Dec 2008	N	Narvik	4 Dec 2008

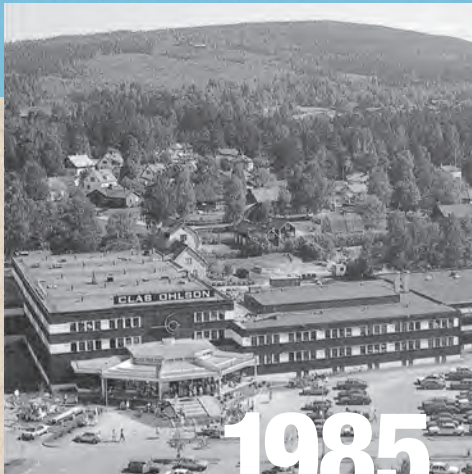
		FINLAND		OUTSIDE NORDIC COUNTRIES					
	Store	Opening date	Store	Opening date	Store	Opening date			
O	Orkanger	30 Oct 2014	E Espoo, Ainoa	16 Mar 2017	UK	L Liverpool	29 Apr 2010		
	Oslo, Alna Senter	27 Sep 2006	Espoo, Iso Omena	14 Oct 2015				London, Kingston	3 Dec 2009
	Oslo, Bogstadsveien	27 Oct 2011	Espoo, Otaniemi	30 Aug 2018				R Reading	19 Nov 2009
	Oslo, Bryn Senter	26 Aug 2010	Espoo, Pikkulaiva	27 Sept 2017					
	Oslo, CC-Vest	11 Sep 2014	Espoo, Sello	14 Sept 2005					
	Oslo, Lambertseter Senter	12 Oct 2010	H Helsinki, Columbus Shopping Centre	18 May 2017					
	Oslo, Oslo City	11 Nov 2005	Helsinki, Hakaniemi	18 Sept 2018					
	Oslo, Storo Storsenter	19 Jun 2008	Helsinki, Itis	6 Nov 2003					
	Oslo, Stovner	6 Oct 2016	Helsinki, Kaivotalo	3 Nov 2016					
	Oslo, Torggata	26 Aug 1991	Helsinki, Kamppi	2 Mar 2006					
	P Porsgrunn	27 Apr 2006	Helsinki, Kannelmäki	17 Oct 2013					
	R Rykkinn	15 Mar 2018	Helsinki, Mannerheimintie	14 Nov 2002					
	S	Sandefjord	10 Sep 2015	Helsinki, Redi	20 Sept 2018				
		Sandnes, Kvadrat	23 Sep 1998	Hyvinkää	18 Oct 2012				
		Sandnes, Maxi	26 May 2016	Hämeenlinna	30 Oct 2014				
		Sandvika	10 Jan 2002	J Joensuu	6 Nov 2008				
		Sarpsborg	8 Jun 2006	Jyväskylä, Kauppakatu	10 Nov 2016				
Ski		16 Oct 2003	Jyväskylä, Palokka	8 Sep 2011					
Skien		18 Oct 2007	K Kempele, Zeppelin	3 Aug 2017					
Slependen		18 Sep 2014	Kokkola	27 Sept 2007					
Sogndal		6 Jun 2013	Kotka	23 May 2013					
Sortland		24 May 2018	Kouvola	13 Sep 2012					
Stathelle		23 Nov 2017	Kuopio, Haapaniemenkatu	24 Feb 2005					
Stavanger, Kilden		25 Oct 2007	Kuopio, Matkus	1 Nov 2012					
Stavanger, Madla		8 Nov 2007	L Lahti, Karisma	3 Nov 2011					
Stavanger, Mediegården		11 Nov 2010	Lahti, Syke	31 May 2012					
Steinkjer		15 Oct 2009	Lappeenranta	1 Nov 2007					
Stjørdal		2 Nov 2017	Lempäälä	29 Nov 2007					
Stord		20 Jun 2013	M Mariehamn	16 May 2013					
Strømmen	21 Oct 1999	O Oulu	25 Nov 2010						
Svolvær	8 Dec 2016	P Pori	30 Oct 2014						
T	Tromsø	12 Jun 2008	R Rovaniemi	23 Oct 2008					
	Trondheim, City Lade	12 Oct 2017	S St Michel	16 June 2011					
	Trondheim, City Syd	8 May 2003	Seinäjoki	11 Sep 2008					
	Trondheim, Solsiden	19 Oct 2000	T Tampere, Hämeenkatu	18 Mar 2004					
	Trondheim, Trondheim Torg	17 Feb 2011	Tampere, Shopping Mall Ratina	19 April 2018					
Tønsberg	21 Sep 2001	Turku, Forum	3 Mar 2005						
V	Valdres	26 Oct 2017	Turku, Raisio	4 Nov 2015					
	Vestby	14 Mar 2013	Turku, Skanssi	25 Oct 2012					
	Vinstra	16 Feb 2017	V Vantaa, Jumbo	27 Oct 2005					
	Vinterbro	26 Mar 2015	Vantaa, Myyranni	29 Nov 2011					
	Voss	16 Jun 2016	Vaasa	14 Oct 2004					
Å	Ålesund	22 Jan 2004							
Ø	Ørsta	4 Oct 2012							

* Store portfolio at 30 April 2019

Visit about.clasohlson.com/en to receive continuously updated information about the store portfolio.

Clas Ohlson's broad and affordable product range is also available online in the Swedish, Norwegian, Finnish, UK and German markets.

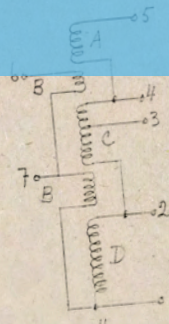
www.clasohlson.se
www.clasohlson.no
www.clasohlson.fi
www.clasohlson.uk
www.clasohlson.de



1985

Sales of 100 MSEK

The company's sales exceed 100 MSEK for the first time. During the year, a subsidiary was opened in Norway when mail order sales were established in the country.



Spolen sedd uppriktis.
 A: kerhydg
 B: skerhöpp.
 C: inre länsvåg
 (B = omriktning)
 D: länsvåg.

71231

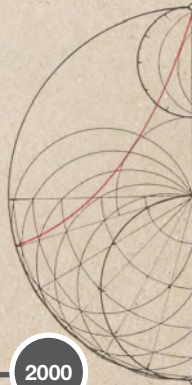
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1995

New central warehouse

A new central warehouse in Insjön enters use. At its opening, the warehouse encompassed 11,000 square metres with a ceiling height of 9 metres.



1918

At the age of just 22, Clas Ohlson and his brother Emil founded a mail order company, Clas Ohlsson & Co. The company is registered as a bicycle repair shop and printer, but mail order operations are soon started.

1944

250,000 copies of the catalogue are printed, including about 7,000 products. The company has about 600 suppliers.

1961

146,477 packages are sent from Insjön during the year. The average value of a package is 56 SEK, or about 480 SEK today.

1967

The new office and store building on Highway 70 in Insjön is completed. The number of employees is 75. The catalogue has about 8,000 products.

1972

Clas Ohlson opened its first store outside Insjön in central Stockholm.

1989

The first store outside Sweden is inaugurated in Oslo, Norway. Clas Ohlson is a well-known name in Norway, since the first mail order catalogue was published there in 1985.

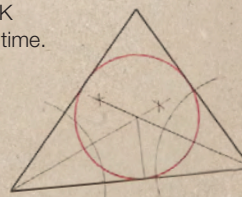
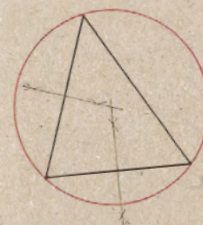
1991

Clas Ohlson is listed on the Stockholm Stock Exchange.

1999

Sales exceed 1 billion SEK for the first time.

2000





2013

Club Clas arrives

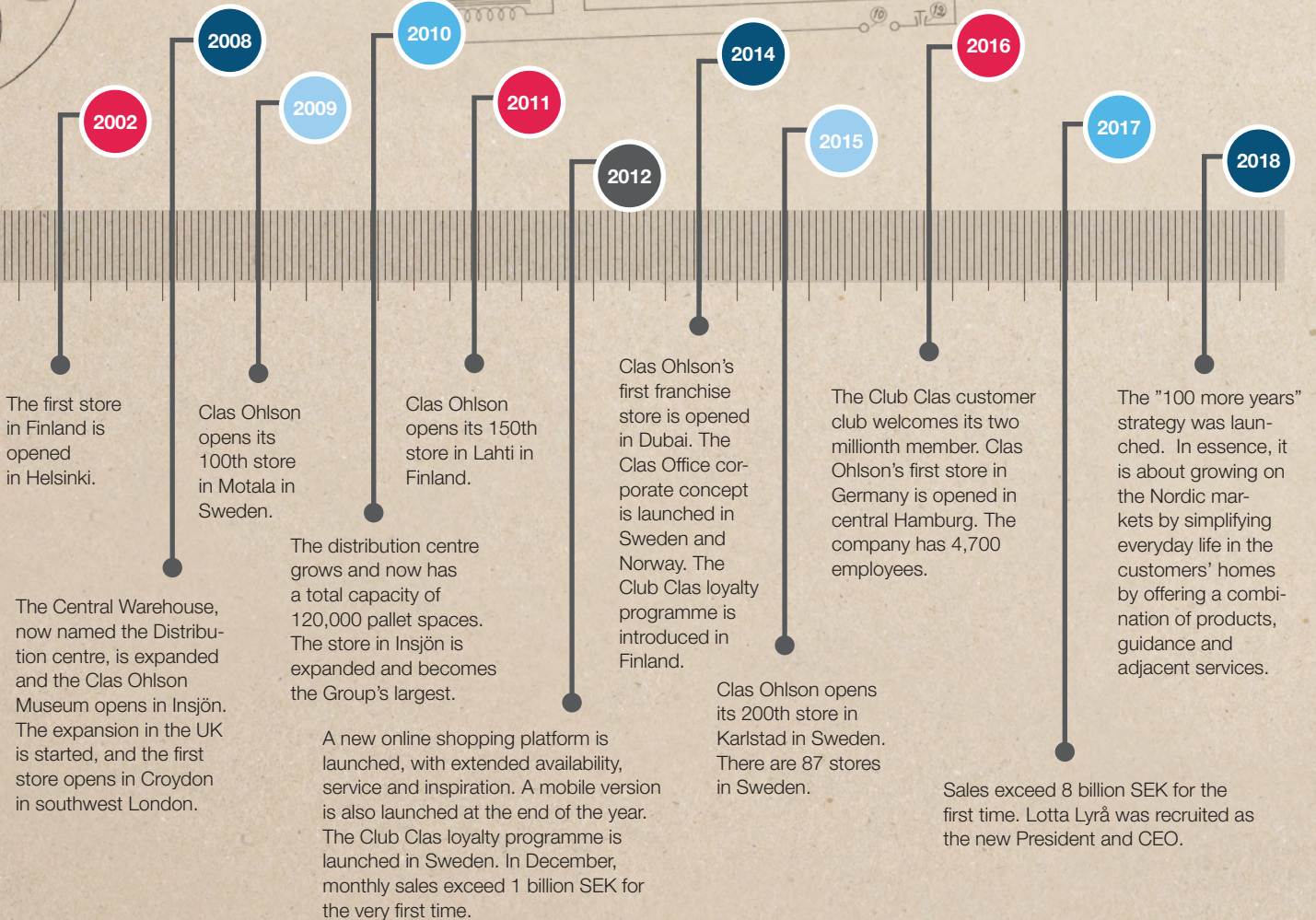
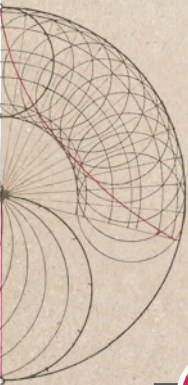
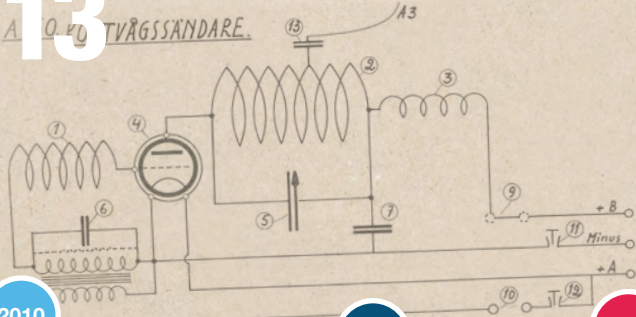
Club Clas was launched in March and in its first year, the loyalty club attracted more than one million members.



2018

100 years

Unique customer offers, a look back at some historic moments and a festival for all of our co-workers are just a few examples of how the first 100 years as a company was celebrated.



Information to shareholders

Annual General Meeting

The Annual General Meeting (“AGM”) of shareholders of Clas Ohlson AB will be held on Saturday, 7 September 2019 at 11:00 a.m. at the Tegera Arena in Leksand, Sweden. Registration will commence at 9:45 a.m.

Attendance

Shareholders who intend to participate at the AGM must have notified the company by not later than 2 September 2019, at the following address: Clas Ohlson AB (publ), AGM, c/o Euroclear Sweden, Box 191, SE-101 23 Stockholm, Sweden.

Notification may be given by telephone +46 247-444 00 or by e-mail agm2019@clasohlson.se.

Shareholders entitled to participate at the AGM are those who are listed on Euroclear Sweden AB’s printed shareholder register on 2 September 2019, and who have notified their intention to participate on the same day at the latest. Shareholders who have trustee-registered shares must temporarily re-register the shares in their own names with Euroclear Sweden AB. Shareholders must inform the trustee in good time prior to 2 September 2019.

Notification of Annual General Meeting

Notification of the AGM takes place through an announcement in Post- och Inrikes Tidningar and the notice being made available on the company’s website. Documents to be presented at the AGM are available from the company’s website about four weeks before the meeting.

Distribution policy

The Annual Report is distributed only to those shareholders who request it. Distribution takes place about 6 weeks prior to the AGM. The Clas Ohlson Annual Report and other financial information are available at about.clasohlson.com

Dividend proposal

The Board of Directors proposes a dividend of 6.25 SEK (6.25) per share for the 2018/19 financial year.

- The final trading date for Clas Ohlson shares, including rights to dividends, is 6 September 2019 and 10 January 2020.
- Record date for payment of dividend is 10 September 2019
- The payment date is 13 September 2019 and 17 January 2020.

FINANCIAL INFORMATION

Clas Ohlson provides financial information for the 2019/20 financial year as follows:

- Interim report May-July, 4 September 2019
- Interim report August-October, 4 December 2019
- Interim report November-January, 11 March 2020
- Interim report February-April, 3 June 2020

Contact details

Clas Ohlson AB
SE-793 85 Insjön
Tel: +46 247-444 00
ir@clasohlson.se
about.clasohlson.com



Sweden

Clas Ohlson AB
SE-793 85 Insjön
Tel: +46 247-444 00
www.clasohlson.se

Norway

Clas Ohlson AS
Torggata 2-6
N-0105 Oslo
Tel: +47 (0)23 21 40 05
www.clasohlson.no

Finland

Clas Ohlson Oy
Brunnsgatan 10 B
00100 Helsingfors
Tel: +358 (0)20 111 22 22
www.clasohlson.fi

UK

Clas Ohlson Ltd.
10-13 Market Place
Kingston upon Thames
Surrey KT1 1JP
Tel: +44 (0)8247 9300
www.clasohlson.co.uk

Germany

Clas Ohlson GmbH
Valentinskamp 88
20355 Hamburg
Tel: +49 (0)40 299978 111
www.clasohlson.de

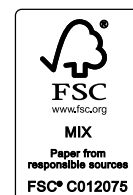
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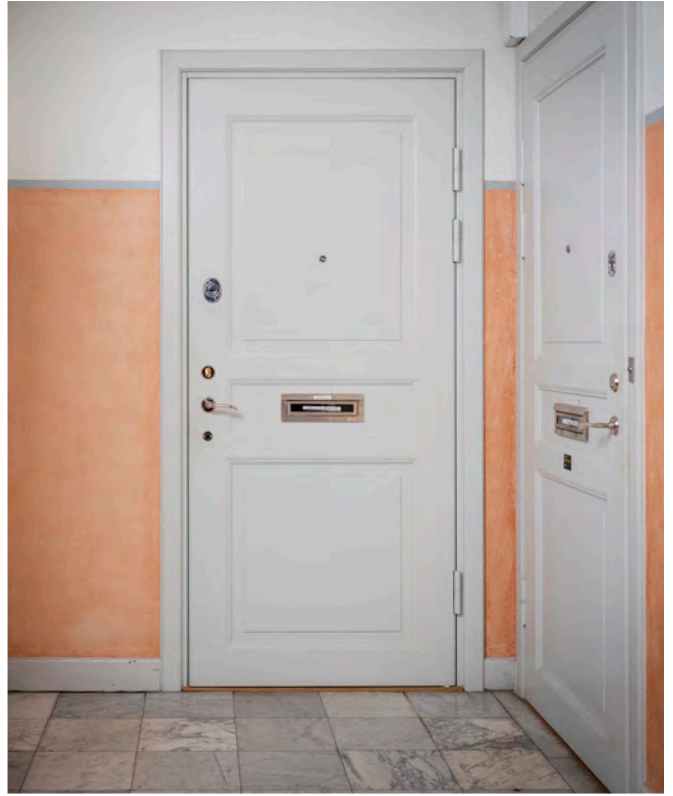
Clas Ohlson (Shanghai) Co., Ltd.
Room 1102-1103, No. 666
Gubei Road, Kirin Plaza,
Changning District, Shanghai
Telefon: +86 (0)21 3387 0055

For more information about Clas Ohlson
visit about.clasohlson.com



Trycksak
3041 0313





clas
ohlson
www.clasohlson.com