

clas  
ohlson

# Annual Report



2016/17

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## The first 100 years

Clas Ohlson was founded in 1918 so next year we turn 100. Read about our amazing history on page 132.

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INTEGRATED

# 2016/17 Annual Report

This report provides a summary for the 2016/17 financial year and key issues for Clas Ohlson's future. We describe how we are positioned to face a rapidly changing and complex business environment, based on our ability to create long-term value for our most important stakeholders.

This is the first time we have integrated financial and non-financial information in a single report. The report includes standard and specific disclosures based on the GRI G4 guidelines for sustainability reporting. The scope of the GRI index is described on our website <http://about.clasohlson.com/sustainability/>.

The statutory annual report encompasses the Directors' Report and the financial statements on pages 68-121.

## ANNUAL REPORT

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## Clas Ohlson

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 2015/16. 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.

On the cover:

### Our store in Insjön, Sweden

The photo shows the Clas Ohlson store in Insjön – the first ever store we opened. Its 3,200 square metres make it the largest Clas Ohlson store in the world.



*Our business concept:* We sell dependable products at low prices and with the right quality according to need.

# Welcome to Clas Ohlson

**CLAS OHLSON IS AN INTERNATIONAL RETAIL COMPANY** that is expanding through new offerings, new stores and by establishing operations in new markets. Clas Ohlson offers products and services to solve everyday practical problems in six countries via more than 200 stores and online shopping.

We have a wide range of affordable products in five product areas: Hardware, Electrical, Multi-media, Home and Leisure. The company is listed on Nasdaq Stockholm, has sales of approximately 8 billion SEK and about 4,800 employees.

Clas Ohlson offers a proactive, knowledgeable and available customer service, and an inspirational shopping experience through all sales channels. We urge our value chain to become

more resource-efficient and we respect people and the environment.

Clas Ohlson was founded in 1918 as a mail order business based in Insjön, Sweden. We have one hundred years of retail tradition and we like doing good business. Salesmanship is the core of the Clas Ohlson spirit and rests on four cornerstones: drive, warmth, innovation and commitment.

## OUR VISION

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

### CLAS OHLSON locations

We have more than 200 stores in six countries and our entire affordable product range for solving everyday practical small problems is available around the clock at clasohlson.com.



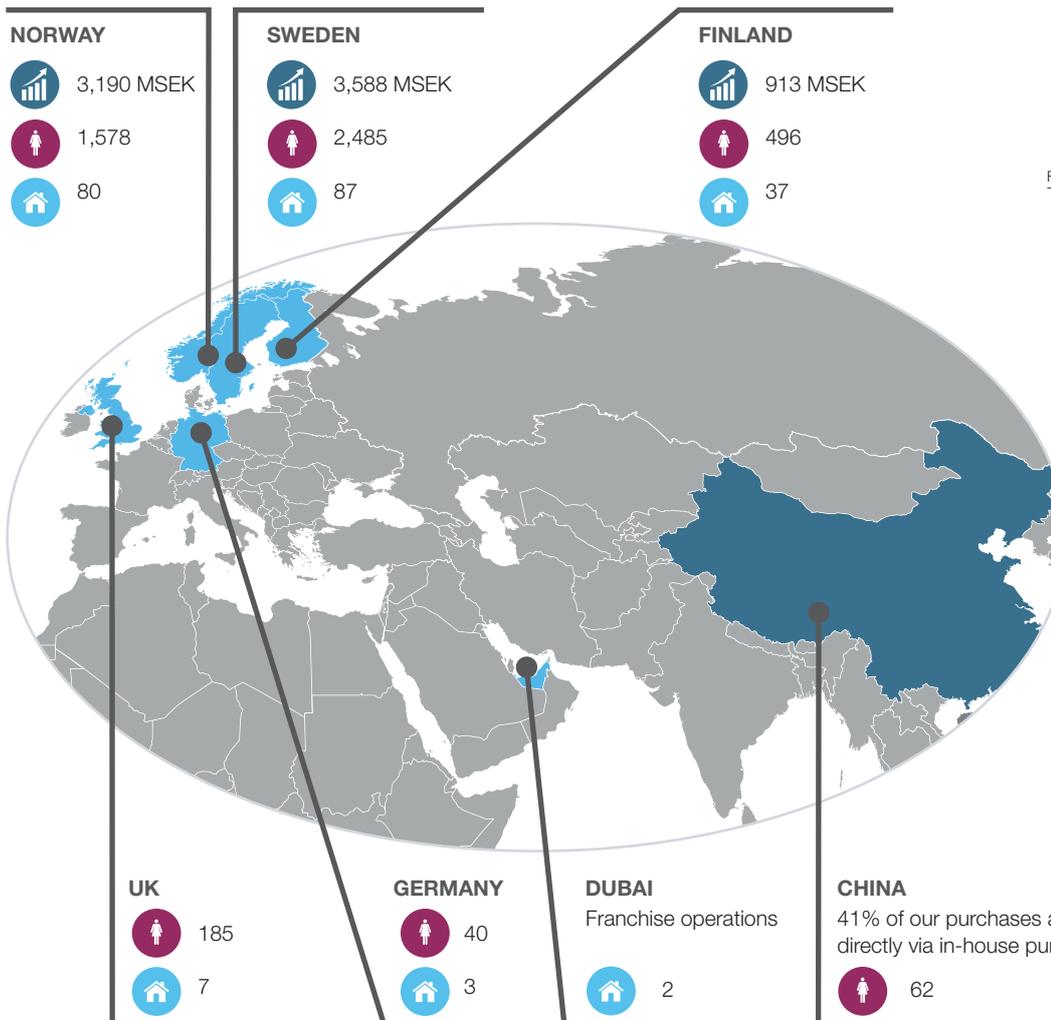
Sales



Employees



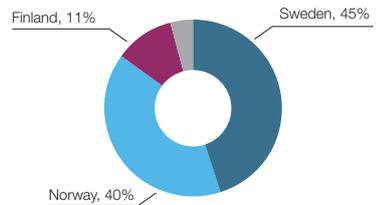
Stores



### NORDIC COUNTRIES

Sweden, Norway and Finland.

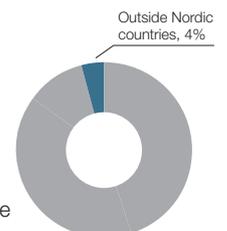
7,691 MSEK



### OUTSIDE NORDIC COUNTRIES

UK, Germany and Dubai.

299 MSEK





*We developed our offering* and launched many new products during the year.

# We are continuing to grow

**WE ARE ENDING THE FINANCIAL YEAR AT NEW RECORD LEVELS**, with sales of close to 8 billion SEK. We are thereby ending our full-year with operating profit of 610 MSEK, a good result that we are very pleased with given the currency challenges we faced during the year.

We increased our sales in all markets and through all sales channels. Sales increased by 5 per cent to 7,990 MSEK. In local currencies, sales increased by 4 per cent. Sales in comparable units increased by 1 per cent.

## Increased profitability

Operating profit for the financial year amounted to 610 MSEK. The operating margin amounted to 7.6 per cent and earnings per share increased to 7.59 SEK.

## Continued expansion

We entered a new geographic market during the financial year when we established operations in Germany. We opened a total of 17 new stores (10), a net addition of 11 stores (7). We also continued to develop our online shopping channel with high growth.

We strengthened our team and the number of employees increased to just over 4,800 during the year.

Sales, MSEK

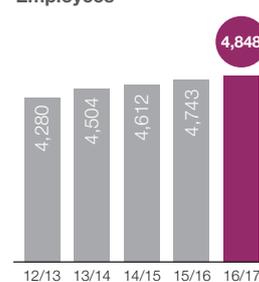


Operating profit, MSEK



\* Including a non-recurring cost of 107 MSEK.

Employees



# Significant events

QUARTER

01

- Opened the first store in Germany on Jungfernstieg in Hamburg
- Launched Cocraft Pro Edition, a tool for demanding do-it-yourselfers
- Won PostNord's annual environmental prize for our work on reducing the environmental and climate effect of transporting goods
- Won "Online Customer Experience of the Year" and "Online Customer Service of the Year" awards at the Nordic eCommerce Summit
- Opened new stores in Sandnes, Voss and Finnsnes in Norway

QUARTER

02

- Phased out paraffin and fossil substances from all indoor candles
- Launched Clas Ohlson Product Innovation Challenge, an initiative to boost sustainable product innovation
- Launched the new smaller store format Clas Ohlson Compact Store
- Launched online shopping in the German market
- Opened new stores in Hornstull, Stockholm, Sweden, Altona in Hamburg, Germany and Stovner in Norway

QUARTER

03

- Awarded prize for best digital signage in the industry
- Acknowledged by the Boston Consulting Group and Global Child Forum for children's rights work
- New President and CEO Lotta Lyrå appointed and takes office on 1 August 2017
- Opened new stores in Svolvær in Norway, Helsinki and Jyväskylä in Finland, Alstertal in Hamburg, Germany and in the Mercato Shopping Mall in Dubai

QUARTER

04

- Finalist in "Store of the Year" award in the category "Living" for flagship store on Jungfernstieg in Hamburg
- Arranged the Battery Hunt with battery manufacturer Varta, the Keep Sweden Tidy Foundation and Eco-Agents in Norway
- Launched a new range of more than 120 products for pets
- Launched the new Workwear by Clas Ohlson collection
- Opened new stores in Ängelholm in Sweden, Vinstra, Lillestrøm and Harstad in Norway and Espoo in Finland

## *This year's winner* of the Clas Ohlson PRODUCT INNOVATION CHALLENGE

The competition was launched in the autumn of 2016 to help us help customers live more sustainably. We received more than 100 complete entries and 10 went through to the next round of interviews and testing. The winner was Altered:Nozzle, a tap nozzle that reduces water consumption by up to 98%. Read about the winner of the Clas Ohlson Product Innovation Challenge on page 43.

## First step into the GERMAN MARKET

Clas Ohlson opened its first store in the German market in May 2016 on Jungfernstieg in Hamburg. There was widespread interest and a fantastic atmosphere when the doors were opened to German consumers and customers poured in. We can see that Germany is a market with great potential and we are convinced that our concept is highly suited to German consumers.



## Launched COCRAFT PRO EDITION

We launched Cocraft Pro Edition – a brand new tool series ranging from gardening machines such as lawn trimmers and hedge shears to power tools such as screwdrivers, reciprocating saws, angle grinders and hammer drills. We worked hard to ensure that all of the products in the series are of the highest quality and performance at a reasonable price. We offer a five-year guarantee for machines and a ten-year guarantee for hand tools.

## ONLINE CUSTOMER EXPERIENCE and Online Customer Service of the Year

Clas Ohlson won the “Customer Service of the Year” award after receiving the highest score in the 2016 Mystery E-shopper Survey, which assesses marketing, website and customer service. We also won “Online Customer Service of the Year” with our customer service team recognised for taking the time to help the customer regardless of the type of question, and being prepared to go the extra mile to leave the customer satisfied and make their interaction with Clas Ohlson a positive experience.



## NEW SMALLER FORMAT Clas Ohlson Compact Store

The Group's first Clas Ohlson Compact Store was opened in October in Hornstull in Stockholm. As the name suggests, the store has a compact format but, as always with Clas Ohlson, is filled with smart products and practical solutions. The new “Hire from Clas Ohlson” service is also available where customers can hire high-quality tools from Cocraft PRO Edition and other DIY favourites – everything from a fully equipped tool box to circular saws and measuring tools.



Establishing operations in Hamburg, Germany is a *historic milestone* for us.

# Wholehearted focus on growth and expansion

Clas Ohlson offers smart, simple and practical solutions at attractive prices that help make everyday life simpler for our customers. Help and inspiration are the key words of our mission.

Our aim of delivering value for customers, investors and employees pervades everything we do. A profitable and sustainable company in the long term must be one step ahead of stakeholder requirements and expectations, and this is the driving force behind our three strategic priorities: We will increase sales in comparable units, drive growth and international expansion and enhance efficiency and build an organisation and processes that support our growth plans.

## Clear focus and long-term plan

The past year was a key milestone for Clas Ohlson on our journey towards our vision. It was the year in which, after much preparation, we took our first step into the German market. It was also the year when we introduced the Clas Ohlson Compact Store format that we believe is a key tool in increasing our availability and expansion in both existing and new markets. We consolidated our position in our existing markets and expanded our store network by a net of 11 stores.

I am delighted and proud that we delivered according to plan and achieved what we promised. We increased sales and were very close to generating

**#1**

Increase sales in comparable units

**#2**

Expand with new stores in the Nordic region and internationally

**#3**

Enhance efficiency in processes and the organisation

8 billion SEK for 2016/17. Operating profit amounted to 610 MSEK and our operations have become even more efficient.

Nevertheless, the year presented a number of challenges, particularly regarding the company's key currencies. The US dollar – our most important purchasing currency – strengthened during the year and impacted purchasing costs, although we were relatively successful in offsetting these costs. The Norwegian currency also strengthened, resulting in a negative effect on earnings in recent quarters since we hedge parts of these currency flows.

#### **The road to Hamburg**

Establishing operations in Hamburg, Germany is a historic milestone for us. A large number of employees were involved in the preparations and we were delighted to welcome the first German customers to our store on Jungfernstieg in Hamburg on 19 May 2016.

We launched online shopping in Germany during the year, and opened another two stores in Hamburg in Alstertal and Altona. Our customer surveys have shown that our German customers

appreciate our wide range and our proprietary brands are performing very well. It provides us with a stable platform to build on.

#### **Restructuring in UK**

The past year was also dominated by the restructuring programme we are carrying out in our UK operations. We have witnessed an unsatisfactory trend in the UK for several years and we are now taking action. We closed six stores during the financial year and withdrew from locations that were not the right fit for us. Instead, we are concentrating our efforts on smaller format stores in the London region and have noted a positive trend to date.

#### **Continuous development**

Today, Clas Ohlson has a network of 218 stores in six countries. To provide our customers with the optimal offering, the stores we open are always adapted to local conditions in terms of, for example, buyer behaviour and store traffic.

It is perfectly natural for us to want to continue to expand and open more stores. During the 2017/18 financial year, Clas Ohlson plans to establish 10-

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*We will develop and strengthen our online shopping, which is an increasingly important channel in our store customer interaction.*

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15 new stores net. We will also develop and strengthen our online shopping, which is an increasingly important channel in our customer interaction.

We must also continuously develop and enhance the efficiency of our operations to remain competitive in the future. Over the past year, we took important steps in what is currently our most comprehensive change project, sCORE – Systems for Clas Ohlson Retail Efficiency. Implementing this new business system will support our expansion and provide better conditions for meeting consumer expectations. We are already using the new system in several markets and the plan is to continue to roll out the programme throughout the company over the next two years.

### From Here to Sustainability

Retail is the link in the chain that joins products and consumers. It brings with it a great responsibility and the opportunity to make a difference. Our long-term ambition is to contribute to a more resource-efficient value chain. We call it From Here to Sustainability and on this journey we will continue to integrate sustainability into our strategy and our way of working.

We are primarily advancing our positions in products and transportation, which are areas where we have the greatest opportunity to influence. We have increased sales of products for a more sustainable lifestyle from 6 per cent in 2014/15 to 14 per cent today. By 2020, these sustainable products will account

for 25 per cent of sales. We have also made progress in the area of transportation and have more than halved our relative CO<sub>2</sub> emissions since 2007. Our new target is to reduce CO<sub>2</sub> emissions in relation to our net sales over time.

We continued to develop our spare part operations during the year. We also tested new concepts for developing our service offering, for example, with hire of high-quality tools, something that we view as the next step in our long journey toward increased resource efficiency.

### Looking ahead

Clas Ohlson has a stable basis with proprietary brands, an attractive offering and a strong market position in established markets. We are all committed to giving our customers better customer service every day. I am quite convinced that by focusing on the customer in everything that we do, and based on creating long-term value for our most important stakeholders, we will continue to strengthen our position and our profitability.

Over the next financial year, we will develop and enhance both the products and services in our customer offering. We will also continue to focus on proprietary brands to achieve superior quality and design.

In the autumn of 2016, my colleague and friend Klas Balkow decided to leave the company after ten years at the helm. I will shortly hand over to Lotta Lyrå who will become the new President and

CEO of Clas Ohlson on 1 August 2017. I greet Lotta a warm welcome to the company.

I would like to thank all of our customers and shareholders for their confidence in Clas Ohlson. It drives us and inspires us. I would also like to take this opportunity to thank all of the fantastic employees we have at this company. Together, we all help make Clas Ohlson a company that is ready to meet the future.



Peter Jelkeby  
Acting President and CEO  
Insjön, Sweden, June 2017



## MEGATRENDS with a long-term impact

### **Globalisation**

In our connected world, people, goods and capital continue to criss-cross country and regional borders. Many countries are now imposing consistent demands for greater environment consideration, respect for human rights and taking a tough stance against corruption. We also see increased protectionism. This is why we are facing change that will require greater flexibility, planning and more robust governance of how we do business.

### **Digitalisation**

Digital services and tools are changing the way we search for information, interact and shop. Everything we do can be converted into data and analysed. The Internet of Things means that products can also be connected and communicate with each other. All of these factors affect the customer offering and interaction with customers, and create opportunities for new players and new business models.

# Trends that shape the future

**UNDERSTANDING HOW OUR BUSINESS ENVIRONMENT IS CHANGING**, the external forces exerting an influence and the challenges and opportunities this means for our business and our ability to develop and create value is decisive for how competitive we will be in terms of meeting customer needs.

Megatrends such as globalisation, digitalisation, higher demand for resources, climate change and demographic changes impact and change our industry, our market and the society in which we operate. Prevailing consumer trends are highly reflective of these megatrends.

Naturally, our industry is also influenced by macro economic conditions, such as political uncertainty, Brexit and currency fluctuations.

The retail sector is also experiencing major change. Purchasing and behaviour patterns are changing and existing structures and work methods are being challenged by new players.

This section describes the megatrends that will ultimately affect us all in the long term and some of the trends that currently affect us the most.

## Higher demand for resources

Vast quantities of resources in the form of water, energy, materials and food are consumed every day. Rising demand for resources among the growing middle class will affect both costs and availability, thus directing focus to improved resource efficiency, innovation, chemicals and other environmental impact throughout the value chain.

## Climate change

A global consensus on the Paris Agreement has put climate change at the top of the agenda. Stricter regulations could mean higher costs for such items as non-energy-efficient processes and transportation with high CO<sub>2</sub> emissions. Conscientious consumers will increasingly seek out products and services that help them to reduce their costs and negative environmental impact.

## Demographic changes

The continued population rise in northern Europe is mainly concentrated to the large cities where an urban lifestyle influences purchasing habits and patterns. The population growth is driven by increased immigration and we see a greater diversity of people with different cultural backgrounds who want a more customised offering.

## Five trends that affect us the most today

### Sustainable WAY OF LIVING

An urban lifestyle with longer working days and business travel means many find it difficult to find enough time in the day. Products and services that in different ways make everyday life easier are increasingly in demand. On top of this, more and more people want solutions that are compatible with a sustainable lifestyle. We see growing demand for green products, a desire to use the planet's resources sparingly and a trend towards wanting to hire, borrow or share products rather than owning them.

**FOR CLAS OHLSON, THIS MEANS** we will continue to develop the offering of smart, affordable products that solve small practical problems and develop services that make customers' everyday lives easier and support a more sustainable lifestyle.



### INFLUENTIAL and engaged consumers

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

**FOR CLAS OHLSON, THIS MEANS** being transparent, and continuously working to provide relevant smart solutions, inspiration, tips, good advice and clear product information. Both the offering and communication must be customised according to data and insight into what customers want and how they shop in order to present relevant and personal offers.

## FLEXIBLE, digital customer journeys

Mobile, digital technology is playing an ever important role in the lives of consumers and has revolutionised purchasing and behaviour patterns in the retail sector. Constantly connected consumers want to shop when, where and how they want, and they expect a simple and consistent shopping experience regardless of the sales channel they use, tailored to their needs. The rising trend of online shopping means that the main purpose of the physical store is as a meeting place and an arena for experiences. Customers expect quick, reliable and convenient deliveries and the range of delivery options offered is continuously expanding.

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



## COMPLEX competitive environment

Competition in the retail market is fiercer than ever before. Local, traditional retailers are being challenged by global e-retailers such as Amazon and Alibaba, while other digital players, for example, Google and Facebook are always expanding their business and pushing the boundaries of existing business models. Many companies have a similar range that competes for the same customers and it is easier than ever before to compare prices and performance.

**FOR CLAS OHLSON, THIS MEANS** pursuing our work on developing our omni-channel strategy, our product range and our service offering to offer customers relevant and affordable solutions in all channels that inspire them and help customers' everyday lives.

## Battle for TALENT

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

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



# Valuable insight from stakeholders

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

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## CUSTOMERS

Understanding our customers and their needs and expectations is vital to success in an increasingly competitive market. We interact with our customers every day in our stores, through our customer service centre, on our chat function and in social media. The 2.5 million members of our Club Clas customer club also provide valuable information and important insight into how we can improve our offering. Our annual 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.

**LOOKING FORWARD**, we can see that customers want relevant, innovative products and services with superior environmental performance. A resource-efficient offering is increasingly important in purchasing decisions.

## EMPLOYEES

4 800 employees in seven countries work hard to give our customers the very best service and best offering. Committed and goal-oriented employees are fundamental to our expansion and future development. We carry out a survey every other year and ask employees about their opinion of Clas Ohlson, our strengths and areas for improvement. This year's survey revealed a healthy work climate and excellent leadership. More than 80 per cent of employees are proud of working for Clas Ohlson, and the majority would recommend us to others as an employer.

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



A close dialogue helps us  
*set our strategy for the future.*

## SHAREHOLDERS

Clas Ohlson Series B shares have been listed on Nasdaq Stockholm since 1999 and the company now has slightly more than 33,000 shareholders, comprising companies, institutions and private individuals. 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 in Insjön, and at shareholders and investor meetings. Important information about shareholder value is obtained via the Nomination Committee and the Board.

**LOOKING FORWARD**, long-term profitability and shareholder value remain key topics.

## SUPPLIERS

We have close and trusting working relationships with more than 700 suppliers in about 30 countries. A strong supplier network is a prerequisite for an affordable, innovative and sustainable offering. We are constantly moving towards products under our proprietary brands and suppliers expect a long-term partnership and scope in return for meeting the robust requirements that we impose. Important issues are discussed during regular contact with suppliers, on various training courses and as part of audits.

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

## SOCIETY

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

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



*Shared priorities* govern  
the framework and set the direction.

# Inspiring a better everyday life

**WE WORK TOWARDS CREATING A STRONGER GROWTH PLATFORM** by developing the foundation of our concept, whilst adapting to a changeable world and a growing Clas Ohlson. Our Group-wide priorities of growth, expansion and efficiency govern the framework and set the direction. We work towards measurable, short-term priorities in each strategic focus area that are monitored every quarter.

## OUR MISSION

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

### #1

Increase sales in comparable units

### #2

Expand with new stores in the Nordic region and internationally

### #3

Enhance efficiency in processes and the organisation

## STRATEGIC FOCUS AREAS

### Our way of working

We will rationalise and simplify our way of working.

See pages 26-37.

### Our people

We will be high performers and customer-oriented.

See pages 32-37.

### Customer offering

We will be the natural choice for practical and sustainable solutions.

See pages 38-45.

### Customer interaction

We will increase customer loyalty and attract new customers.

See pages 46-53.

### Supply chain

We will optimise our supply chain – both purchasing and distribution.

See pages 54-63.

### Expansion

We will expand, while also reducing our CO<sub>2</sub> emissions in relation to our net sales.

See pages 64-65.

# Ambitious targets

## FINANCIAL TARGETS

### GROWTH

#### TARGETS

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

#### TARGETS

Establishment of 3–8 new stores net during the 2016/17 financial year. The target for the 2017/18 financial year is 10–15 new stores net.

### PROFITABILITY

#### TARGETS

An operating margin of at least 10 per cent.

#### TARGETS

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

#### COMMENTS

By increasing sales through the existing structure, Clas Ohlson can continue to develop its business.

#### COMMENTS

Through increasing the store network and expanding into new markets, Clas Ohlson can progress toward its vision of becoming a leading international modern hardware retailer.

#### COMMENTS

By investing in continued expansion and having a cost-efficient organisation, the operating margin will be at least 10 per cent.

#### COMMENTS

Owners will take part in the company's earnings over the long term through stable dividends.

#### TARGET FULFILMENT

During the financial year, sales in comparable units increased by 1 per cent.

#### TARGET FULFILMENT

We opened a total of 17 new stores in Sweden, Norway, Finland, the UK, Germany and Dubai during the year. The net addition was 11 stores. Our first store in Germany opened in May 2016.

#### TARGET FULFILMENT

The operating margin amounted to 7.6 per cent for the financial year.

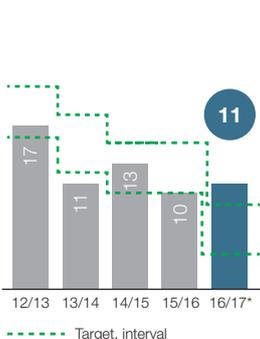
#### TARGET FULFILMENT

The proposed dividend for the financial year of 6.25 SEK per share corresponds to 82 per cent of earnings per share before dilution, which is in line with the dividend policy.

Sales growth in comparable units, %



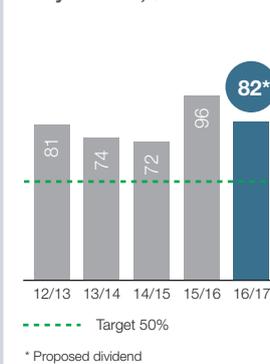
Number of new stores



Operating margin, %



Payout ratio, %



## SUSTAINABILITY TARGETS

### TARGETS

The percentage of products for a more sustainable lifestyle is to represent at least 12 per cent of sales by 2020. The target was achieved and revised in May 2017 so that products for a more sustainable lifestyle are to represent at least 25 per cent of sales by 2020.

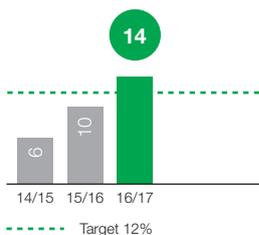
### COMMENTS

We will increase the percentage of products that support a more sustainable lifestyle, products that have a positive or significantly lower environmental impact than standard products and which surpass our set requirements in terms of quality and product safety and that are manufactured under reasonable conditions.

### TARGET FULFILMENT

The percentage of products for a more sustainable lifestyle amounted to 14 per cent of total sales for the financial year, up 4 percentage points year-on-year.

Sales of products for a more sustainable lifestyle, %



### TARGETS

Reduce relative emissions of CO<sub>2</sub> attributable to freight by not less than 50 per cent between 2007 and 2020 to 16 g CO<sub>2</sub> per tonne kilometre. The target was achieved and revised in May 2017 so that we will reduce our CO<sub>2</sub> emissions in relation to our net sales.

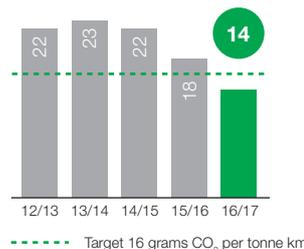
### COMMENTS

We endeavour to re-direct our freight to greener transport alternatives to reduce Clas Ohlson's emissions of CO<sub>2</sub>. The share of rail freight must increase at the cost of road freight and amount to at least half of total overland freight within four years.

### TARGET FULFILMENT

Relative emissions of CO<sub>2</sub> declined from 18 g to 14 g per tonne kilometre of goods, which was the result of increased shipment consolidation, improved fill rates on outbound pallets and better environmental performance of our sea transport.

CO<sub>2</sub> emissions, grams of CO<sub>2</sub> per tonne kilometres



### TARGETS

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

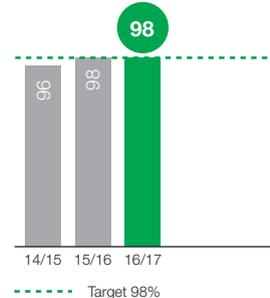
### COMMENTS

Monitoring compliance with the requirements of our Code of Conduct helps improve standards for suppliers, their workers and local communities and increases confidence in the Clas Ohlson brand.

### TARGET FULFILMENT

We focus on efficient monitoring processes, training and proactive development activities with strategic suppliers. 98 per cent of supplier complied with the requirements in 2016/17.

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



Sustainable is a prerequisite  
for *achieving our vision.*



2016/17

### An integrated approach

Continued integration in our strategy and processes, focusing on the customer offering, purchasing and transport.

Achieved our targets for transportation and customer offering. Defined new, ambitious targets for 2020.

Developing target for transportation by linking our emission targets to our expansion and growth targets. Accordingly, we reduce our CO<sub>2</sub> emissions in relation to our net sales.



2020

### A sustainable customer offering

We promote products and services for a more sustainable lifestyle and help our customers reduce their environmental impact.

Our sustainable customer offering plays an increasingly tangible role and helps us to realise Clas Ohlson's vision.

We specify our role in a circular economy.



Long-term ambition

### A resource-efficient value chain

We reuse, recycle and invent products and services and develop our way of working. All with the ambition of contributing to a more resource-efficient value chain.

from here  
to  
sustainability

JOIN OUR JOURNEY AT  
SUSTAINABILITY.CLASOHLSON.COM

# Prerequisite for long-term business

**SUSTAINABILITY IS A PREREQUISITE** for long-term profitable business. We have paved the way for integrating the environment and social aspects into our strategy and organisation. We passed several milestones during the year and set new targets.

From Here to Sustainability, the green speech bubble in stores and online, attracts attention to our sustainable offering. It raises awareness of products and services offering better environmental performance than comparable products and services and how they contribute to a more sustainable lifestyle.

From Here to Sustainability also details the journey we as a company are making. It outlines our ambitions and presents the most important issues for us. Our eight prioritised sustainability areas help us to navigate our journey.

## A differentiated offering

Clas Ohlson has increased sales of products for a more sustainable lifestyle, which now represent 14 per cent of our sales. Our new target is for 25 per cent of our sales to derive from such products by 2020.

Achieving this target requires an attractive offering, increased visibility in our sales channels and know-how among in-store staff. For this reason, we are

introducing a programme for training sustainability ambassadors.

## Transport keeps moving

We have more than halved our CO<sub>2</sub> emissions from transport compared with 2007, and thus attained our target for 2020. Since transport is the key to significantly reducing our impact, despite our expansion, we set a new target of reducing CO<sub>2</sub> emissions from transport in relation to sales.

## Responsible purchases

98 per cent of our audited suppliers comply with the requirements stated in our Code of Conduct without any serious deviations, a level that we intend to maintain until 2020.

But we are also raising our ambitions here, for example, we have entered into a partnership with Sedex to enhance transparency of responsible purchases. This collaboration will result in higher audit efficiency and allow us to allocate resources to strategic initiatives for long-term change among suppliers.

## Towards a resource-efficient VALUE CHAIN

Our long-term aim is to help make the value chain more resource-efficient. In order to do this, we need to promote transparency and expand our offering of service solutions that supplement our product offering.

Retail has traditionally been about selling products. Developing services that help customers reuse and recycle products is central for achieving resource efficiency. During the year, a number of stores launched a service for hiring, rather than buying, tools. The results of this pilot project will form the basis for developing the concept and expanding it to a larger scale.

## Eight prioritised areas

Our eight prioritised areas define the environmental and social aspects that we are to focus on, how we are to create value and how we measure our progress.

1

### Products for a more sustainable lifestyle

Many products generate their greatest impact on the environment when they are used. We have an important role to play in enhancing awareness about environmental performance of products, presenting alternatives, and enabling our customers to make well-informed choices.

Our five criteria for products for a more sustainable lifestyle, described on page 40, are to set apart the products that have a significantly enhanced environmental performance than comparable products. We will continue to meet consumer demand, while we identify and create partnerships for developing new products for a more sustainable lifestyle.

**OUR TARGET** is for products for a more sustainable lifestyle to represent 25 per cent of sales by 2020. Read more on page 40.

2

### Resource-efficient business models

By developing more resource-efficient business models, we see that we can contribute to society's shift from a traditional linear approach to manufacturing, use and waste toward a more circular economy. We are working to identify and evaluate new business opportunities that contribute to a higher degree of resource efficiency. Our growing sales of spare parts and repair service, which are available in all markets, means that we are extending the lifetimes of our products, and we help customers to reuse products, for example, by collecting and charging deposits for ink cartridges.

**OUR TARGET** We are carrying out and evaluating pilot projects, such as installation and tool hire, to define relevant targets.

3

### Being an attractive employer

Intensifying competition for employees means that it is even more important to be a company that shares the values of its new and existing employees. We find leverage in being, and being perceived to be, a sustainable and ethical company.

We attract new, talented employees with new skills, in parallel with the growing importance of diversity issues. We believe that this benefits innovation and helps us to anticipate tomorrow's needs and challenges. Good health, safety and well-being are key for success.

**OUR TARGET** is for employee attendance to exceed 96 per cent by 2020. Read more on page 36.

4

### Energy efficiency

As we continue to grow as a company, it is essential that our CO<sub>2</sub> emissions do not follow suit. More than 70 per cent of the CO<sub>2</sub> emissions that we can address are linked to the transportation of products. Most of our products – 95 per cent – are now transported by sea or rail, both of which have favourable CO<sub>2</sub> profiles.

We also reduce energy use in our stores, our distribution centre and our offices.

**OUR TARGET** is to reduce our CO<sub>2</sub> emissions in relation to our net sales. Read more on page 62.



## Reusing INK CARTRIDGES

We accept empty ink and toner cartridges for printers to simply reuse and reduce the risk of these cartridges being mixed with household waste. Customers in Sweden, Norway, Finland, the UK and Germany can hand them in at every store, while members of the Club Clas programme and our Clas Office corporate customers also receive compensation for returns.

We accepted more than 500,000 cartridges during the financial year, compared with 330,000 the year before. They are sent to our supplier, where they are refilled and delivered back to us. We then sell them under our own brand at an attractive price. In this way, we are developing more resource-efficient business models.

5

### Materials and chemicals in products

We see more consumer engagement, more stringent legislative requirements and greater insight into the impact of hazardous chemicals on our health and the environment. Through setting clear supplier requirements, good control and better transparency, we ensure that we are always one step ahead and can retain our customers' confidence.

We already impose higher requirements than those set by legislation for products used by children or that come into contact with skin or food. We are continuing to improve our processes to manage, control and remain transparent with this information, which also provides us with better conditions for identifying and prioritising chemicals that can be phased out.

**OUR TARGET** is to annually update requirements based on scientific findings. Read more on page 56.

7

### Business ethics

Clas Ohlson has a strong corporate culture and our core values form the basis of being a responsible and trustworthy company. Our Code of Conduct and our Code of Business Ethics define the requirements and instructions that both employees and partners are expected to follow. Clas Ohlson has zero tolerance for corruption and bribery.

We endeavour to ensure that all understand their roles and that the company expects that everyone conducts themselves in line with our Code of Business Ethics, regardless of where in the world we do business. Regular employee training took place throughout 2016/17.

**OUR TARGET** is to continue to train employees and partners in 2017/18 and more clearly relate this issue to human rights. Read more on pages 28-31.

6

### Human rights, children's rights and employment conditions

Almost 70 per cent of our products are manufactured in countries where there is an elevated risk of deviations from our Code of Conduct, meaning that it is important to continuously check and monitor that our suppliers respect our requirements regarding working conditions, human rights and environmental issues.

To help bring about a positive change among suppliers, we concentrate on offering training courses and guidance together with other companies and organisations, alongside conducting regular audits.

**OUR TARGET** is 98 per cent supplier compliance with our requirements, with no serious deviations. Read more on page 58.

8

### Our role in society

By acting as a positive force in the communities in which we operate, we improve the confidence that our employees, customers, and other local stakeholders have in us.

By viewing the impact that we have from the perspective of future generations, we acquire the long-term aspect we need in our work. Subsequently, we focus on children's rights and support the UN Children's Rights and Business Principles. For many years, Clas Ohlson has pursued preventive efforts in China on issues related to child labour and children's rights to their parents. We have also worked to inform and involve children in our home markets in activities with a link to important environmental issues.

**OUR TARGET** We are analysing the area to define targets.

# How we create value for our stakeholders

**OUR VISION IS TO DEVELOP CLAS OHLSON** into a leading international modern hardware retailer, with high profitability that adds value for all stakeholders. Our value-creation model explains how we are to realise this vision.

## RESOURCES

### OPERATIONS

- More than 200 stores and online shopping in six countries
- Distribution centre in Insjön, Sweden, as a hub for efficient distribution

### FINANCIAL CAPITAL

- 2,251 MSEK in equity

### HUMAN CAPITAL

- A strong corporate culture
- 4,800 highly skilled and motivated employees

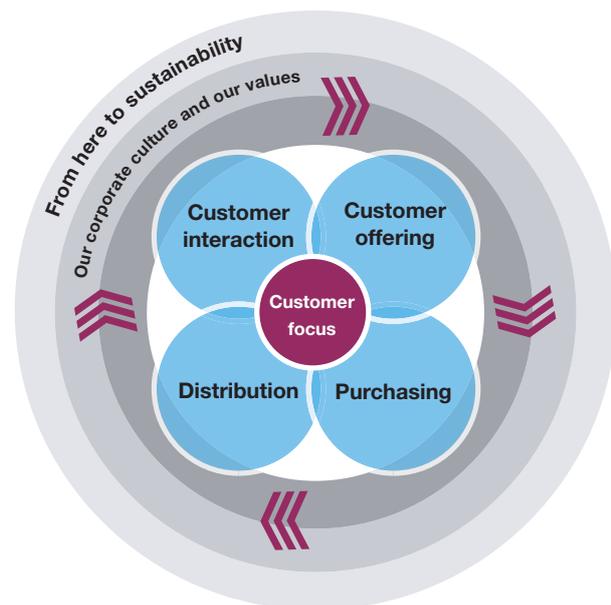
### RELATIONSHIP CAPITAL

- Our strong brand
- 75 million visitors to our physical stores and increasing numbers to our online store
- 2.5 million members of our Club Clas loyalty programme
- Close partnership with more than 700 suppliers in Europe and 750 manufacturers in Asia

### NATURAL RESOURCES

- Efficient use of natural resources for production and distribution

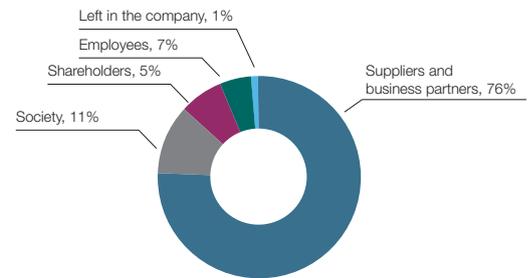
## OUR BUSINESS MODEL



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

**Economic value by stakeholder group**

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.



OUR OFFERING

VALUE FOR OUR STAKEHOLDERS

15,000  
*products*  
for an easier  
everyday life

10,000  
*spare parts*



218  
*stores*  
and online  
store

1,300  
*products*  
for a more  
sustainable lifestyle

**CUSTOMERS**

- High availability of a broad, affordable and attractive customer offering
- Safe in the knowledge that products meet high quality, safety and environmental requirements
- Products for a more sustainable lifestyle

**EMPLOYEES**

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

**SUPPLIERS AND BUSINESS PARTNERS**

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

**SOCIETY**

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

**SHAREHOLDERS**

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

# Governance for efficient operations

## STRATEGIC FOCUS

### LONG-TERM AMBITIONS

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

### PRIORITIES FOR 2016/17

- Strengthening our culture and our values
- Implementing sCORE and developing related processes
- Optimising our organisational structure
- Integrating sustainability into strategic planning

### PRIORITIES FOR 2017/18

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

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

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

### Strong governance

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

Read more about the governance of Clas Ohlson in the Corporate Governance Report on pages 80-89.

### An ethical approach

Our Code of Conduct and Code of Business Ethics describe Clas Ohlson's commitment to maintaining a high standard of ethics when we do business and our expectations of each employee and partner. We have a zero tolerance policy regarding corruption and bribery. Our Code of Business Ethics and our Code of Conduct are included in all purchase agreements and we strive to include them in all major contracts. We are clear that violation of the Code of Business Ethics could, in addition to the termination of the partnership, lead to consequences under labour law and criminal law.

## Reporting DEVIATIONS

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

## Employee INTERVIEW

Training  
highlights  
good business  
ethics.

# Hello!

### General Counsel TINA ENGLYST

Tina has been our General Counsel for six years and deals with matters on corporate governance, company law, contracts, intellectual property and business ethics.

Our strong *core values provide the platform*  
– drive, warmth, innovation and commitment.

#### What is business ethics about?

“Business ethics encompasses competition law, conflicts of interest, corruption, general ethical considerations and core values. The training courses that we arrange form an important part of preventive activities.”

#### Tell us more about these training courses.

“We regularly arrange courses in our Code of Business Ethics for all senior executives and country managers, as well as for employees who work with large-scale purchasing and agreements, and our agents in Asia. The courses are held in small groups in the relevant language, and are adapted to local conditions.”

#### How do we adapt to local challenges?

“The challenges we face in business ethics differ between the Nordic countries, which have a low risk of corruption, compared with China and India, for example. We need to adapt our reactive and preventive efforts to local conditions, which of course can be even more of a challenge. Business ethics cannot simply be ticked off the list once you’ve taken action. A continuous focus on the issues at hand is needed, as is widespread involvement at all levels.”

### Respect for CHILDREN’S RIGHTS

For many years, Clas Ohlson has pursued preventive efforts on issues to do with child labour, product safety, responsible marketing and other issues that impact children. We support the UN Children’s Rights and Business Principles, which were prepared by the UN Global Compact, Save the Children and UNICEF. The Children’s Rights and Business Principles guide companies in their efforts to respect and promote children’s rights in their own operations and in relation to products and services, at the workplace, the point of sale and in society.

## POLICIES AND GUIDELINES approved by our Board

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

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

### CODE OF CONDUCT

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

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

### CODE OF BUSINESS ETHICS

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

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

Our most significant risk of corruption exist in the purchasing process and when entering into larger contracts. Therefore, we conduct regular training for all employees who work with purchasing and high-value contracts and for our agents in Asia. Two minor violations of the Code of Business Ethics were reported and resolved during the year.

### Efficient business processes

Our processes are managed on the basis of a Group-wide model that is continually refined and improved. The implementation project for our new business system, Systems for Clas Ohlson Retail Efficiency (sCORE), will enhance the efficiency of the supply chain, make it easier to address changes in demand patterns and purchasing behaviours and make opening new stores and distribution centres quicker and more effective, even in new countries.

The project, which commenced in the 2013/14 financial year, is proceeding

according to plan and the roll-out is scheduled for completion in January 2019. The sCORE programme is a strategically important initiative that will further strengthen Clas Ohlson.

### Governance for greater sustainability

We integrate key sustainability issues into our strategy and relevant processes, with each function responsible for driving and pursuing this work. Until December 2016, Clas Ohlson had a sustainability forum that defined the company's strategic orientation, set targets and monitored progress. The sustainability function is now part of Group Management and the Board receives regular updates.

We have in-house audit teams stationed in China, our largest purchasing market, and perform regular audits to ensure compliance with our high expectations regarding working conditions, human rights and the environment as defined



in the Code of Conduct. There was 98 per cent supplier compliance with our requirements, with no serious deviations, during the financial year. Read more about our supplier demands on page 58.

**Focus on risk management**

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

The risks are compiled in risk charts that provide a clear overview of the total risk exposure and priority action to take. Each function is responsible for monitoring and managing existing risks and

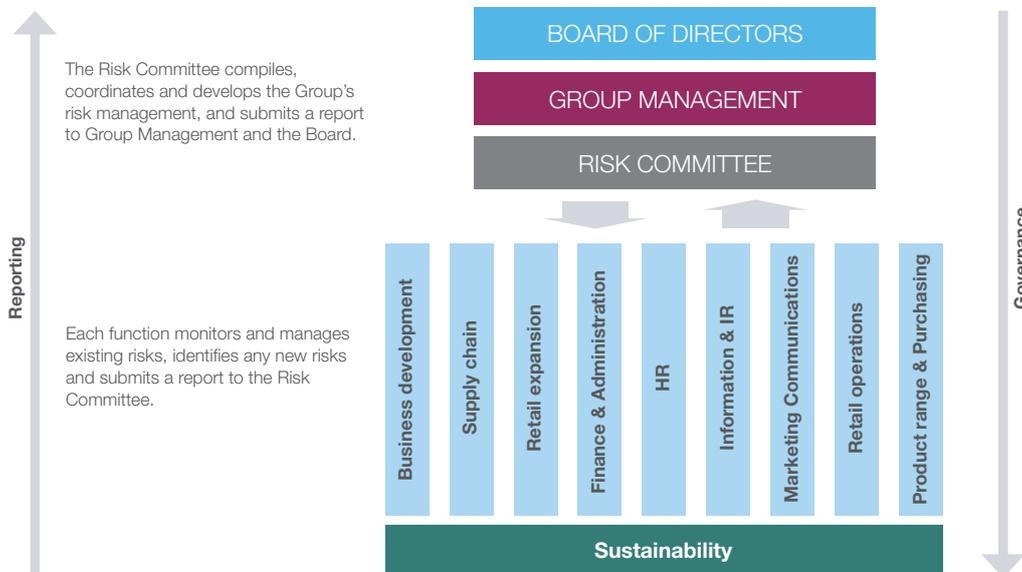
identifies new risks. The Group’s Risk Committee compiles, coordinates and develops risk management, and reports to Group Management and the Board.

Operational risks mainly comprise establishing operations in new markets, purchasing in Asia, IT systems, competition, logistics, strikes, supply of key employees, social responsibility, an attractive product range and shrinkage. Risks of a financial nature primarily comprise changes to the economic climate, salary inflation, higher raw-material prices and transport costs, and currency exposure.

In 2016/17, sustainability-related risks were more clearly integrated into our risk process.

Read more about risks and risk management in the Directors’ Report on pages 76-79.

**RISK MANAGEMENT**



**STRATEGIC  
FOCUS**

**LONG-TERM  
AMBITION**

Clas Ohlson will ensure a high-performance and customer-oriented organisation by focusing on leadership, skills development and increasing diversity.

**PRIORITIES FOR  
2016/17**

- Strengthening and developing leadership with a focus on increased involvement, customer satisfaction and profitability
- Developing the skills of our employees using our new training platform and our store-training concept
- Developing our ability to attract and retain key talents
- Increasing diversity among our employees

**PRIORITIES FOR  
2017/18**

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

# Values that engage

**COMMITTED AND GOAL-ORIENTED EMPLOYEES** who share our values and want to grow with us are fundamental to our continued expansion and development. Together, we will find new, smart solutions to practical everyday problems. Today Clas Ohlson employs about 4,800 employees in seven countries.

Clas Ohlson is to be an attractive employer that can develop and retain competent and committed employees, while attracting new skills. This is the key to continued successful growth. We offer a stimulating work environment with many opportunities for personal and professional development. Our expansion opens the door for challenging and varied work duties as well as international career paths.

**We have a passion for business**

Our strong core values are the foundation for all work conducted in the company and how we approach each other, our customers, suppliers and society at large. Our core values rest on salesmanship. We understand customers' needs and we

have a passion for doing business that is good for us and our customers.

**Values are key to recruitment**

In the recruitment process, we seek employees who want to grow and develop with Clas Ohlson and who share our values. We promote diversity and we are certain that a variety of competencies and backgrounds are needed for continued successful growth, in both new and established markets.

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

## OUR VALUES

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

**Drive, warmth,  
innovation and commitment.**



Being an *attractive employer* is the key to continued successful growth.

### Skills development and career paths

Our induction programme ensures that all new employees receive a broad understanding of Clas Ohlson's history and values, our vision, mission and our sustainability work to carry with them when dealing with customers and other stakeholders.

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

Skills are mainly learnt in daily work duties. New work assignments are a path to new challenges within the Group and there are major opportunities to advance skills or change direction, and to work internationally. We use career planning and internal development to ensure that the Clas Ohlson spirit is transferred to new markets.

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

# 78

*engagement index*

Commitment among employees is high with the index rising from 77 to 78 in the most recent employee survey.

### CLASSROOM is our new training portal

Classroom, our new training portal specialising in products, was rolled out to all markets in the 2016/17 financial year.

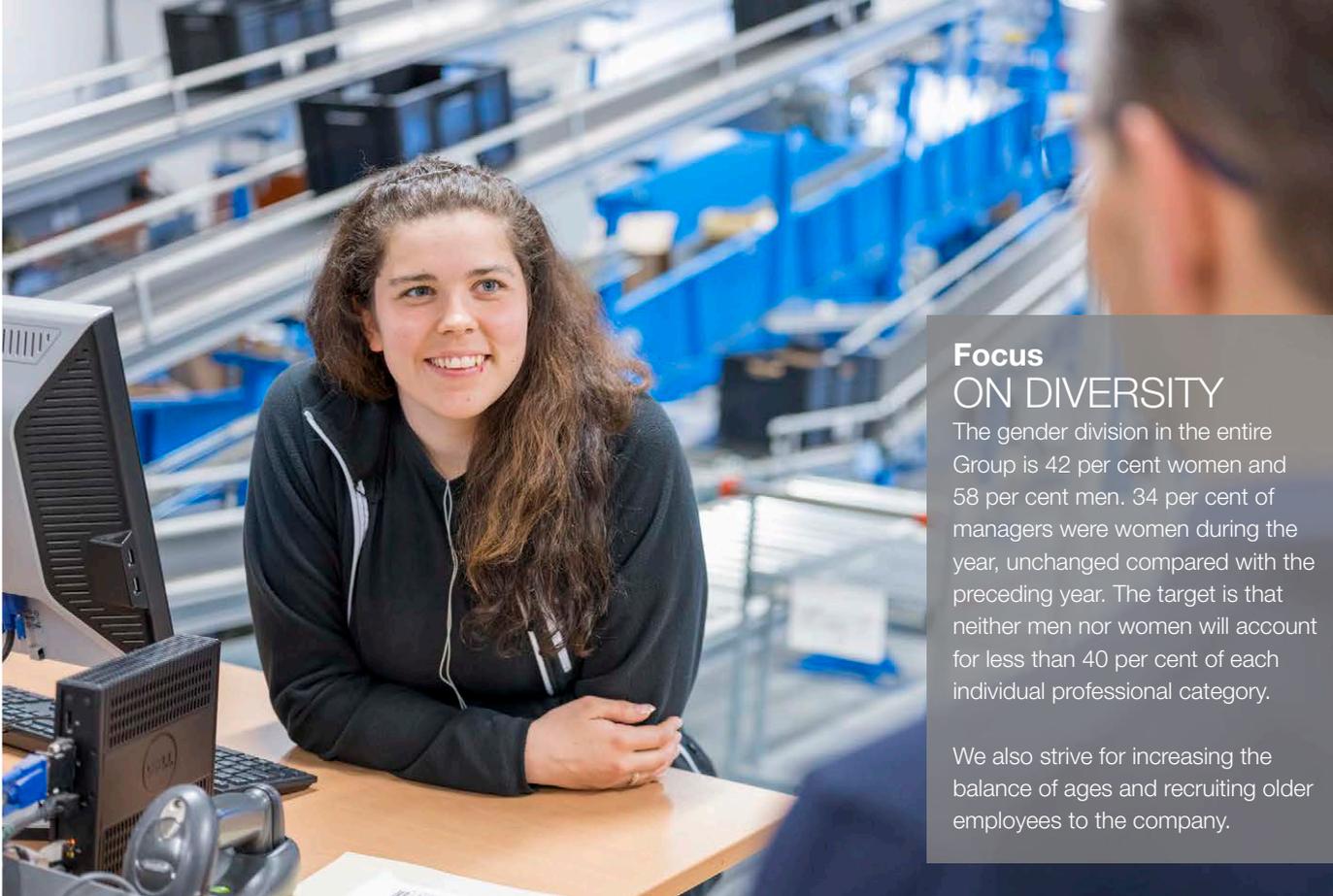
Heightened product knowledge increases confidence when interacting with customers, and we know from the most recent employee survey that product training is the most sought after type of training among both managers and employees. Classroom allows the user to choose when and where they want to take part in the course and can be used on both computer and mobile platforms.

### Widespread COMMITMENT

A full 89 per cent of Clas Ohlson's employees participated in our most recent employee survey that was carried out in the autumn of 2016. More than 80 per cent of our employees are proud of working for Clas Ohlson, and the majority would recommend us to others as an employer.

Commitment has increased from 77 to 78, which is above benchmark, i.e. in comparison to similar workplaces.





## Focus ON DIVERSITY

The gender division in the entire Group is 42 per cent women and 58 per cent men. 34 per cent of managers were women during the year, unchanged compared with the preceding year. The target is that neither men nor women will account for less than 40 per cent of each individual professional category.

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

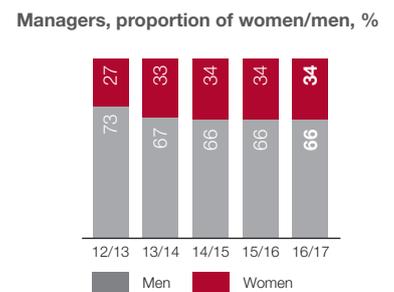
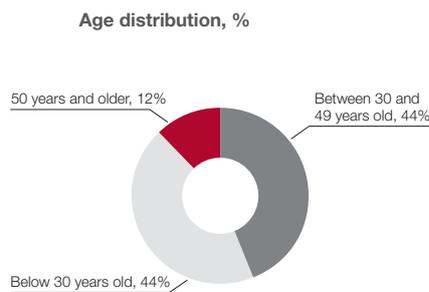
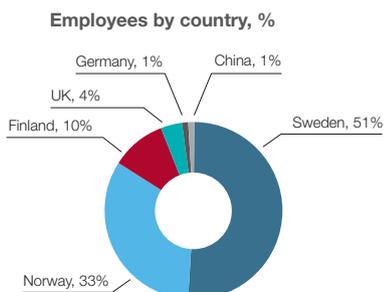
### Diversity meets market needs

We endeavour to ensure that every workplace has employees with different backgrounds, skills and experience. Greater diversity boosts creativity and innovation and helps us to meet the needs and challenges of our growing markets.

Clas Ohlson is also to be an inclusive workplace where we respect each other and follow Clas Ohlson's core values. We have a zero tolerance policy for all forms of discrimination and harassment. All

employees have the same rights, opportunities and obligations. No one shall be discriminated against due to gender, age, religion, ethnic origin, disability or sexual orientation.

We work to increase diversity through recruitment and focused skills development. The Board adopted a Group-wide diversity policy in the 2016/17 financial year. We also conducted an analysis of the current status, set relevant targets and defined key indicators.





## TRAINEESHIPS that lead to a job

Together with the Swedish Public Employment Service, we have been working since 2013 to help young people who are excluded from the labour market to gain important practical work experience. We accepted 80 trainees in 2016/17, of whom about 25 per cent were offered employment at the end of the trainee programme.

We added a declaration of intent called "Sweden together" to the framework of the programme where Clas Ohlson assumes its responsibility as a major employer to help improve integration. For us, this involves challenging ourselves as regards language requirements for the trainees we accept. During the year, we also expanded our partnership with the Public Employment Service to include long-term unemployed persons over the age of 50.

We have been working on a recruitment programme in Finland for four years aimed at young people aged between 18 and 30 with upper-secondary school qualifications or lower, who are unemployed or threatened by unemployment. Participants complete a five-month placement in stores, combined with theoretical courses, which leads to a basic professional diploma in retail. Half of the 18 participants in the programme in 2016/17 were offered employment with Clas Ohlson.

### Tomorrow's leaders

Excellent leadership creates personal and corporate growth. At Clas Ohlson, leadership involves utilising and developing our employees to generate good business with a constant focus on the customer.

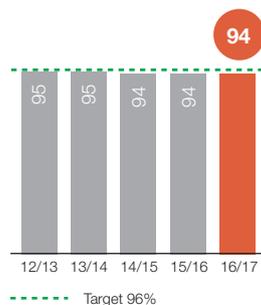
Internal leadership programmes support our leaders in their development and ensure a common management style and the future supply of leaders. During the financial year, we primarily focused on skills development for team leaders and managers in key positions throughout the company.

### Focus on well-being

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

Employees who are contented and happy are committed, stay longer and are important ambassadors for Clas Ohlson. Our goal is for employee attendance to exceed 96 per cent on an annual basis. Employee attendance for the 2016/17 financial year was 94 per cent.

Employee attendance, %



## Employee INTERVIEW

# Hello!

### Team Leader MATTIAS CARLSSON

Mattias has worked at Clas Ohlson for five years, first as a sales assistant in Haninge, Sweden, and now in Hamburg – in the new role of team leader.

New role  
in Hamburg  
broadens  
horizons.

#### Why did you apply for the position in Germany?

"I enjoyed working as a sales assistant at the Clas Ohlson store in Haninge, but felt that it was time to try something new. I lived in Germany as a child and have always thought that it would be great to return, so I jumped at the chance when I found out that we were going to open stores in Germany."

#### Tell us about your job as a team leader.

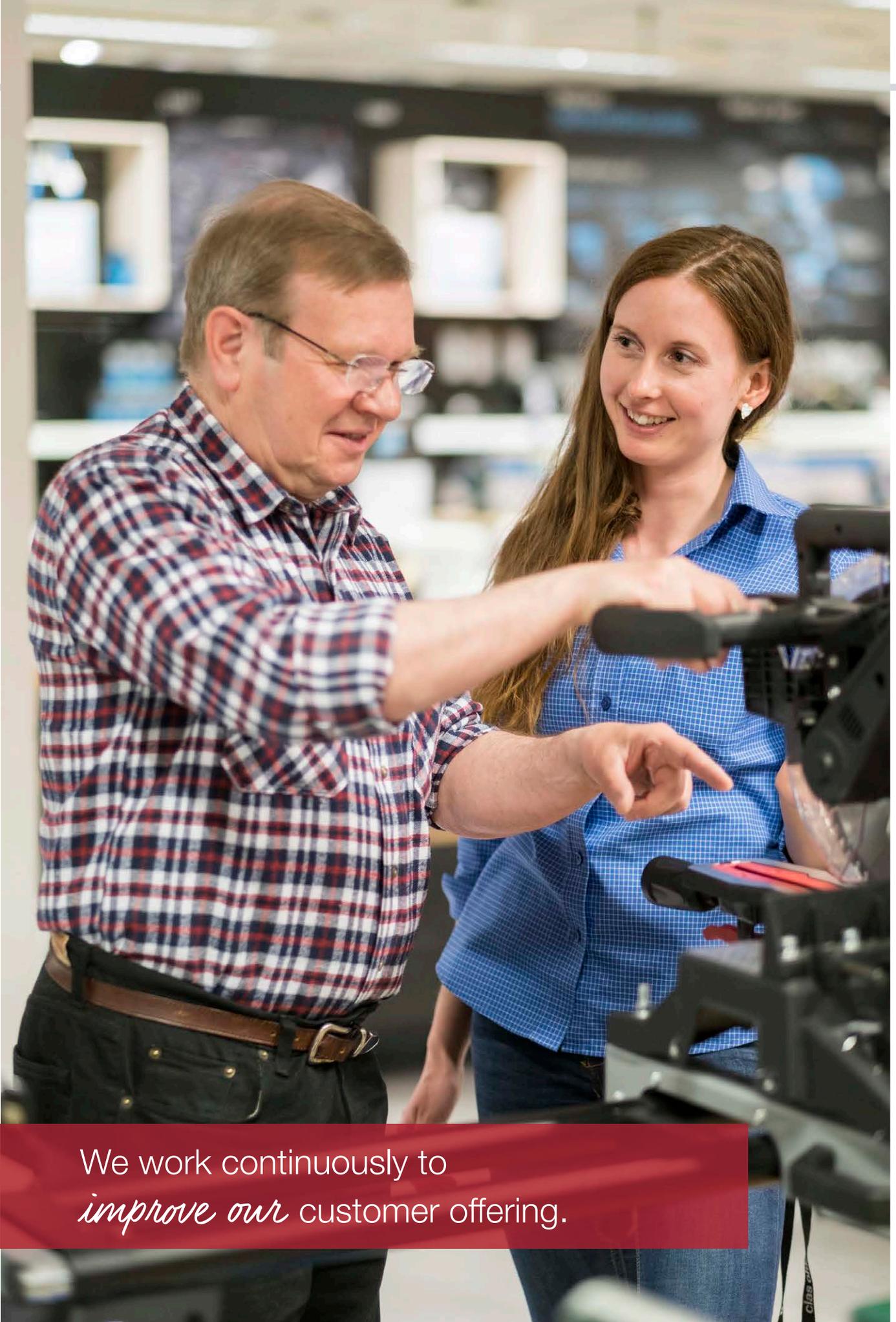
"I first worked as a category expert but a year ago I was given the chance to take over the role of team leader at the new store on Jungfernstieg. Being a team leader means that I am expected to prioritise and delegate work duties to my colleagues, which involves a great deal of responsibility for me. I am learning new things all the time and really enjoy the role."

#### What's the difference between Haninge and Hamburg?

"They are much the same, but there are some differences. We have to work a little harder here in Germany on explaining the wide range to customers and among colleagues, so we are probably more direct in how we communicate because giving and receiving instructions and assigning direct tasks is more common. I consider the style in Sweden to be more coaching."

"I very much enjoy working in retail and Clas Ohlson's values and corporate culture suit me. Clas Ohlson is on an exciting journey and I want to be part of it!"





We work continuously to  
*improve our* customer offering.

# Products to make everyday life better

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

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

## A continually evolving product range

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

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

## Products for a sustainable lifestyle

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

## STRICT REQUIREMENTS and continuous evaluation

For a product to be included in our product range, we place strict requirements on function, price, quality and chemical content, and require them to be produced under good conditions. Products that we already sell are continually evaluated on the basis of demand, customer satisfaction and profitability.

### STRATEGIC FOCUS

#### LONG-TERM AMBITIONS

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

#### PRIORITIES FOR 2016/17

- Strengthen our proprietary brands
- Ensure prices are competitive
- Expand the range for a more sustainable lifestyle

#### PRIORITIES FOR 2017/18

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



25%  
*sustainable*

We have become more ambitious and set new targets. The proportion of products for a more sustainable lifestyle should represent 25 per cent of sales by 2020.

## CRITERIA for products for a more sustainable lifestyle

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

- Reduce energy or water consumption in the home
- Support recycling or are made from recycled materials
- Help reuse or reduce waste
- Have an improved environmental performance, such as eco-labelled products
- The use of materials is optimised or potentially hazardous chemicals are replaced.

We assessed all products in the range during the financial year, and now close to 1,300 have been approved, compared with 450 the year before.

We increased the percentage of products for a more sustainable lifestyle during the 2016/17 financial year to 14 per cent of sales, which exceeded the target of 12 per cent by 2020. For this reason we have become even more ambitious and set a new target that the percentage of products for a more sustainable lifestyle is to represent at least 25 per cent of sales by 2020.

### Spare parts prolong service life

Our range of spare parts is good business for both us and our customers, while it helps us to save resources and extend the service life of a product. Our online store offers a simple search system covering over 10,000 spare parts, including products that are no longer stocked. Our range of spare parts is very popular and sales during the financial year increased by 17 per cent.

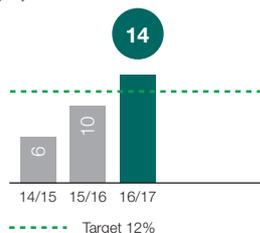
The range of spare parts is available in all of Clas Ohlson's markets, although with

local variations in the range in the UK, Germany and Dubai. A number of spare parts are also available in our physical stores that manage stock levels based on local demand.

### Everything for the office. And more besides.

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

Share of products for a more sustainable lifestyle, %



## Smart SOLAR PANELS illuminate

Our major investment in solar panel lighting is ongoing. We launched a range of new items during the spring. We are broadening our range while investing in design. Lamps with solar cells are particularly smart products that people can place wherever they like. They light up a space while also being kind to both your wallet and the environment.



## LIGHT A CANDLE and let it burn

Clas Ohlson is taking further steps to offer customers products for a more sustainable lifestyle and is now producing the entire candle range for indoor use from renewable raw materials. Our straight candles, tea lights and pillar candles are made from 100 per cent stearin, while the scented candles are manufactured from vegetable wax, so now our customers can light a candle with a clear conscience!



## Focus on child SAFETY

For children, the entire home is an exciting world to explore, but even the most everyday items could be a danger for little people. For this reason, Clas Ohlson has produced several products that reduce the risk of injury from crushing or falling, for example.

In addition to various solutions that make the home a safer place, Clas Ohlson's range has for some time contained several products that help improve child safety outside the home too, such as reflective vests, ear defenders and life jackets.

## AFFORDABLE AND SMART for pet owners

In the spring of 2017, Clas Ohlson launched an entirely new range for dog and cat owners containing smart and affordable products that make everyday life with a pet that little bit easier. Our desire is for all products in the range to offer something extra – for instance, all leads have reflectors sown into them. Several products have a clear environmental profile, such as dog waste bags that are made from 100 per cent biodegradable material and bowls made from recycled plastic.





## WORKWEAR by Clas Ohlson

After having tested the sale of workwear in a small number of stores, in May 2017 we launched a proprietary collection under the Workwear by Clas Ohlson brand.

The range, which comes in unisex sizes, includes trousers, T-shirts, shirts, jackets, belts, suspenders, hats, socks, knee pads and thermal underwear. These clothes can be used for all manner of DIY projects, while the fit and design ensure you feel comfortable even in other situations.

Workwear by Clas Ohlson offers details that are usually only found in more expensive clothes, and the products are certified by Oeko-Tex®, which is the world's leading certification standard for textiles that adheres to strict requirements regarding hazardous substances.

### Strict quality, safety and health requirements

Quality is important to us and our customers. We are particularly diligent with products that carry our proprietary brands and these undergo numerous tests before being approved. The first control occurs when our engineers conduct advanced tests for quality, function, safety and durability on the sample products brought home by buyers from trade fairs or purchasing trips. We only place an order when the engineers have deemed the product to be up to standard and the supplier is in compliance with our Code of Conduct. Read more about the requirements we place on suppliers on page 58.

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

We also work to minimise the use of hazardous chemicals in the company's product range, and we have imposed stricter requirements than those set by

legislation for products used by children and products that come into contact with skin or food. Testing is carried out in our own workshops and laboratories, and we also cooperate with several independent test institutions such as Inter-tek, Semko and SP Technical Research Institute of Sweden.

### Smart packaging

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

Together with our supplier in China, we carried out a pilot project in order to take the next steps in terms of packaging. We produced optimised packaging for transportation, sales packaging and a more sustainable selection of materials. We also enhanced our organisation in China by recruiting a packaging technician to put us in a position to take greater responsibility in terms of our packaging and packaging material.



## Employee INTERVIEW

# Hello!

Packaging is an important part of our products.

### The packaging department BJÖRN OGRAHN

Björn is Function Manager for packaging design and works on the design of product packaging for our proprietary brands.

#### Packaging that can stand with almost anything

Packaging is an important part of our products, serving to protect them during transportation but also in terms of good exposure and handling in the store and when being transported home from the store.

“Recycling is high up on the agenda and we work continuously to reduce packaging waste. Our packaging should be as sustainable and recyclable as possible,” explains Björn Ograhn, Function Manager for packaging design.

When we select and launch new products, analysing and optimising the packaging is now an obvious part of the process. This applies to everything from the selection of materials and design to choosing to do away with packaging entirely in specific cases. In the case of older products that have been present in the range for many years, we systematically assess all product areas to identify any opportunities for minimising the amount of packaging material, above all else.

“We have taken another look at several areas, and have just completed a review of the packaging for audio and video cables. We have reduced the size of packaging and thus optimised transportation by 10-20 per cent. The packaging will also be made from FSC-certified paper and the plastic tray from recycled RPET plastic.”

## Altered:Nozzle won Clas Ohlson's PRODUCT INNOVATION CHALLENGE

A new, innovative nozzle that fits all types of taps and reduces water consumption by up to 98 per cent won Clas Ohlson's Innovation Challenge. It will be available in all markets and in all sales channels from June.

“Altered:Nozzle is our contribution to solving a growing global problem,” explains Johan Nihlén, CEO and one of the founders of Altered. By dispersing water finely, each drop is utilised fully and you only consume a fraction of the water that a normal tap requires.

Clas Ohlson's Product Innovation Challenge is one part of From Here to Sustainability and is a competition for anyone who has an idea for a product that is new on the market, that fits into our range and contributes to a sustainable lifestyle.





Proprietary brands offer *a wider selection.*

**Increased share of proprietary brands**

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

We place strict requirements on quality, functionality and sustainability. All of our proprietary products undergo numerous tests before being

approved, both in Insjön, and out at the manufacturing plants before we place the first order.

Our proprietary brands accounted for 35 per cent of sales during the 2016/17 financial year, and our objective is to increase this percentage further. During the year we clarified and reinforced our brand strategies with new objectives and guarantees.



Outdoor life, training, cycling and travel accessories that inspire people to lead an active life.



Fittings, hooks, hangers and bathroom furnishing with a focus on design.



Problem-solving, smart kits and consumables, for example, paint, cleaning items and office materials.



Electric tools, stationary machinery, tools, painting accessories, gardening tools, garage storage and padlocks.



Kitchen equipment and electrical appliances, household products and products for hygiene and health.



Work light fittings, heating, ventilation, digital measuring instruments and electric installation materials.



Multimedia products such as sound systems, earphones, cables and telephone accessories, as well as office machinery and alarm products.



Designed products relating to lighting, as well as energy-efficient products and light sources.



Water sports equipment including bath toys, snorkels, swimming goggles and wet suits.

## 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. [COCRAFT](#), [CAPERE](#) and [CLAS OHLSON](#) are our proprietary brands in this category.



### 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. A large proportion of sales in this category come from our proprietary brands [COTECH](#) and [NORTHLIGHT](#).



### 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. [EXIBEL](#) and [CLAS OHLSON](#) are our proprietary brands in this category.



### Home

We have thousands of affordable products that make everyday life easier and more enjoyable. The range includes products for the kitchen, broom cupboard, wardrobe, laundry room and bathroom. Large parts of the range are changed each year to follow existing trends. We offer our proprietary brands [COLINE](#) and [CLAS OHLSON](#) in the Home category.



### Leisure

The Leisure category contains products for outdoor living, the garden, sports and exercise, as well as travel, boating and games. Carefully selected products contribute to active leisure for children and adults, both outdoor and indoor, all the year round. [COCRAFT](#) and [ASAKLITT](#) are our proprietary brands in this category.





It should be *simple,*  
*affordable and inspiring.*

# Customer interaction is key

**SHOPPING AT CLAS OHLSON SHOULD BE EASY**, as well as inspiring and affordable. We offer accessibility and service through a mix of various sales channels. Clas Ohlson's service concept is based on the energy and competence of our employees.

We want to appear committed and proactive when meeting our customers. Our people in stores, in customer service or in chat-rooms, who meet the customers every day, are important brand bearers and brand builders.

## We meet customers via many channels

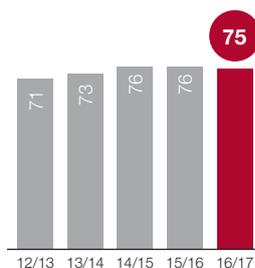
We work continuously to develop our various sales channels and offer customers a flexible and inspiring shopping experience. The sales channels are fully coordinated, known in the industry as omni-channel. Our aim is to manage all sales channels as one whole and minimise differences between physical and digital stores. To an ever increasing extent, we are also meeting our customers via social media.

The stores are the most important sales channel in our omni-channel strategy and our store concept is continually changing and evolving, with new solutions and ideas. It should be easy for customers to find their way around, and we place a major emphasis on product display and navigation to save time for both customers and employees. Clas Ohlson also has different store formats, in which the size and product offering is adapted according to the location and level of local competition to better serve customers and drive sales.

39  
*million customers*

The number of visitors to our stores amounted to 75 million during the year. The conversion rate increased and the number of customers totalled 39 million.

Number of visitors in stores, millions



## STRATEGIC FOCUS

### LONG-TERM AMBITIONS

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

### PRIORITIES FOR 2016/17

- Strengthen our excellent customer service
- Further develop new store formats
- Develop and enhance the Club Clas loyalty club
- Take the next step in our communication strategy and optimise the media mix

### PRIORITIES FOR 2017/18

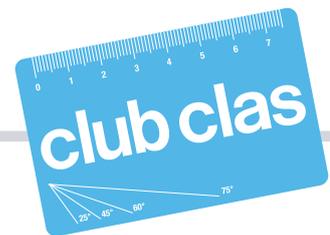
- Strengthen our excellent customer meeting
- Evaluate and further develop new store formats
- Develop and enhance the Club Clas loyalty club
- Take the next step in terms of customer communication on our range of more sustainable products

The store formats are of varying sizes and the depth of the range is different in different stores. Products not included in the stores' ranges can be ordered for home delivery or to be collected in-store.

Our online store is a key channel in our customer interaction, particularly in markets where there is less awareness of Clas Ohlson. Many consumers search for information online, and visits to the website also contribute to more visits

and higher sales in our stores. Both traffic and conversions in our online store increase sharply.

Clas Ohlson is currently investing in a new business system that will enable us to take the next step in the development of our omni-channel offering. We will be able to raise service levels for our customers further by offering relevant products in the right sales channel at the right time, in an even more efficient way.



## Club Clas FOR LOYAL CUSTOMERS

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

## Clas Ohlson COMPACT STORE

The Clas Ohlson Compact Store was opened in Hornstull in Stockholm, Sweden, in the autumn of 2016. It may be a small store, but it is full of smart products and practical solutions. It is possible to place an order from our on-line store and hire the tools required for a DIY project. We are supplementing our larger stores with smaller formats as part of our expansion strategy. We want to be where our customers are as they go about their day.





## Satisfied and LOYAL CUSTOMERS

Clas Ohlson conducts surveys continuously to capture customers' views on how well we meet their expectations. The latest results showed a customer satisfaction index of 85 per cent.

Our customers appreciate our staff most of all, and they say that they would be delighted to recommend us to friends and acquaintances. We are extremely pleased by this level of trust. We are continuously striving to develop our service, our offering and our sales channels in order to remain the natural choice for our customers.

*The customer satisfaction surveys are conducted every other year, most recently in 2015.*

## BEST CUSTOMER EXPERIENCE and best customer service online

Clas Ohlson won "Online Customer Experience of the Year" and "Online Customer Service of the Year" awards at the 2016 Nordic eCommerce Summit. The assessment was based upon customers' experiences. An extract from the jury's citation: "Clas Ohlson's customer service team is prepared to go the extra mile to leave the customer satisfied and make their interaction with Clas Ohlson a positive experience."





**34%**  
*have LED lighting*

At the end of the financial year, 34 per cent of our stores had installed energy-saving LED lighting.

**Sustainable stores**

We strive to improve sustainability in the stores themselves. We are reducing our stores' environmental impact through energy efficiency measures, and we are switching to more cost and energy efficient LED lighting. Electricity consumption in converted stores is falling by 38 per cent on average, while the energy saving amounts to 35 KWh per

square metre. At the end of the financial year, 34 per cent of our stores had been converted and new stores are fitted exclusively with LED lighting.

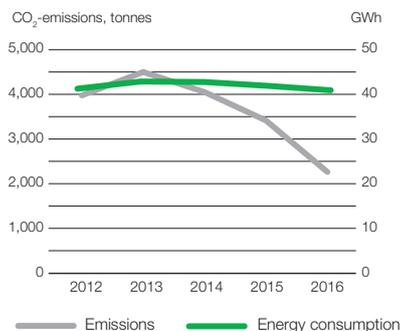
We are also working to incorporate greater possibilities for collecting end-of-life products in our stores.

**We want to inspire a more SUSTAINABLE LIFESTYLE**

Many products have their greatest environmental impact during the use phase. For this reason, it is vital that we make it easier for customers to select products with a strong environmental performance. We use green speech bubbles in the stores and on the website to highlight our products for a more sustainable lifestyle. Among the products available are all our indoor lights, solar power lighting and LED lighting, eco-labelled cleaning products, indoor paint and batteries – and of course our popular spare part range.

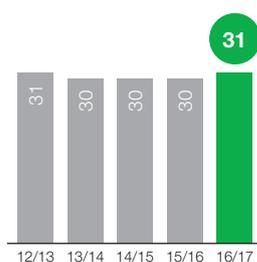


**Energy use and related CO<sub>2</sub> emissions from indirect and direct energy consumption**

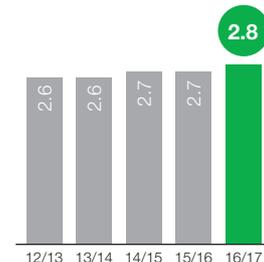


Stores account for 84% of total energy consumption and 96% of CO<sub>2</sub> emissions.

**Sales, store/m<sup>2</sup>, SEK 000s**



**Sales per average employee, MSEK**





## Online store ALWAYS OPEN

Our largest and most popular store is online. We want to offer customers an equally inspiring shopping experience online to that offered in our physical stores. Clas Ohlson's online store is open round the clock and is interactive, easily navigated and works equally well on computers, smartphones and tablets.

Our entire product offering can be found here, but also thousands of spare parts, purchasing guides and inspirational films. Customers are able to ask questions and receive responses, upload shopping lists, view expanded product information and fill their baskets with products that are delivered directly home to the door. During the 2016/17 financial year, traffic to our online store increased by 20 per cent.

More and more people are making their way to our *convenient online store.*



We already have a *loyal customer base* in Hamburg that appreciates *our wide range*.



## Employee INTERVIEW

# Hello!

Positive feedback from customers in Hamburg.

### Hamburg store in the final of STORE OF THE YEAR

Our new store on Jungfernstieg in Hamburg is one of the best new stores in Germany in its category. This was the conclusion of industry experts from the German Retail Federation, Handelsverband Deutschland. Clas Ohlson was one of the three finalists in the “Store of the Year” competition in the “Lifestyle” category. Important aspects included the store’s rate of innovation, customer value, potential and experience. Other contributing factors were the size and design of the store along with the competence of the staff.

### Store Manager, Jungfernstieg PEGGY FLEISCHER

Peggy is the Store Manager of our first store in the German market – located on the famous Jungfernstieg shopping street in central Hamburg.

#### What has been the greatest challenge?

“The fact that we are a relatively unknown brand in Germany. We need to continue building up confidence among customers and establishing our brand and concept. We are also working continuously to optimise our stores and ensure that we have the right products on the shelves to attract German consumers.”

#### How has the offering been received?

“We are extremely proud of all of the positive feedback we are getting from our customers regarding our stores, concept and the service

we offer. The customers also appreciate being able to shop for the type of products we offer in the city centre where they pass through every day. We already have a loyal customer base recommending Clas Ohlson to family and friends.”

#### Which aspect do the customers appreciate most of all?

“I actually feel that our employees and our attitude towards service represent our greatest competitive advantage. The customers feel welcome and we do our very best to respond to their questions and solve their problems.”



We adopt a long-term approach when  
*developing our network* of skilled suppliers.



# Strict requirements for suppliers

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

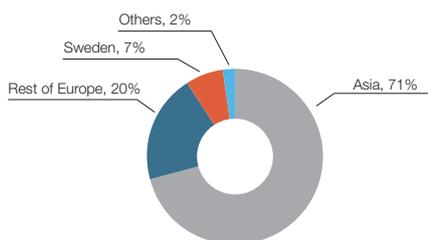
Clas Ohlson purchases products from more than 700 suppliers in Europe and 750 manufacturers in Asia. The proportion of direct purchases totalled 41 per cent, which was the same as the previous financial year.

Close to 70 per cent of all our products are manufactured in Asia, and principally in China, which is our largest purchasing market, where we also have in-house purchasers in place.

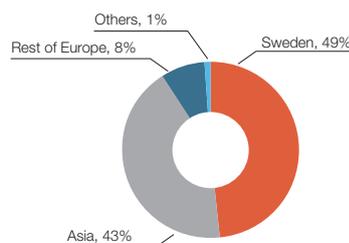
41%  
*direct purchases*

We purchase 41 per cent of our products directly from the manufacturers.

Regions of origin



Regions of purchase



**STRATEGIC FOCUS**

**LONG-TERM AMBITIONS**

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

**PRIORITIES FOR 2016/17**

- Work in a more integrated way with prioritised suppliers
- Develop new purchasing markets

**PRIORITIES FOR 2017/18**

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



## New procedures and targets for HANDLING CHEMICALS

During the financial year, we defined a process for how we annually update our requirements regarding chemicals contained in products, clarified the procedures for spot checks of finished products and specified responsibilities and authorisations for whenever we find deviations during our product checks.

Examples of areas that were updated during the year include requirements regarding soft plastic surfaces that come into contact with the skin during application and requirements regarding printing ink and silicon that come into contact with foodstuffs. Together with other companies, Clas Ohlson also drew up an agreement to share test results on a voluntary basis and inform both suppliers and the other companies who sell the products should any deviations be identified.

We also defined comprehensive targets concerning chemicals: We shall enhance our requirements regarding chemicals by implementing new scientific findings into our annual update of Clas Ohlson's chemical requirements.

## Close cooperation with suppliers

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 reliability and speed in terms of deliveries. All suppliers must adhere to our Code of Conduct.

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

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

## WE KNOW what customers want

A product purchase begins with an idea about what our customers are going to demand. This idea could come from our customers, a technological change in the market, major market trends or the development of a product already included in the range. Our purchasing organisation has its ear to the ground in order to react quickly to any identified or future customer needs.

## Employee INTERVIEW

# Hello!

A careful  
process to  
identify the best  
solution.

### Category Manager for Multimedia PETER OLSSON

Peter has long-standing experience of product purchasing from Europe and Asia and has been working as a manager for our Multimedia product category for three years.



#### How do we manage purchasing in Insjön?

"The purchasing process itself actually begins with comprehensive monitoring of the market. We need to understand today what will be in demand tomorrow, which is why we obviously attend every major trade fair, read up on relevant new items, assess the trends appearing in the industry and take on board questions posed by our customers. We also have a close dialogue with our colleagues in China, who take note of many interesting new items from both existing and potential suppliers. Once we have identified a need, we make it tangible by producing a product description in which we define specifications such as design, price and when we need to bring the product to market."

#### What happens next?

"The next step is to find a manufacturer who can help us produce the product we have defined in the product description. We adopt a broad approach to identify the best solution. Our offices in China then proceed with the idea using their contacts in Asia, but we also assess other

markets depending on the relevant need – for example, it may be that we prefer to work with a European manufacturer if the time factor is crucial. We also collaborate with a number of agents in cases where we do not have our own contacts with manufacturers. Once we have found the right supplier for the job, we begin our process of collecting documentation and making visits to the sites to ensure that the supplier meets our requirements in terms of quality, delivery reliability, working conditions, etc."

#### There are major distances between Insjön in Sweden and many of the suppliers. What challenges does this pose?

"If we take China, for example, which is a major purchasing market, there are obviously major cultural differences, and for those who are not used to them it can be a challenge to learn how to communicate in the right way and construct a strong network of suppliers. This is why we, like many other major players, see a major advantage in having our own organisation in China."

The purchasing process actually begins  
with *comprehensive monitoring of the market.*

## PARTNER ORGANISATIONS

We have entered into a collaboration with Sedex, the world's largest partnership aiming for greater transparency in responsible purchasing. This collaboration helps reinforce our ambitions, gives us greater efficiency in our auditing work and enables us to focus our resources on strategic initiatives that contribute to enduring change among our suppliers.

### Clas Ohlson takes supply-chain responsibility

Before we do business with a new supplier, we undertake a review to check that the supplier lives up to our Code of Conduct in terms of working conditions, human rights and the environment.

We have internal auditors in China who undertake comprehensive reviews to ensure that requirements are being observed. During the financial year, we also performed a detailed analysis of our European partners and their suppliers to enhance our knowledge and assessment of conditions at the factories.

We see positive effects from the audit work and the follow-ups that we carry out. Our focus remains on transparency and efficiency in the development of our supplier programme. During the

financial year, we trained our internal auditors in the new auditing standards and introduced a risk-based model for assessing which suppliers should be audited and when.

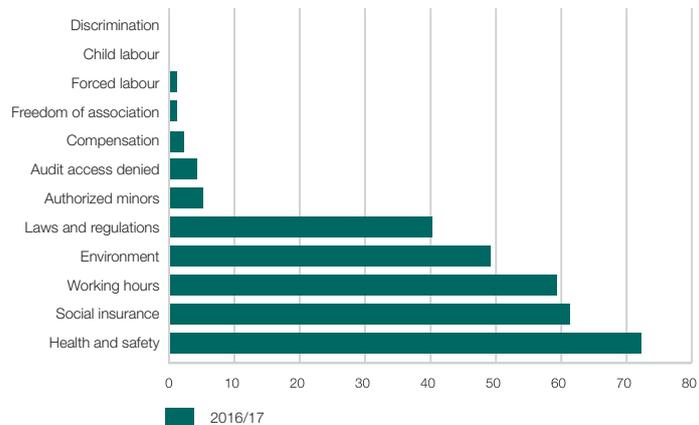
In early 2017, we decided to sign up to Sedex, the world's largest collaborative platform for sharing supplier data relating to working conditions, human rights and the environment, and during the next financial year we will start to get our suppliers involved in Sedex.

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

## 98% fulfil THE REQUIREMENTS in the Code of Conduct

During the financial year, we conducted 346 audits, both announced and unannounced. Of these audits, 95 were of new suppliers and 231 were follow-up audits. Over the past 24-month period, 100 per cent of our suppliers in high-risk countries were audited against the Code of Conduct requirements, and more than 98 per cent live up to the requirements without any serious deviations. The aim is to maintain this level until 2020.

Deviations from the Code of Conduct when audited, %



## Employee INTERVIEW

# Hello!

### Sourcing Manager TERRY GAO

Terry Gao works as Sourcing Manager at our office in Shanghai. He has a particular focus on the purchasing markets of China and Vietnam.

A close  
dialogue with  
our suppliers.



#### How do we manage purchasing in China?

"I often say that we are Clas Ohlson's eyes and ears in China. We do a lot of work monitoring developments in the market, both by visiting trade fairs and other kinds of research, and by developing our relationships with suppliers through a close dialogue and visits to the factories. The purchasing organisation in Insjön also sends requests to us concerning new products they believe should be included in Clas Ohlson's range. When attempting to produce the requested product to the right quality, in the right timeframe and at the right price, our wide network proves highly useful to us."

#### How large is the team in China?

"We have two offices in China that handle purchasing: one in Shanghai, where I work, and one in Shenzhen. We are organised according to the same principle as the head office, where we have dedicated teams that work on the categories Home, Electrical, Leisure, Hardware and Multimedia respectively. There are around 60 of us in total working on purchasing, quality controls and CSR in China."

#### How important is it to have your own relationship with the suppliers?

"Extremely important. By taking a long-term approach, we can obtain better prices on the products we purchase, we can reach the market with new products faster and we create long-term understanding of each other's situation and challenges."

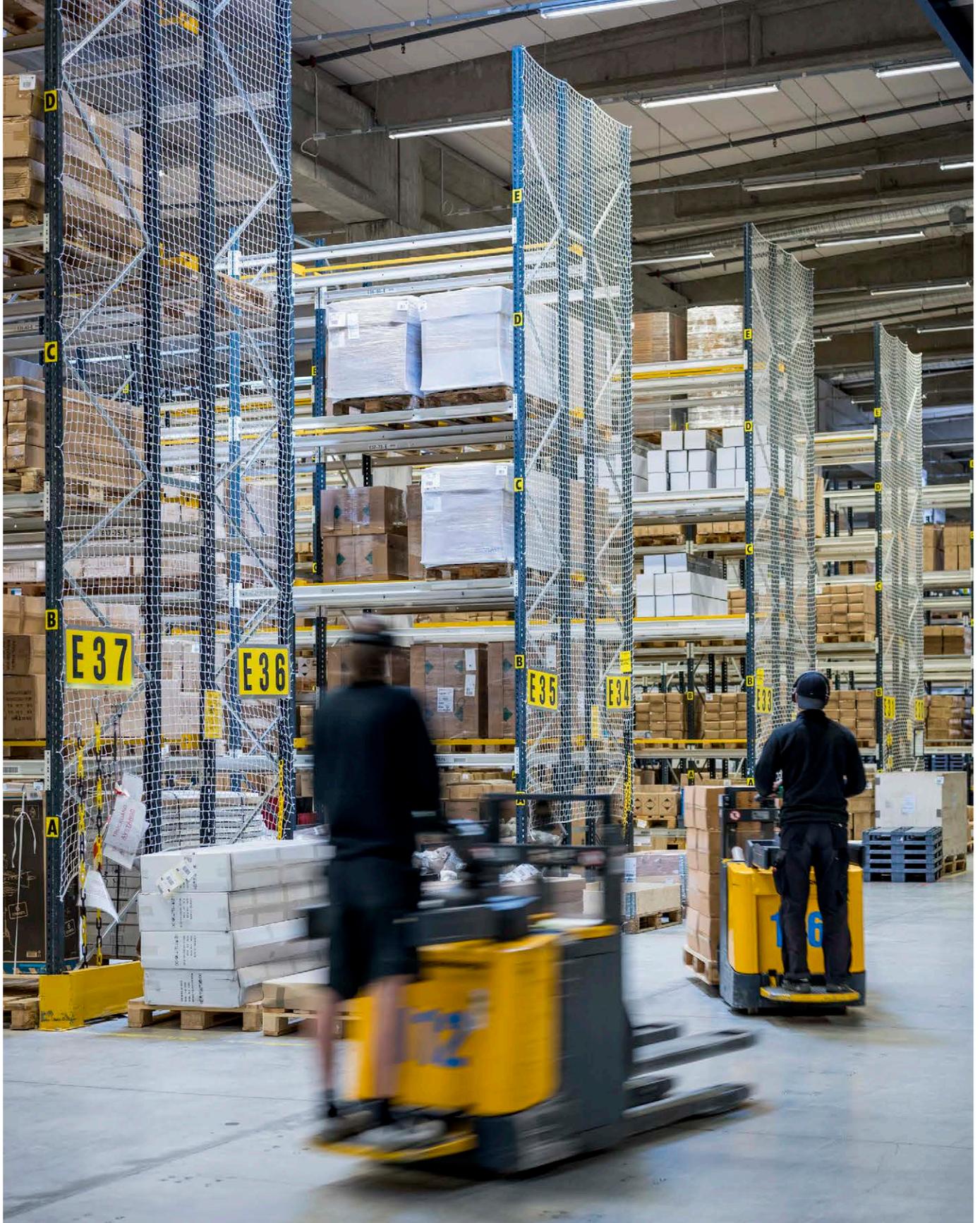
## TRAINING INITIATIVES among suppliers in China

Together with QuizRR, Clas Ohlson has developed a digital tool to train strategic suppliers in China in health, safety and workers' rights. The new tool makes the training courses more effective, fun and, above all, measurable.

"Clas Ohlson is one of our most important partners, contributing both its knowledge and commitment to improving QuizRR," says Sofie Nordström, one of its founders. Together with Clas Ohlson and its suppliers in China, we have tested early prototypes and pilot tools."

During the 2016/17 financial year, Clas Ohlson rolled out QuizRR at some 25 factories in China.

"By introducing measurability and transparency to the supply chain, we are able to educate our employees and managers at all levels about their rights and duties. This way we can create the conditions for long-term profitability while also contributing to a positive change and improved conditions in our supply chain," says Åsa Portnoff Sundström, Head of Sustainability at Clas Ohlson.



Our distribution centre in Insjön provides the conditions for *efficient logistics*.

# An efficient and sustainable flow of goods

**ALL OF OUR PRODUCTS PASS THROUGH THE DISTRIBUTION CENTRE** in Insjön to be repackaged and distributed to stores or directly to customers. We maintain an excellent level of service and availability on the shelves, while reducing our CO<sub>2</sub> emissions in relation to our sales through selection of transport, increased freight consolidation and a higher fill rate.

The products from suppliers in about 30 countries and close to 60 countries of origin pass through our major distribution centre in Insjön, Sweden, where products are repackaged and dispatched to our more than 200 stores in six countries or directly to customers. Logistics are at the heart of Clas Ohlson and an efficient and CO<sub>2</sub>-minimising flow of goods one of our most important factors for success.

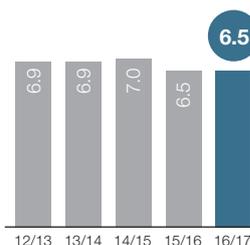
## Level of service

Our distribution centre in Insjön is the hub that provides the conditions for efficient distribution and logistics. Our focus is on supplying stores and online customers with the products they need, in the right quantities and at the right time. Our level of service in stores is 97 per cent. Orders from stores are processed automatically when an article reaches its re-order point, and products reach the stores in one to three days. Each working day, an average of approximately

97%  
*level of service*

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

Stock turnover rate



## STRATEGIC FOCUS

### LONG-TERM AMBITIONS

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

### PRIORITIES FOR 2016/17

- Increase productivity at the Insjön distribution centre
- Increase efficiency across transportation
- Reduced CO<sub>2</sub> emissions/tonne kms

### PRIORITIES FOR 2017/18

- Increase productivity at the distribution centre
- Consolidate transportation in China
- Increase the fill rate in containers
- Reduce CO<sub>2</sub> emissions relative to our sales



1,000 pallets are delivered to stores and approximately 1,000 deliveries are made directly to customers.

During the financial year, we continued to develop our distribution centre to meet the capacity requirements of some 250 stores, we streamlined goods receiving and online shopping and implemented Lean, a more resource-efficient method of working, into parts of our operations. We have also continued to streamline our store logistics, for example, we have improved transport packaging to better suit both goods delivery and the stores, and further centralised inventory control.

We are also working on the stock turnover rate at our distribution centre. Following a certain level of stock build-up and changes to the purchasing and product mix, we have marginally improved these key indicators.

**Efficient transportation**

We are making changes to our transportation to ensure higher security of delivery, lower costs and a reduced environmental impact. We have already achieved our overall environmental target, which is to reduce relative emissions of CO<sub>2</sub> by 50 per cent during the period 2007-2020. The basic reference point was 32 grams per tonne kilometre. During the financial year, emissions fell from 18 to 14 grams per tonne kilometre through increased freight consolidation, an improved fill rate and

more environmentally friendly modes of transport. We are continuing to work on the reduction of our transportation's environmental impact and have set challenging environmental targets to reduce CO<sub>2</sub> emissions relative to our sales over time.

We have also set new targets for sea transportation, which means that the fill rate in our goods containers from Asia is to increase from 80 per cent today to 85 per cent by 2020.

**Shifting to ships and trains**

Almost all goods arriving from Asia to Gothenburg, Sweden, come by sea and are transported from there by rail to Insjön. The target is to have at least 50 per cent of our overland freight shipments carried by rail by 2020 at the latest. During the financial year, the proportion of overland freight by rail totalled 44 per cent.

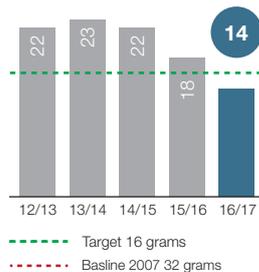
The majority of goods arriving from Europe are consolidated and transported by rail from Helsingborg to Insjön. Since March 2016 we have also been transporting approximately 80 per cent of our Norwegian flow from Insjön to Oslo by rail.

**New pallets and packaging**

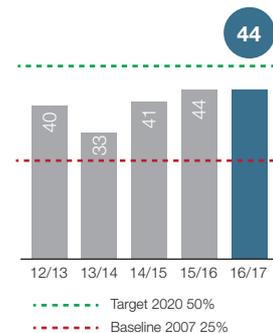
We have upgraded our stackable plastic pallets in our outbound delivery flow to improve their service life and to reduce costs and environmental impact.

**50% LESS**  
**CO<sub>2</sub> per tonne kms**  
 More than 70 per cent of the CO<sub>2</sub> emissions we are most able to influence are linked to the transportation of our goods. During the year we reduced our CO<sub>2</sub> emissions from 18 grams to 14 grams per tonne kilometre of goods.

CO<sub>2</sub> emissions, grams/tonne kms



Percentage of total overland freight carried by rail, %



## Employee INTERVIEW

# Hello!

### Head of distribution centre in Insjön PER-OVE SILVERSTAM

For almost five years now, Per-Ove Silverstam has been Head of Clas Ohlson's distribution centre, responsible for everything relating to product handling within the walls of the 77,000 square metre building in Insjön.

#### What steps do you take at the distribution centre to enhance efficiency?

"One major task for us is to make it easier for those who come after us in the supply chain, or the stores in other words. Our task, aside from the obvious – delivering products – is to help them become more efficient during the product refill process each morning to ensure they have more time left for customers. This means that we remove as much packing as possible so that picking the item in the store is as easy as possible.

We are also continuing to invest in the operations. In 2017/18 we will install driverless trucks, which is really exciting and will also help increase efficiency."

#### How are sustainability initiatives evident as part of operations at the distribution centre?

"We handle large quantities of packaging material, around 1,000 tonnes of corrugated paper per year, along with a large amount of plastic. We recycle everything and ensure that the materials go back into production and become new corrugated paper and plastic.

Another aspect we work on is optimising our pallets for the stores. Once the fill rate increases, less transportation will be needed."

#### How is the distribution centre equipped for further expansion?

"We are ready for an expansion of up to around 250 stores using the picking structure we have today. By changing the picking structure, we have the opportunity to pick significantly larger volumes and to bring them to more stores.

We are also expanding a lot in the area of online shopping. This area may well see new technical solutions in the future for handling further volume increases. The solutions we are reviewing include simplifying the entire "pick and pack" process to increase efficiency and reduce lead times to customers."



We help  
the stores  
become more  
efficient.

### DISTRIBUTION CENTRE in Insjön

- 77,000 square metres of floor space
- **3,700 containers** unloaded per year
- 280,000 pallets delivered to stores each year
- **330,000 mail dispatches** per year
- Capacity to supply up to 250 stores
- **400,000 pallet and storage spaces**

# Growth in existing and new markets

## STRATEGIC FOCUS

### LONG-TERM AMBITIONS

We will develop our sales channels in existing markets and establish Clas Ohlson in more countries.

### PRIORITIES FOR 2016/17

- Strengthen the store network in the Nordic region
- Optimise the store network in the UK and expand in London
- Position Clas Ohlson and open more stores and expand online shopping in Germany

### PRIORITIES FOR 2017/18

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

**CLAS OHLSON IS CONTINUOUSLY EXPANDING** with new stores, new channels and new offerings. We currently have a high store density in the Nordic region, which means that new markets and customer segments are important in terms of our continued growth.

Sales increased by 5 per cent during the 2016/17 financial year and growth in comparable units amounted to 1 per cent. We are opening more stores in both new and existing markets, and expanded our store network during the financial year by a net of 11 new stores. We are also growing by strengthening our digital sales channels, and traffic in our online shopping channels increased by around 20 per cent. Our Club Clas loyalty club now has more than 2.5 million members in the Swedish and Finnish markets.

### Location is critical

Our stores are attractively located in city centres or popular shopping centres. As new stores are opened in prime locations in both established and new markets, the existing store network is continuously being updated to always offer customers an inspiring experience. A Clas Ohlson

store is attractive and popular, and the addition of one of our stores often significantly increases floor traffic in a shopping centre.

### The next step in our international expansion

We took our first step into the German market during the financial year, establishing online shopping and three stores in prime locations in Hamburg. We will focus on building up the brand in this region and will open one additional store in Hamburg in 2017/18.

During 2016/17 we also undertook a restructuring of the UK store network. We closed six stores at various locations across the UK and are investing in developing our stores in the London region. We also expanded our franchise operations by adding one additional store in Dubai.

## PROFITABLE INVESTMENTS in new stores

Clas Ohlson leases store premises on fixed-term contracts. A new store in an existing market entails an initial financial commitment of 7-13 MSEK, comprising 1-3 MSEK in start-up costs, 3-5 MSEK for investments in store fittings and computer systems and 3-5 MSEK for inventories. New stores in the Nordic region turn profitable in their first year. Initial start-up costs and investments are higher in new markets, and reaching profitability takes longer.



## Employee INTERVIEW

# Hello!

New services  
offer greater  
customer  
value.

### Customer Service Workshops PER DAHLER

Per is Manager Customer Service Workshops and, together with his team, works to repair products and respond to more complicated questions from customers.

As of last autumn, Clas Ohlson's customers in seven stores in Sweden and Norway can hire tools and other products for do-it-yourselfers. Many people see this as a more sustainable alternative to owning all of the tools themselves. Previously people would buy spare parts for financial reasons, whereas it has now become more of a lifestyle choice.

"We always want to simplify our customers' everyday lives and an expanded service offering forms part of that," explains Per Dahler, Manager Customer Service Workshops at Clas Ohlson.

A broader service that simplifies and improves everyday life adds value to our customer offering. And more new services are on the way.

"The robotic lawnmower has become popular and we now also offer an installation service as a first step in selected regions. Many customers want a comprehensive solution and the installation service has proven to be very popular," says Per Dahler.

Soon, Clas Ohlson's customers will also be able to have their knives sharpened in every Swedish store. This sharpening will be carried out to the highest quality at a very competitive price. Wear but not waste!

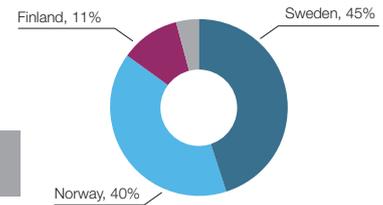
## 10-15 NEW STORES in the next financial year

During the 2017/18 financial year, Clas Ohlson aims to establish a net of 10-15 new stores. Growth will occur in accordance with the Group's long-term financial targets.

Read the entire list of contracted store opening on our website [about.clasohlson.com](http://about.clasohlson.com).



# Our market segments



## NORDIC REGION Percentage of total sales

### SWEDEN

Start year: 1918  
87 stores  
2 new stores in 2016/17

#### Market trends

Low inflation and sustained low interest rates contributed to the retail sector's strong performance in 2016/17. Retail sales increased by 2.5 per cent at current prices and the year ended again with record-breaking Christmas shopping. Online sales for Swedish retail increased by 16 per cent in 2016 and accounted for 7.7 per cent of total retail sales.

#### Retail index



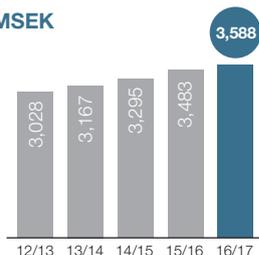
#### Market players

Elgiganten, IKEA, Netonnet and Jula.

#### Clas Ohlson's position

In Sweden, Clas Ohlson is a well-known and established brand. Here, we focus on further strengthening the loyalty that our broad customer base has shown us by developing our excellent customer service and enhancing the relevance of our offering. Clas Ohlson has a positive sales trend in Sweden and we will continue to develop the store network in 2017/18.

#### Sales, MSEK



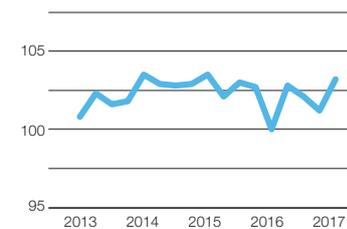
### NORWAY

Start year: 1985  
80 stores  
8 new stores in 2016/17

#### Market trends

The Norwegian economy experienced a turbulent year. The major crisis in the oil industry has created unemployment and led to a slowdown in the economy. Retail increased by 3 per cent at current prices. Norwegian Christmas shopping increased by 3.4 per cent compared with the preceding year. Online sales for Norwegian retail increased by 13 per cent and now account for almost 4 per cent of total retail sales.

#### Retail index



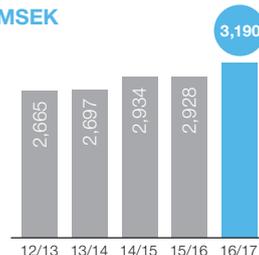
#### Market players

Elkjøp, Coop, Rusta, Jernia and Expert.

#### Clas Ohlson's position

The Clas Ohlson brand enjoys a high level of recognition in the Norwegian market, and the interest in our offering is extremely strong. Our new stores were positively received and the sales trend is positive. We will continue to develop our sales channels in Norway in the 2017/18 financial year.

#### Sales, MSEK



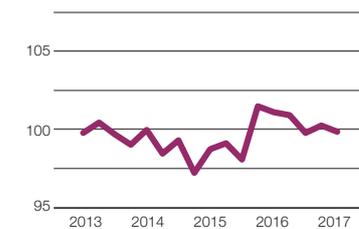
### FINLAND

Start year: 2002  
37 stores  
3 new stores in 2016/17

#### Market trends

The Finnish economy remained weak during the year and retail sales increased by 0.6 per cent at current prices in 2016. The Finnish online stores are not as evolved as in the rest of the Nordic region and, in the Nordic region, Finns spend least online both per capita and in terms of the total amount. A Finnish citizen spend an average of 1,347 SEK online, compared with 1,514 SEK per capita in Sweden.

#### Retail index



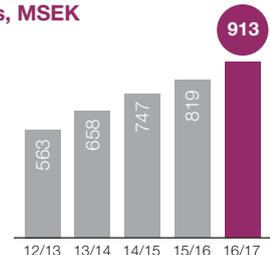
#### Market players

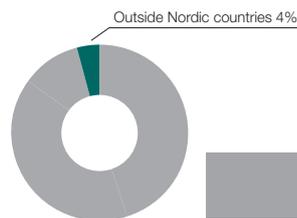
Prisma, Motonet, Tokmanni, Gigantti.

#### Clas Ohlson's position

We are strengthening our position in Finland, and greater consumer confidence is leading to growth. We have higher annual growth than the market, which is a result of a strong focus on customer care and seasonal offerings. We have also opened new stores and rebuilt older stores. During 2017/18 we will continue to grow in the Finnish market by opening more stores.

#### Sales, MSEK





**OUTSIDE NORDIC COUNTRIES** Percentage of total sales

**UK**

Start year: 2008  
7 stores  
No new stores in 2016/17

**Market trends**

The British economy slowed somewhat during 2016, although unemployment continued to fall. The consumer price index has increased steadily and is now at 102.9, compared with 100.2 the preceding year. Consumer confidence is at negative levels while retail sales increased steadily throughout 2016. Online shopping increased by 16 per cent and now accounts for 12 per cent of UK retail sales, a trend that is largely driven by increased shopping via mobile devices, which now accounts for 54 per cent of online shopping.

**Market players**

Amazon, John Lewis and Currys.

**Clas Ohlson's position**

During the 2016/17 financial year, we implemented a restructuring programme in the UK that focused on concentrating smaller format stores to the London region. As a result, we closed six stores during the year in the UK market. We will continue to increase brand awareness and concentrate operations in the London region during the 2017/18 financial year.

**GERMANY**

Start year: 2016  
3 stores  
3 new stores in 2016/17

**Market trends**

Germany is one of Europe's largest retail markets. Unemployment has been around 3.9 per cent for the past six months, which is the lowest level since 1980. Inflation has increased and is expected to reach 1.5 per cent in 2017. Retail sales increased by 1.4 per cent compared with the preceding financial year and consumer confidence is at 10. Online shopping increased by 12 per cent, representing 8 per cent of retail sales. More and more people are making purchases via their mobile telephone, with the figure set to increase by 15 per cent in 2017.

**Market players**

Bauhaus, Obi, Saturn Mediamarkt, Ikea and Amazon.

**Clas Ohlson's position**

Three stores were opened during the financial year, all concentrated in Hamburg, and launched an online store. We have received positive feedback from our customers and can see a positive trend in key indicators such as conversion and average ticket value. We will continue to attract consumers in the Hamburg region during the 2017/18 financial year by way of regular market activities and relevant offerings, and we will open one additional store in central Hamburg.

**DUBAI**

Start year: 2014  
2 stores  
1 new store in 2016/17

Clas Ohlson has a franchise agreement in the GCC region (Gulf Cooperation Council) with SYH Retail, which belongs to the Al Homaizi Group of Companies and has established two stores in Dubai under their management. The store in Mirdif City opened in April 2014 and the store in Mercato Shopping Mall in November 2016.

**SUCCESS FACTORS for international expansion**

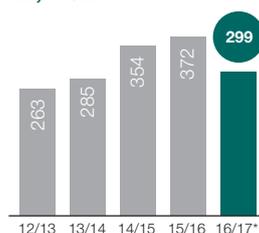
Clas Ohlson offers a unique concept with a broad product range at a competitive price as well as centrally located stores. A strong position in domestic markets provides the requisite base for investment in international expansion. Clas Ohlson's long-term owners provide the stability and endurance that is required. Competent and committed employees are the key to continued successful growth and expansion.

**New markets in one segment**

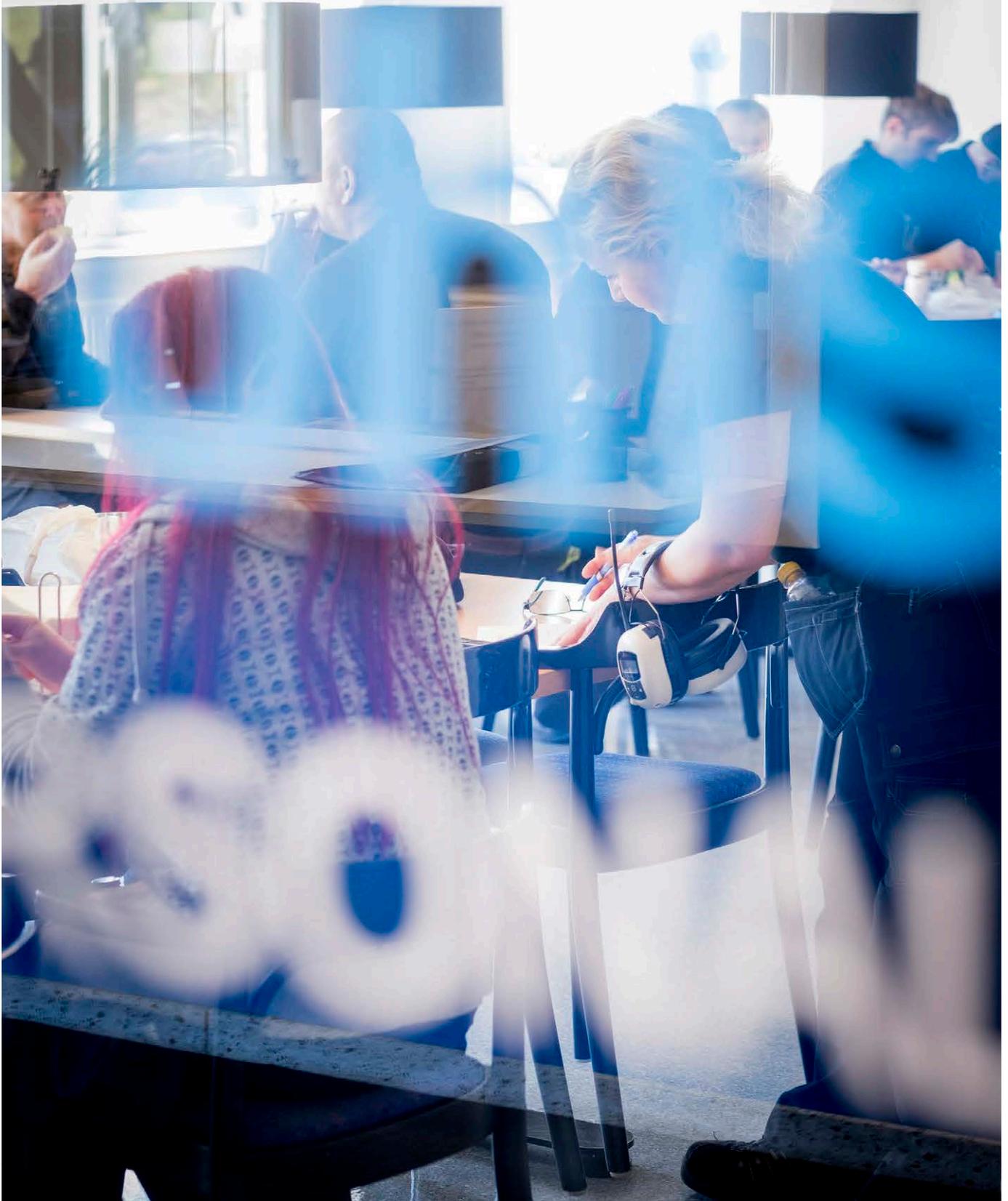
Clas Ohlson reports the operations in the UK, Germany and the franchise operations in Dubai in one segment that we refer to as Outside Nordic countries. Sales during the financial year were impacted by the ongoing restructuring programme in the UK.

\*Affected by store optimisation in the UK.

Sales, MSEK



# Annual report 2016/17



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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 2015 to 30 April 2017. 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 is an international home and hardware retail company with the business concept of selling a broad range of products at great value that make it easy for people to solve everyday practical problems. The concept is unique and is highly attractive in established markets and has the potential for expansion into new markets and new customer segments.

Clas Ohlson sells products in the categories of Hardware, Electrical, Multimedia, Home and Leisure. Activities are conducted in Sweden, Norway, Finland, UK and Germany via stores and online shopping as well as through franchise in Dubai.

The product range includes approximately 15,000 articles that are purchased from a large number of suppliers in some 30 countries. The products are 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 216, of which 87 were in Sweden, 80 in Norway, 37 in Finland, seven in the UK, three in Germany and two franchise stores in Dubai.

## Significant events during the financial year

During the financial year, 17 new stores (10) were opened, two in Sweden, eight in Norway, three in Finland, three in Germany and one franchise store in Dubai. During the financial year six stores were also closed in the UK. During preceding year two stores were closed in the Norway and one in the UK.

Clas Ohlson is implementing a new IT platform, sCORE, Systems for Clas Ohlson Retail Efficiency, which will change our way of working with, for example, purchasing, supply chain, sales, finance and HR. Overall, sCORE will enhance the efficiency of the supply chain, increase the level of service, better meet customer demand and changed purchasing patterns, and support our international expansion by making it easier to open new stores in more countries and to work with new customer segments. The sCORE programme is a strategically important initiative that will further strengthen Clas Ohlson.

The programme will last for five years, from the 2013/14 financial year until 2018/19, in a controlled roll-out with an annual investment level of approximately 70 MSEK over the five-year period. Furthermore, an upgrade of the IT environment is being carried out connected to the inventory and logistics system, customer data and online shopping with an annual investment rate of 75 MSEK over a two-year period.

Clas Ohlson focus on strengthening its presence in the London region with smaller format stores. As part of the optimisation of the existing store network, Clas Ohlson closed six stores in the UK during the 2016/17 financial year. One additional store (Croydon) will be closed (date to be confirmed).

Total annual cost savings related to the closure of all seven stores are an estimated 70 MSEK when the restructuring has been fully realised during the 2017/18 financial year. While the store in Croydon remains open, the total cost savings are estimated at 60 MSEK on an annual basis.

It was announced in the 2014/15 Annual Report that a tax audit concerning transfer pricing had been conducted in Norway. A decision was then received from the Norwegian tax authority under which additional tax of 49 MNOK was charged for the years 2008 to 2010. In January 2017, the Norwegian tax authority announced its final ruling and quashed its previous decision. Accordingly, the tax due in this period was set at the level specified in declarations submitted previously. This did not have any impact on the company's tax expense since the additional tax had not previously been recognised.

During the financial year, the company's former President and CEO, Klas Balkow chose to resign as of 31 December 2017. Lotta Lyrå has been appointed President and CEO and will take office from 1 August 2017. From 1 January 2017 until 31 July 2017, the company's deputy CEO Peter Jelkeby has been appointed as acting President and CEO.

### Sales and profit

Sales increased to 7,990 MSEK, up 5 per cent compared with 7,602 MSEK in the year-earlier period. Measured in local currencies, sales increased by 4 per cent.

Sales were distributed as follows:

#### Sales area, MSEK

Countries	2016/17	2015/16	Percentage change	Percentage change, local curr.
Sweden	3,588	3,483	3	3
Norway	3,190	2,928	9	5
Finland	913	819	11	9
Outside Nordic countries	299	372	-19	-12
<b>Total</b>	<b>7,990</b>	<b>7,602</b>	<b>5</b>	<b>4</b>

\*Effected by store optimization in the UK

The sales increase of 5 per cent from stores was distributed as follows:

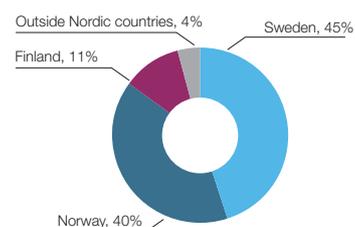
#### Distribution of sales increase

Comparable units in local currency	1 per cent
New stores	3 per cent
Exchange-rate effects	1 per cent
<b>Total</b>	<b>5 per cent</b>

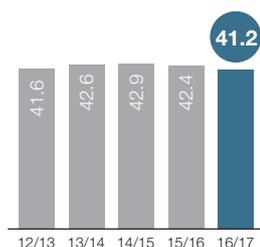
The gross margin was 41.2 per cent, down 1.2 percentage points year-on-year (42.4). The lower gross margin was attributable to negative currency hedging effects (NOK), comprising both currency forwards and exchange-rate effects related to delays in inventory. The decrease was somewhat offset by a strong sales currency (NOK).

The share of selling expenses decreased by 0.6 percentage points to 31.1 per cent (31.7). The share decreased primarily as a result of reduced costs in the UK which were somewhat offset by costs for establishment in the German market.

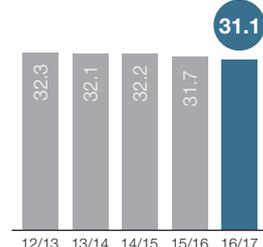
#### Distribution of sales, %



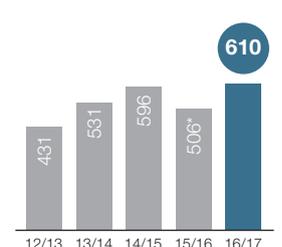
#### Gross margin, %



#### Share of selling expenses, %



#### Operating profit, MSEK



\*Including a non-recurring cost of 107 MSEK.

Operating profit amounted to 610 MSEK (506 MSEK, 613 MSEK excluding non-recurring items\*\*). The total cost saving related to the closure of the 6 stores in the UK amounts to 35 MSEK during the financial year.

The operating margin was 7.6 per cent (6.7 per cent, 8.1 per cent excluding non-recurring items\*\*). Profit after financial items amounted to 609 MSEK (508 MSEK, 615 MSEK excluding non-recurring items\*\*). Depreciation for the financial year amounted to 230 MSEK (235).

Spot exchange rates for key currencies averaged 1.05 for NOK and 8.74 for USD, compared with 1.01 and 8.40, respectively, in the year-earlier period. Currency hedging was undertaken in USD and NOK. The company policy is to hedge 50 per cent of the expected flow in each currency every month, with six months maturities.

### Prospects for the next financial year

Clas Ohlson's long-term financial targets consist of a sales target and a profitability target. The sales target is an annual sales growth of at least 2 per cent in local currency and comparable units. In addition, annual targets are set for store expansion. During the 2017/18 financial year Clas Ohlson plans to establish 10-15 new stores net. The profitability target is an annual operating margin of at least 10 per cent. Growth will occur in accordance with the Group's long-term financial targets.

The continued development of Clas Ohlson's product range, sales channels and new customer segments provides additional growth opportunities, in both established and new markets.

Clas Ohlson established its first store in the German market in central Hamburg in May 2016, followed by further stores in Altona in September and Alstertal in November, as well as

online shopping in the German market in October 2016. A new store contract was signed for Spitalerstraße in central Hamburg, and the store is scheduled to open in winter 2017. This fourth store will complement the existing store network and is part of the first phase of establishment in the German market.

### Financing and liquidity

During the financial year, cash flow from operating activities totalled 699 MSEK (705). Cash flow for the financial year, after investing and financing activities, was 17 MSEK (95). The cash dividend paid to Clas Ohlson's shareholders in September 2016 totalled 362 MSEK (331).

The average 12-month value of inventories was 1,739 MSEK (1,619). Over a rolling 12-month period, the stock turnover rate at the distribution centre was 6.6 times (6.5).

At the end of the financial year, the value of inventories was 1,631 MSEK (1,639). Compared with the preceding year, 11 stores, net, were added (of which one was a franchise store).

During the financial year, buy-backs of the company's own shares to secure LTI 2016 (Long Term Incentive Plan 2016) amounted to 76 MSEK (48).

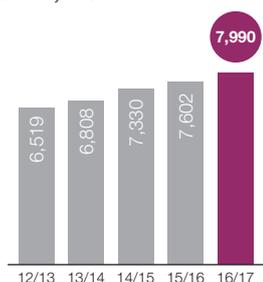
At the end of the financial year, the Group's net cash holdings, meaning cash and cash equivalents less interest-bearing liabilities, amounted to 625 MSEK (604). The equity/assets ratio was 58 per cent (55).

### Investments

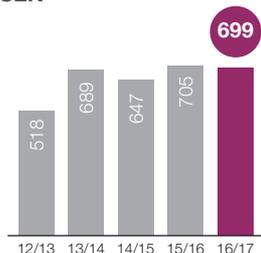
During the financial year, investments totalled 264 MSEK (274). Of this amount, investments in new or renovated stores accounted for 128 MSEK (90). Other investments were primarily IT and replacement investments. During the financial year, investments in IT systems amounted to 106 MSEK (133).

\*\*Non-recurring expense of 107 MSEK related to optimisation of the UK store network during the fourth quarter of the preceding financial year.

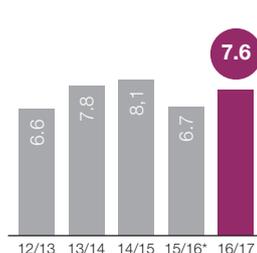
Sales, MSEK



Cash flow from operating activities, MSEK



Operating margin, %



\*Including a non-recurring cost of 107 MSEK.

### 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 2017, the company had a total of 33,316 shareholders, according to the register of shareholders maintained by Euroclear Sweden, compared with 27,106 on 30 April 2016. The ten largest shareholders at that time held 57 per cent of the capital and 76 per cent of the votes. For the summary, see page 125 of the Annual Report.

The Articles of Association contains no post-sale purchase rights clause or other restrictions for the transferability of series B shares. Apart from authorisation pertaining to the repurchase of shares stated on page 116, 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 2017, the company held 2,516,562 shares (2,223,580), corresponding to 4 per cent of the total number of registered shares (3 per cent). The number of shares outstanding, net after repurchase, was 63,083,438 (63,376,420) at the end of the financial year. To secure the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2016, Clas Ohlson bought back shares during the first quarter of 2016/17 for a total of 76 MSEK (48).

### Employees

The number of employees in the Group converted to full time employees averaged 2,835 (2,787). Further information about employees is found in Notes 6 and 31 in the Annual Report.

### Social responsibility

Continuous work is conducted at Clas Ohlson with respect to sustainability including follow-up activities relating to our Code of Conduct. This work is mainly described on pages 29-30.

### Environmental impact

The company has a duty of notification with respect to the activity relating to the temporary storage of electronic waste. This duty of notification applies to any Swedish municipality in

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

Environmental impact related to transportation of products is one of Clas Ohlson's most important environmental aspects. For this reason, enhanced transportation efficiency is a focus area throughout the Group. During the financial year, both relative and absolute CO<sub>2</sub> 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.

Environmental work is undertaken continuously in the Group. This work is mainly described on pages 22-25.

### 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 2014, LTI 2015 and LTI 2016 were in effect during the financial year. The qualification period for LTI 2014 was concluded after the close of the financial year and LTI 2017 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

Parent Company sales amounted to 6,384 MSEK (6,074) and profit after financial items totalled 604 MSEK (456) during the financial year. During the financial year, investments totalled 169 MSEK (207). The Parent Company's contingent liabilities amounted to 252 MSEK (238).

### Events after the end of the year

The qualification and performance periods for LTI 2014 were from 1 May 2014 until 30 April 2017. After the end of the reporting period, a total of 24,115 shares were allotted on 2 May in accordance with AGM's resolution regarding share matching of one share per share purchased to those participants who remained employed after the three-year qualification period.

Following the end of the qualification period, the Board of Directors resolved to award 10.9 options per share purchased (5-15 options in cases of target fulfilment), based on established criteria for sales and profit growth. A total of 262,842 options were awarded. The employee stock options are exercisable as of 15 June 2017 but not later than 23 April 2021, and entitle participants to purchase Clas Ohlson shares at the price of 153.60 SEK per share.

In May 2017, the long-term incentive plan LTI 2017 was introduced according to the same structure as LTI 2016. The exercise price for the conditional employee stock options has been set at 148.30 SEK per share, with exercise possible following the three-year qualification period between June 2020 and April 2024.

The AGM of Clas Ohlson AB on 10 September 2016 authorised the Board of Directors to acquire a maximum of 860,000 shares during the period up until the next AGM in order to secure the company's undertakings in conjunction with the introduction of share-based incentive plan, LTI 2017. The total number of shares required to secure the undertaking for LTI 2017 is estimated at 670,000. Part of the LTI 2017 undertaking can be secured by using shares that were bought back to secure previous LTI plans where the need has been recalculated (510,000). In addition, further reconciliation will be made in connection with the buy-back if additional shares can be transferred to LTI 2017.

The Board of Directors has decided to use the authorisation of the AGM to buy back the remaining maximum of 160,000 LTI 2017 undertaking. Acquisitions will be conducted via Nasdaq Stockholm during the period up until the 2017 AGM, at a price within the quoted price span at any given time. As of 30 April 2017, the company's holding of Clas Ohlson shares was 2,516,562 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 (5.75) be paid for financial year 2016/17. The proposed dividend totals 410 MSEK (377), which represents 86 per cent (100) of the financial year's profit.

### Proposed allocation of earnings

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

Profit brought forward	365,448
Profit for the year	436,272
<b>Total</b>	<b>801,720</b>

The Board and Chief Executive Officer propose:

Dividend payable to shareholders 6.25 SEK per share	410,000 <sup>1</sup>
Carried forward to new account	391,720
<b>Total</b>	<b>801,720</b>

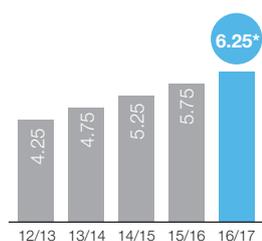
<sup>1</sup>Dividends are based on the number of shares outstanding on the record date.

The record date for payment of the dividend is proposed as 12 September 2017. It is anticipated that the dividend decided upon by the AGM will be despatched on 15 September 2017.

With reference to the information presented above and what has otherwise come to the knowledge of the Board, the view of the Board is as follows: A comprehensive assessment of the financial position of the Parent Company and Group indicates that the dividend is justifiable with reference to the demands made by the nature, size and risks of the operation on the equity and liquidity of the Parent Company and Group. The Group's equity/assets ratio is 58 per cent before payment of dividend and 53 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the future expansion has been taken into account.

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

Dividend per share, SEK



\*Proposed dividend

# Risks and uncertainties

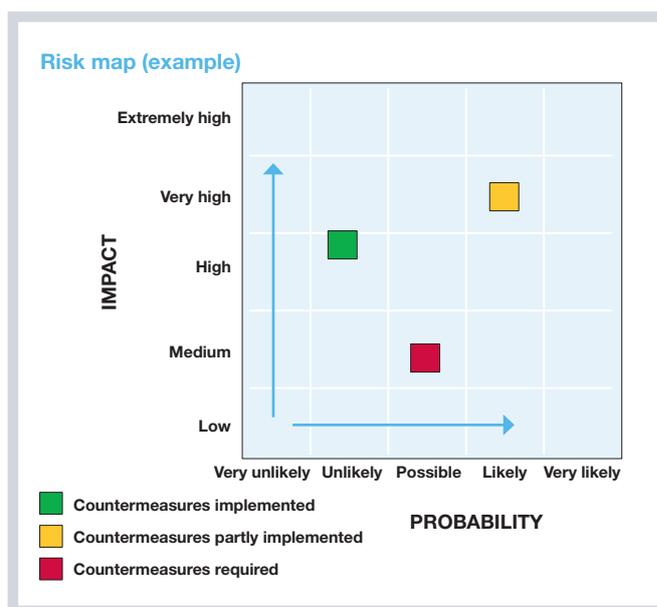
Clas Ohlson's operations entail risks that could have varying degrees of negative impact on the Group. These can be divided into operational risks and financial risks.

Operational and financial risks can have both a short and long-term impact on the ability to achieve set objectives in accordance with the company's business plan. By being aware of the risks in the business, the risks can be controlled, limited and managed. Furthermore, when handled correctly, risks may lead to opportunities and add value to the business.

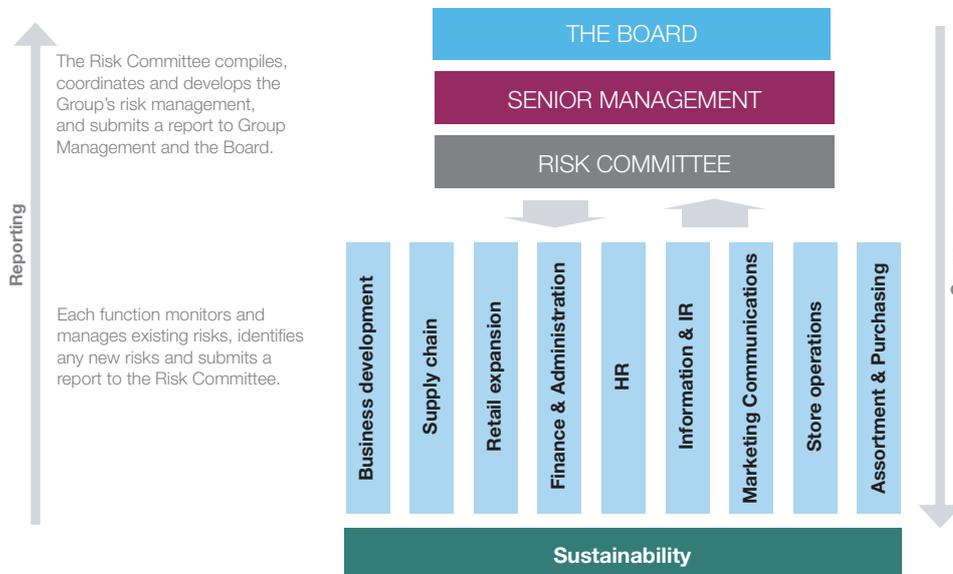
Clas Ohlson works continuously to update the Group's risk situation by conducting a documented, systematic process in which risks are identified, measured, monitored and reported. Priority is assigned to risks considered most negative in terms of probability and their conceivable impacts on the operations. Classification is also made on the basis of how well the implemented countermeasures correspond with the desired level, using green, yellow and red. This work is performed in each function based on the composition of senior management. Reporting of the implementation of activities and changes in risk assessments is done internally twice per year and when necessary, on a continuous basis.

The risks are compiled in risk maps to provide a compilation of the overall exposure and where measures are to be prioritized. Maps are compiled at Group level and are a key component of the senior management and Board's strategic and operatio-

nal control. The Group's Risk Committee performs the work involved in compiling, monitoring and developing the risk management process. These efforts will remain a high priority as the company continues to grow and develop.



## RISK MANAGEMENT



### Operational and financial risks

Operational risks primarily comprise establishments in new markets, purchasing in Asia, IT systems, competition, logistics, strikes, key employees, social responsibility, product range and shrinkage. Financial risks mainly comprise economic conditions, wage inflation, raw-material prices, transport costs and exchange-rate exposure.

### Currencies

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 krona (NOK) is also important for the Group, since Norway accounts for approximately 40 per cent of sales. Net exposure to EUR is low, since the company is increasing its sales in EUR through its expansion in the Finnish and German markets. The Group is also exposure to the pound sterling (GBP) via sales in the UK. The table to the right shows how profit is affected by changes in principal currencies, excluding currency hedging.

### Currency 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 changes, but also acquires the possibility/risk of handling the remaining changes at the current rate.

### Currency movements

During the financial year, the NOK strengthened against the SEK. The average rate for the NOK was 1.05, up 4 per cent compared with the 2015/16 financial year when the rate was 1.01. About 40 per cent of sales are conducted in NOK, and accordingly translated to SEK at the corresponding exchange rate.

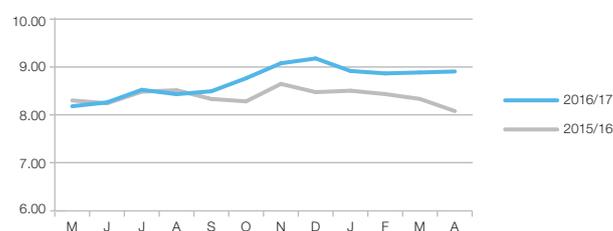
The USD strengthened against the SEK during the past financial year. The average exchange rate during the financial year was 4 per cent higher than in the preceding year (8.74 compared with 8.40). The average exchange rate for the HKD during the financial year was 1.13 SEK, or 4 per cent higher compared with the 2015/16 financial year, when it was 1.09 SEK. The EUR strengthened against the SEK during the past financial year. The average exchange rate during the 2016/17 financial year was 9.58 compared with 9.33, up 3 per cent. The average exchange rate for the GBP was 11 per cent lower in the financial year than in the preceding year (11.33 compared with 12.66).

### Sensitivity analysis

Currency effects excluding hedging

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5	+/- 86
USD	+/- 5	-/+ 72
HKD	+/- 5	-/+ 7
EUR	+/- 5	+/- 4
GBP	+/- 5	+/- 3

### Monthly average, SEK/USD



USD is our most important purchasing currency. At the beginning of the financial year, on 2 May 2016, the exchange rate for USD was 8.02. Overall, the exchange rate was stable, peaking in November and December. It was noted at 8.84 SEK on 28 April 2017, up 10 per cent. The highest exchange rate was 9.39 SEK noted in December 2016, while the lowest exchange rate was 7.92 SEK noted in May 2016.

### 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 2016, the exchange rate for NOK was 0.99 versus SEK. The NOK has increased during the financial year versus the Swedish krona. It was noted at 1.03 SEK on 28 April 2017, up 4 per cent. The highest exchange rate was SEK 1.10 noted in November 2016, while the lowest exchange rate was 0.99 SEK noted in May 2016.

Source: Riksbanken

Operational risks

RISK	DESCRIPTION	RISK MANAGEMENT
<b>EXPANSION</b>	<p>Clas Ohlson is expanding its operations and brand across several countries. The risk is that the brand will not have the expected impact outside the Nordic region and investments will not generate the intended results.</p> <p>Expansion through the franchise concept generates risks that are primarily connected to the Clas Ohlson brand and concept.</p>	<p>Clas Ohlson conducts detailed market assessments in each individual case of establishment and capitalises on the experiences from previous establishments.</p> <p>Franchise partners subscribe to Clas Ohlson's Code of Conduct and commit themselves to conducting business in a business ethical manner with respect for human rights, working conditions, and taking into account the environment. Clas Ohlson checks compliance with regular audits.</p>
<b>PURCHASING</b>	<p>Clas Ohlson currently purchases about 40 per cent of the company's products in Asia, mostly from China. The proportion of purchasing from Asia will increase further through the Clas Ohlson's own purchasing company. This will boost the company's competitiveness in the ongoing expansion process. There is a risk of bribery and corruption in the procurement process, and suppliers in low-wage countries increase the risk of deficiencies in working conditions and respect for human rights. Increased single-country exposure entails greater risks (political risk, transport risk, currency risk and so forth).</p>	<p>Clas Ohlson's Code of Conduct and Ethical guidelines applies to all our suppliers and contracts. Through its own audit team in China, we follow up to the requirements of our Code of Conduct. From 2017 Clas Ohlson participate with SEDEX to further increase transparency on responsible purchasing. Clas Ohlson is continuously working to find new markets for purchases, both in Europe and Asia.</p>
<b>IT-SYSTEMS</b>	<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 decision-making processes.</p>	<p>Implementation of a new IT system is ongoing. Clas Ohlson has chosen Microsoft Dynamics AX to satisfy future business support software needs.</p> <p>Clas Ohlson has a policy for IT security. There are standardised processes for the implementation of new systems, changing existing systems and daily operations.</p>
<b>COMPETITION</b>	<p>A clear trend in the European retail market is that major nationwide chains are growing, usually at the expense of smaller, individual specialist retailers. The major chains and retailers are establishing operations in several countries through proprietary stores and acquisitions. As a result, market players have become fewer and larger. During recent years, competition intensified due to more stores and shopping centres as well as more players in the e-commerce, particularly in the Nordic region.</p>	<p>Clas Ohlson works continuously to develop its offering, increase accessibility and strengthen the customer experience. Furthermore, the Group works continuously to develop its concept, store format and omni-channel.</p>
<b>LOGISTICS</b>	<p>Clas Ohlson's distribution centre in Insjön, Sweden, is the hub of the Group's entire logistics chain. From here, goods are distributed to all stores and to mail order/Internet customers. In recent years, investments have been made in the distribution centre to further optimise the company's logistics. Collecting the logistics in one location carries certain risks, for example, communication and infrastructure disruptions, fire or strikes.</p>	<p>Clas Ohlson works continuously with 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>
<b>EMPLOYEES</b>	<p>Clas Ohlson needs motivated and skilled employees in order to achieve objectives and strategies. The geographic location of the operation at Insjön could result in difficulties in recruiting employees with the right expertise. Our expansion also places great demands on our recruitment, training and internal mobility.</p>	<p>New employees take part in our introductory program to ensure understanding of Clas Ohlson's values. Salaries and other conditions are adapted to the market. Clas Ohlson also has variable remuneration based on performance. The Group strives for good relationships with employees as well as trade unions.</p> <p>The Group applies flexible working conditions and internal career paths to attract and retain key personnel.</p> <p>Employee surveys are conducted every second year and are actively followed up.</p> <p>We actively strive for greater diversity in our recruitment process.</p>
<b>SUSTAIN-ABILITY RISKS</b>	<p>The company's stakeholders are placing increasingly higher demands on the company's social responsibility. Clas Ohlson works actively on sustainability issues that are integrated into the operation and have high priority. Should the company fall short in its sustainability work, there is a risk of negative impact on sales and market shares.</p>	<p>Based on our essentiality analysis, Clas Ohlson has integrated 8 priority sustainability areas linked to the company's strategies, processes and governance. Based on a value chain perspective, we can understand our negative and positive impact and manage them effectively.</p> <p>Clas Ohlson has signed the UN Global Compact's 10 principles on anti-corruption, working conditions, human rights and environment. The company's policies reflect these commitments.</p>

RISK	DESCRIPTION	RISK MANAGEMENT
<b>PRODUCT RANGE AND COMMUNICATION</b>	The company's most important task is to offer customers a broad and attractive product range at great value. If Clas Ohlson were to misjudge new trends in both products and communication, this could entail lower growth and profitability.	The Group's product range committee has overall responsibility for the design of the product range. In addition, Clas Ohlson works on detailed market and competitor assessments in order to have an attractive product range.  Clas Ohlson continuously work to ensure a strong and inspiring store and onlineconcept, right pricing and excellent service.
<b>SHRINKAGE</b>	Clas Ohlson is exposed to shrinkage on a daily basis, including for example shoplifting.	The Group has a commercial committee that handles Clas Ohlson's marketing strategies.  The Group implements long-term preventive measures to reduce shrinkage, through such activities as training programs and technical equipment. In addition, continuous follow-ups, evaluation and adaptation of the security efforts are performed.

### Financial risks

RISK	DESCRIPTION	RISK MANAGEMENT
<b>ECONOMIC CLIMATE</b>	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.	Our broad and affordable product range is less sensitive to cyclical fluctuations than that of many other competitors. More than 80 per cent of our products are priced at less than 300 SEK. Clas Ohlson's broad product range, with five different product categories, also entails lower risk since demand in one product category could increase while demand in another category falls.
<b>WAGE INFLATION</b>	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.	Clas Ohlson works continuously to find new purchasing markets in Europe and Asia.
<b>RAW MATERIAL PRICES</b>	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 (aluminum) and plastic products (oil). Hedging against raw material prices is not carried out directly by the company. This entails a risk since the purchase price of the items concerned is affected by the price development of raw materials.	Clas Ohlson has a broad portfolio of products and is therefore less impacted by changes to a specific raw material.  Some of Clas Ohlson's suppliers purchase raw materials/materials at fixed contract prices, which means some indirect hedging.
<b>TRANSPORT COSTS</b>	Freight shipping prices can vary considerably depending on the global market price, and currency fluctuations.	Clas Ohlson handles changes in freight shipping prices by actively monitor and assess the market.
<b>CURRENCIES</b>	The company's currency exposure is high, primarily due to sales in Norway and the Group's purchasing. About half of the company's purchases are made in currencies other than Swedish kronor. The principal currencies for purchasing are the US dollar (USD), Hong Kong dollar (HKD) and euro (EUR). Movement of the SEK against the Norwegian Krona (NOK) is also important for the Group, since Norway accounts for approximately 40 per cent of sales. Net exposure to EUR is low, since the company is increasing its sales in EUR through its expansion in the Finnish market and the German market. The Group is also exposure to the pound sterling (GBP) via sales in the UK.  The table on page 77 shows how profit is affected by changes in principal 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 purchases, but also acquires the risk of paying for the remaining purchases at the current rate.

**Chairman of the Board**  
KENNETH BENGTSSON

# Stable grounds for future development

I am proud to serve as the Chairman of the Board for a company with so many skilled and committed employees who every day strive to go the extra mile that creates value for our customers. Customer interaction is central to everyone who works at Clas Ohlson and over the past year we have met more customers in both existing and new markets than ever before.

The company's focus on sustainability issues is pivotal also for Clas Ohlson's future development. Social and environmental aspects are integrated into our strategy and the company's processes, and form key elements of the value-creation model. The long-term ambition is to contribute to a more resource-efficient value chain.

Fundamental to achieving this goal is healthy and deep-rooted values. I believe that such values will be increasingly important as the company grows. Our values unite all of us who work for the company, yet are also central to our relationships with customers, suppliers, shareholders and society in general.

We make use of procedures and processes that allow us to continuously monitor our targets and risks in order to ensure a high level of corporate governance. We set strategies and plans with the aim of minimising operational, financial and legal risks, while capitalising on and developing opportunities.

Our corporate governance is based on international standards of business practice. We support the UN Global Compact's ten principles in the areas of human rights, labour, environment and anti-corruption. Our policies, guidelines and ways of building relationships with our stakeholders reflect our commitment. The Board conducts its work through both regular Board meetings and in various committees. During the past year, the Board concentrated its efforts on matters including the compa-



ny's expansion in the German market and regular monitoring of our Group-wide targets and strategic priorities. We also worked on finding a new leader for Clas Ohlson and are very pleased to welcome Lotta Lyrå to the company and the role of President and CEO.

The Board is a close-knit and committed team that constructively supports and challenges the company management. In my opinion, the Board and management have an open and productive dialogue that successfully moves the operations forward. I have been the Chairman of the Clas Ohlson Board for three years and I am delighted to say that in essence our performance has been very favourable. Clas Ohlson enjoys a strong financial position and has a stable platform for continued growth. With a good cash flow and healthy capital structure, we have excellent conditions for making continued investments and generating high returns for shareholders.

On behalf of the Board, I would like to express my thanks for the commitment shown throughout the organisation. Clas Ohlson is now in its 99th year of operation, and we will soon be celebrating our 100th anniversary. The company has a wonderful history and is strongly positioned to meet future challenges and opportunities.

Kenneth Bengtsson  
Chairman of the Board  
Insjön, Sweden, June 2017



# Corporate governance

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

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

## The Swedish Corporate Governance Code

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

## Compliance with applicable regulations for stock exchange trading

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

## Annual General Meeting

Shareholders exercise their influence through participation in the company's Annual General Meeting (the ordinary annual general meeting). The AGM is the ultimate decision-making body and since the initial public offering in 1999, has always been held in Insjön, Sweden, on a Saturday in early September. The Notification, which is normally prepared about four weeks prior to the AGM, is published in Post- och Inrikes Tidningar, as well as on the company's website. All shareholders who are registered in the share register on the fifth day prior to the AGM and registered in time are entitled to participate. Registration can be made by telephone, e-mail or letter.

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](http://about.clasohlson.com)). Clas Ohlson's AGM is very well attended, the latest with about 1,400 participants, making it one of the largest in Sweden.

On 30 April 2017, 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.

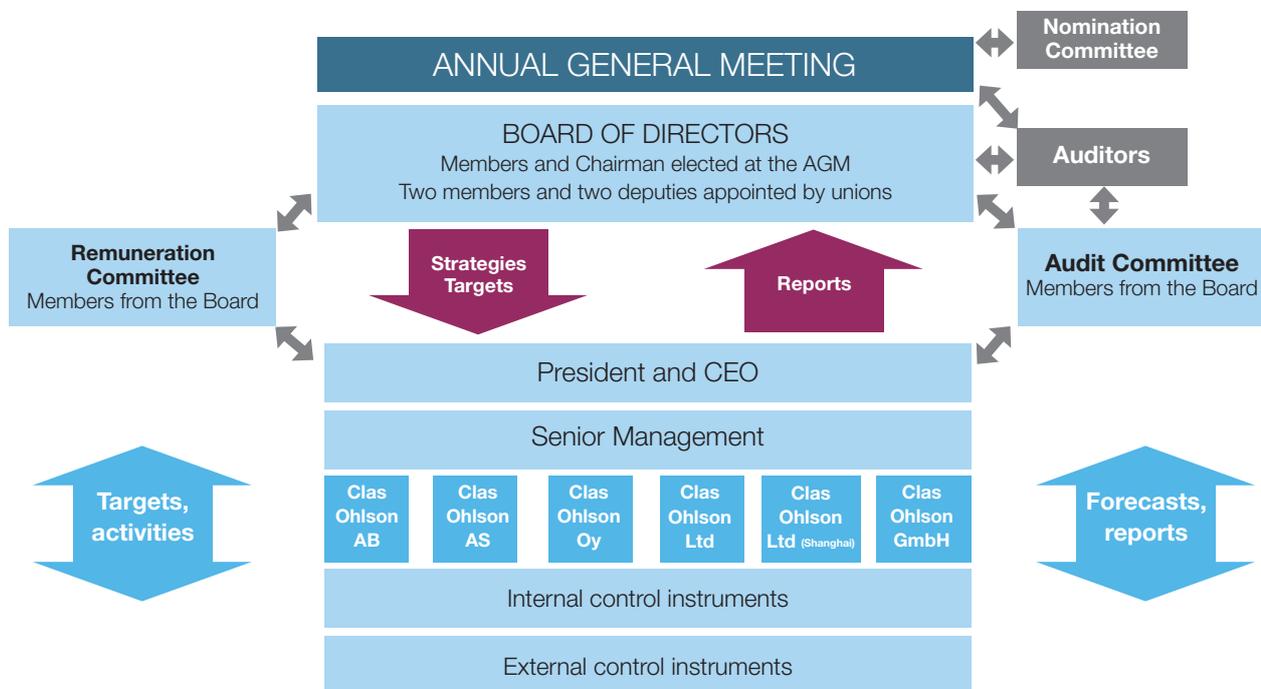
**Nomination Committee prior to the 2017 AGM**

Prior to the AGM held on 9 September 2017, 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 2016. 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 four meetings that were recorded, where the Board's composition was evaluated, considered and discussed.

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

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

The Nomination Committee's complete proposals are presented at the latest in connection with the publication of the Notification of the AGM.

### Auditors

The AGM appoints auditors for the Parent Company each year. The AGM held on 10 September 2016 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 2017 AGM.

Payment for audit engagements in the Group in the past three years totalled 2.1 MSEK, 2.1 MSEK and 2.1 MSEK, respectively. Remuneration for other assignments in the past three years totalled 0.4 MSEK, 0.2 MSEK and 0.1 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 seven members, including the CEO, who are elected by the AGM. In addition to these members, the Board includes two representatives and one deputy for the trade-union organisations in the company. These individuals are elected by their own organisations.

The Board fulfils the independence requirement of the Code. All members, with the exception of Mathias Haid and Göran Sundström, are deemed independent in relation to the company, executive management and major shareholders. Clas Ohlson strives towards diversity, comprising to over time have an equal distribution of men and women in the Board. Gender distribution in the Board among the members elected by the AGM in the past financial year was four men (57.1 per cent) and three women (42.9 per cent). In the preceding year, the corresponding distribution was five men (62.5 per cent) and three women (37.5 per cent). Ros-Marie Grusén was elected to the Board of Directors at the 2016 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. During the year's board meetings, the question of a new CEO has also been handled.

The company's auditors attend two of the Board meetings to report on what has emerged during the audit. The Board meets the auditors once annually without the presence of senior management. The Board held eleven Board meetings during the financial year, of which one was a strategy meeting. The Board assesses its work annually.

### How the Board works

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

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

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

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

### Audit Committee

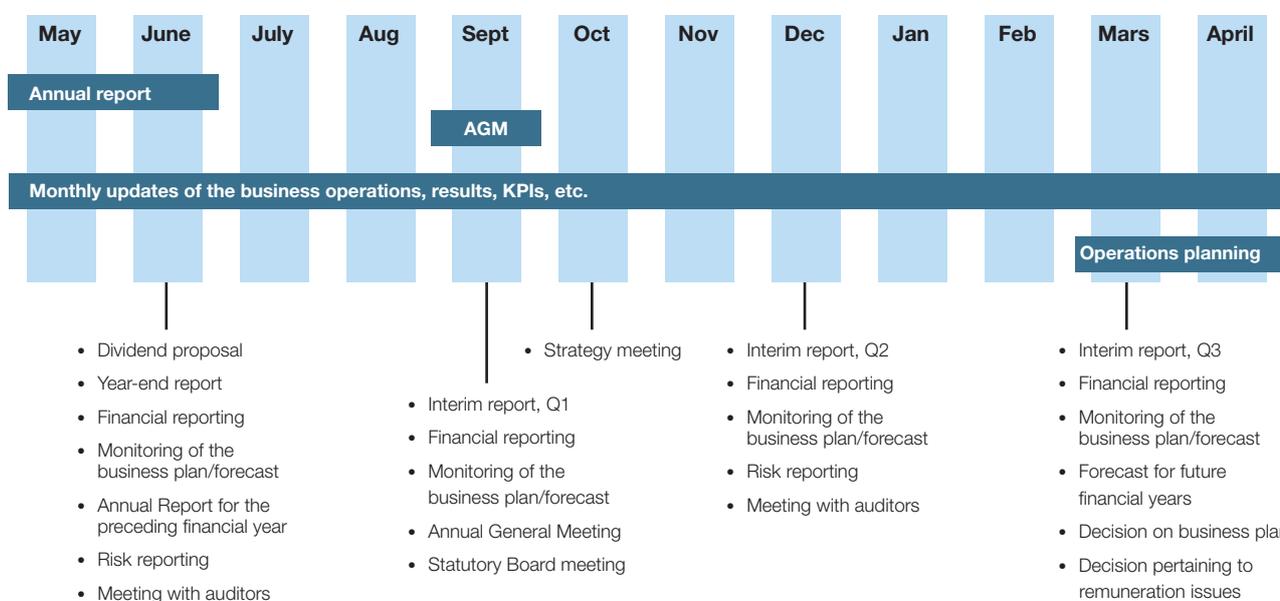
At its first meeting following the AGM, the Board established an Audit Committee comprising Cecilia Marlow, Chairman and Göran Sundström. The Board has issued instructions for the committee work.

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

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

The Audit Committee held seven meetings during the financial year. Attendance is shown in the table on page 85. The meetings are minuted and reported at the next Board meeting. Representatives of the company's management attended the committee's meetings as co-opted members. The meetings

## THE BOARD'S WORKING SCHEDULE



addressed issues aimed at quality assuring risk management and internal control of the financial reporting. Moreover, the Audit Committee dealt with issues regarding the company's interim reports, annual report, accounting, liquidity and other issues.

### Remuneration Committee

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

The Clas Ohlson Board decided in September that the Remuneration Committee was to comprise Kenneth Bengtsson (Chairman) and three other members: Göran Näsholm, Mathias Haid och Sanna Suvanto-Harsaae. 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 five 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 five individuals and meetings were held monthly and as otherwise necessary. The meet-

### Composition of the Board and attendance during the financial year<sup>1</sup>

Member <sup>2,3</sup>	Elected	Independent <sup>4</sup>	Independent <sup>5</sup>	Board meetings	Audit Committee	Remuneration Committee	Nomination Committee <sup>10</sup>
Kenneth Bengtsson	2013	Yes	Yes	11/11 <sup>6</sup>		5/5 <sup>6</sup>	4/4
Klas Balkow	2007	No <sup>7</sup>	Yes	6/6 <sup>8</sup>			
Ros-Marie Grusén	2016	Yes	Yes	5/5 <sup>8</sup>			
Mathias Haid	2015	Yes	No <sup>9</sup>	11/11		5/5	
Cecilia Marlow	2007	Yes	Yes	11/11	7/7 <sup>6</sup>		
Göran Näsholm	2015	Yes	Yes	11/11	4/4 <sup>8</sup>	3/3 <sup>8</sup>	
Katarina Sjögren Petrini	2013	Yes	Yes	6/6 <sup>8</sup>	4/4 <sup>8</sup>		
Göran Sundström	2014	Yes	No <sup>9</sup>	10/11	3/3 <sup>8</sup>	2/2 <sup>8</sup>	4/4
Sanna Suvanto-Harsaae	2010	Yes	Yes	11/11		5/5	

<sup>1</sup> The trade-union organisations have had two representatives on the Board.

For further information on Board members, see pages 90-91. The work of the Board and its committees is described on pages 83-86.

<sup>2</sup> For information on date of birth, work experience, assignments and shareholdings, see pages 90-91.

<sup>3</sup> Remuneration of Board members is stated in Note 6, see page 106.

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

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

<sup>6</sup> Chairman.

<sup>7</sup> President and CEO up until 2016-12-31.

<sup>8</sup> At the 2016 Annual General Meeting, Ros-Marie Grusén was elected to the Board as Board member. Klas Balkow and Katarina Sjögren Petrini declined re-election.

The composition of the committees were changed in connection with the 2016 annual general meeting.

<sup>9</sup> Are, or represent, major shareholders. Refer to page 125 for information about major shareholders.

<sup>10</sup> For the Nomination Committee, only those members who are also Board members are presented.

ings focus primarily on strategic and operative monitoring and development, as well as results follow-up. In addition to these meetings, there is close daily cooperation within management.

### Governance of subsidiaries

The five wholly owned subsidiaries Clas Ohlson AS in Norway, Clas Ohlson Oy in Finland, Clas Ohlson Ltd in the UK, Clas Ohlson GmbH in Germany and Clas Ohlson Ltd (Shanghai) in China are governed by their own boards in the country concerned, principally consisting of representatives of Clas Ohlson AB in Sweden. The Board in Sweden receives continuous information about the subsidiaries through the CEO's monthly reports on the subsidiaries. These reports also include the results of operations and financial position of the company concerned.

### External and internal control instruments

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

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

### Clas Ohlson's corporate culture

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

### Remuneration

Fees paid to the Board during the financial year totalled 3.1 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 fee is paid to Board members who are employees of the company. No remuneration is paid to members of the Nomination Committee.

The company's former CEO Klas Balkow received pay totalling 8.1 MSEK (CEO until 31 December 2016), of which 1.3 MSEK was in the form of variable remuneration (STI refer to Note 6). Deputy CEO Peter Jelkeby held the role of Acting President and CEO between January and April 2017. Remuneration as acting CEO amounted to 1.7 MSEK, of which 0.3 MSEK amounted to variable remuneration. Variable remuneration pertaining to the expensed but not definite portion of



the long-term incentive programs (LTI 2014, LTI 2015 and LTI 2016) was calculated at 0.2 MSEK for the acting CEO. Remuneration to the other six senior executives totalled 13.6 MSEK, of which 2.5 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 calculated at 1.9 MSEK. All seven of senior management receive the additional benefit of a company car. The 2016 AGM decided on guidelines for remuneration to senior management pertaining to the 2016/17 financial year.

### Severance pay

Under the contract of employment with the acting 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 2.1 MSEK (Klas Balkow) and 0.2 MSEK (Peter Jelkeby) was paid during the financial year. Other members of senior management receive pension entitlements based on their applicable ITP plan, which also covers other salaried staff in Sweden.

### Remuneration principles

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

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

### Risk management

The Board has overall responsibility for the Group's risk effort. The risk situation in Clas Ohlson is updated and analysed regularly. This is done by means of a systematic process in which risks are identified, valued and assessed, managed, monitored and reported. Using an overall assessment, priority is given to those risks whose impact and probability are deemed to represent the most negative effect. A key aspect in this work is the measures undertaken to avoid (control activities), reduce or

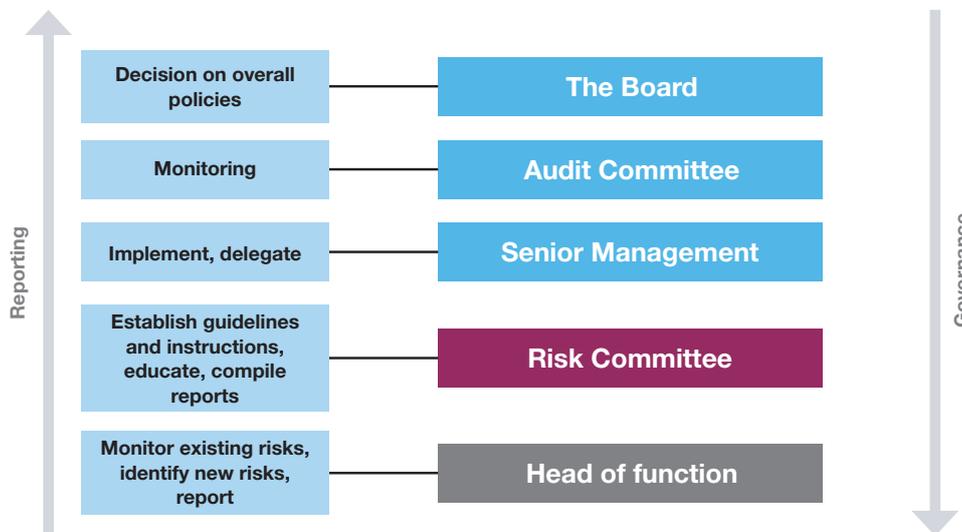
shift the risk to another party (insurance). The risks are entered in risk maps in order to clarify the overall risk exposure. Mapping is done at the Group level and represents a tool for operational and strategic governance by the Board and the company's senior management. By means of risk mapping, the focus can be aimed at reducing the company's risk exposure and reducing the consequences of any risks emerging. The Risk Committee pursues the work involved in compiling, monitoring and developing the risk management process. Reporting of the Group's overall risk status is made internally to the Audit Committee and the Board twice annually.

### Sustainability

For Clas Ohlson, it is important to protect and assume responsibility for people and the environment impacted by our operation. Our sustainability agenda is an integrated part of Clas Ohlson's operation that must permeate the entire organisation. Until December 2016, Clas Ohlson had a sustainability forum that defined the company's strategic orientation, set targets and monitored progress. The sustainability function is now part of Group Management and the Board receives regular updates.

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

## RISK MANAGEMENT



**Internal control of the financial reporting**

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

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

**Control environment**

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

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

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

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

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

**Risk assessment and control activities**

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

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

About 78 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.

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

### Internal audit

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

# Board of Directors

## Kenneth Bengtsson

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

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.  
**Shareholding\*:** 8,000 series B share own holding and 17,000 series B via a legal entity



## Ros-Marie Grusén

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

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



## Mathias Haid

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

Dependent in relation to major shareholders according to the Swedish Code of Corporate Governance. Independent in relation to the company and executive management.  
**Shareholding\*:** 2,140 series B



## Cecilia Marlow

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

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.  
**Shareholding\*:** 1,500 series B via a legal entity



## Göran Näsholm

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

Independent in relation to the company, executive management and major shareholders according to the Swedish Code of Corporate Governance.  
**Shareholding\*:** 18,642 series B

**Göran Sundström**

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

Dependent in relation to major shareholders according to the Swedish Code of Corporate Governance. Independent in relation to the company and executive management.  
**Shareholding\*:** 600 series B share own holding and 600 series B via a legal entity



**Sanna Suvanto-Harsaae**

Born in 1966.  
 Member of the Board since 2010.  
 Master of Business Administration, Lund University.  
**Professional experience:** CEO of ReckittBenckiser Nordic, Marketing and Business Development Director of Synoptik, European Marketing Manager and other executive positions of Procter & Gamble Nordic, Germany and Europe.  
**Other significant directorships:** Chairman of the Board of Altia Oy, Babysam AS, Sunset Boulevard AS, Footway AB, VPG AS and TCM AS. Board member of Boconcept AS, Paulig Oy, SAS AB, Upplands Motor AB, Broman Group Oy and NSP AB.

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



**Henrik Andersson**

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



**Robert Flahiff**

Born in 1967.  
 Member of the Board since 2015.  
 Employee representative (Handels).  
**Shareholding\*:** 0



**Lars Zwetsloot**

Born in 1976.  
 Deputy Member of the Board since 2012.  
 Employee representative (Handels).  
**Shareholding\*:** 100 series B

\* Own and related parties' shares as of 31 May 2017.

# Senior management

**Peter Jelkeby**

Acting President and CEO  
 Employed in 2008  
 Born in 1963  
 Master of Business Administration, School of Business, Economics and Law at the University of Gothenburg  
**Professional experience:** Deputy Head and senior positions in sales and marketing at IKEA in the UK and senior positions in purchasing at IKEA in the Russian and Asian markets.  
**Shareholding\*:** 8,147 series B shares



**Tony Dahlström**

Director of Purchasing  
 Employed 1982 to 2007, and 2009  
 Born in 1964  
**Professional experience:** Category Manager at Clas Ohlson, CEO of OS Technology Nordic, Product Manager and various positions in stores, at distribution centre and customer service at Clas Ohlson.  
**Shareholding\*:** 13,663 series B shares



**Magnus Höjman**

Director of Supply Chain  
 Employed in 2011  
 Born in 1967  
 Master of Business Administration, Lund University and University of California  
**Professional experience:** Consultant at Accenture, Venture Manager at Real Venture Group and various positions in sales and management at Procter & Gamble Scandinavia.  
**Shareholding\*:** 5,911 series B shares



**Sara Kraft Westrell**

Director of Information and IR  
 Employed in 2013  
 Born in 1974  
 Master of Business Administration, Lund University and National University of Singapore  
**Professional experience:** Director of Information at Hexagon AB, Director of Market and Communication at JB Education and Communications Advisor at Kreab.  
**Shareholding\*:** 3,392 series B shares



**Göran Melin**

CFO  
 Employed in 2010  
 Born in 1962  
 Master of Business Administration, School of Business, Economics and Law at the University of Gothenburg  
**Professional experience:** Authorized Public Accountant and Partner at PwC.  
**Shareholding\*:** 9,941 series B shares

\* Own and related parties' shares as of 31 May 2017



## INTERVIEW

Hello!

Appointed  
CEO  
Lotta Lyrå

### Appointed President and CEO LOTTA LYRÅ

Employed in 2017

Born in 1975

Master of Business Administration, Stockholm School of Economics

**Professional experience:** Lotta Lyrå most recently worked as Head of Development & Expansion at IKEA Group. Prior to that, she held several senior positions at IKEA Group, for example, as CEO assistant and in strategy development and digital transformation.

**Shareholding\*:** 4,352 B-aktier

“I feel extremely privileged to have the opportunity to lead a company with such a strong corporate culture and sound core values as Clas Ohlson. The retail sector is in an exciting phase with new players, new technology and new expectations from consumers, and I look forward to driving these developments together with all of the employees,” says Lotta Lyrå.

Lotta Lyrå will take office as the new President and CEO on 1 August 2017.

\* Own and related parties' shares as of 31 May 2017

## Group

## Income statement

MSEK	Note	1 May 2016 –30 Apr 2017	1 May 2015 –30 Apr 2016
	1, 2		
Sales		7,990.1	7,601.6
Cost of goods sold	4,5,6	-4,698.6	-4,376.3
<b>Gross profit</b>		<b>3,291.5</b>	<b>3,225.3</b>
Selling expenses	4, 5, 6	-2,485.2	-2,408.5
Administrative expenses	4, 5, 6, 7	-193.1	-190.6
Other operating income	3	24.5	24.2
Other operating expenses	3	-27.9	-144.0
<b>Operating profit</b>		<b>609.9</b>	<b>506.4</b>
<i>Financial items</i>			
Financial income	8	0.7	1.9
Financial expense	8	-1.6	-0.7
<b>Profit before tax</b>		<b>608.9</b>	<b>507.6</b>
Income tax	9	-130.2	-128.8
<b>Profit for the year</b>		<b>478.7</b>	<b>378.8</b>
Number of shares at the end of the period, millions			
		63.1	63.4
Earnings per share before dilution, SEK	10	7.59	6.00
Earnings per share after dilution, SEK	10	7.57	5.97
Proposed dividend per share, SEK	11	6.25	5.75

## Statement of consolidated comprehensive income

MSEK	1 May 2016 –30 Apr 2017	1 May 2015 –30 Apr 2016
Profit for the year	478.7	378.8
Other comprehensive income, net after tax:		
Items that can later be reversed in the consolidated income statement:		
Exchange-rate differences	22.9	-62.8
Cash-flow hedging	21.6	4.3
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	44.5	-58.5
<b>Comprehensive income for the year</b>	<b>523.2</b>	<b>320.3</b>

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

## Cash-flow statement

MSEK	1 May 2016 –30 Apr 2017	1 May 2015 –30 Apr 2016
<i>Operating activities</i>		
Operating profit	609.9	506.4
<i>Adjustment for non-cash items</i>		
– depreciation	230.0	235.4
– loss from sale/disposal of non-current assets	37.3	10.8
– other non-cash items	-54.8	121.9
Interest received	0.7	1.9
Interest paid	-1.6	-0.8
Tax paid	-160.8	-133.0
<b>Cash flow from operating activities before changes in working capital</b>	<b>660.6</b>	<b>742.6</b>
<i>Cash flow from changes in working capital</i>		
– accounts receivable	0.0	-5.1
– inventories	32.8	-116.5
– other receivables	45.4	-30.0
– accounts payable	-54.5	101.3
– other current interest-free operating liabilities	14.8	12.3
<b>Cash flow from operating activities</b>	<b>698.9</b>	<b>704.6</b>
<i>Investing activities</i>		
Investments in intangible assets	-105.9	-133.4
Investments in tangible assets	-157.6	-141.0
Sale of equipment	0.1	0.3
<b>Cash flow from investing activities</b>	<b>-263.5</b>	<b>-274.1</b>
<i>Financing activities</i>		
Repurchase of own shares	-75.7	-47.9
Sales of own shares	19.7	43.3
Dividend to shareholders	-362.0	-331.3
<b>Cash flow from financing activities</b>	<b>-418.0</b>	<b>-335.9</b>
<b>Cash flow for the year</b>	<b>17.5</b>	<b>94.6</b>
Cash and cash equivalents at the start of the year	604.3	517.4
Exchange-rate differences in cash and cash equivalents	3.3	-7.7
<b>Cash and cash equivalents at the end of the year</b>	<b>625.1</b>	<b>604.3</b>

## Group

## Balance sheet

MSEK	Note	30 Apr 2017	30 Apr 2016
<b>Assets</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
IT and software costs		340.2	270.6
<b>Total intangible assets</b>		<b>340.2</b>	<b>270.6</b>
<i>Tangible assets</i>			
Land and buildings		414.4	444.4
Equipment, tools, fixtures and fittings		649.9	682.8
<b>Total tangible assets</b>		<b>1,064.3</b>	<b>1 127.2</b>
<i>Non-current receivables</i>			
Deferred tax assets	9	17.0	16.9
Other non-current receivables	19	1.6	1.2
<b>Total non-current receivables</b>		<b>18.5</b>	<b>18.1</b>
<i>Current assets</i>			
Inventories	13	1,630.7	1,639.2
Accounts receivable	14	31.0	30.5
Tax assets		23.2	69.5
Other receivables		8.1	23.3
Prepaid expenses and accrued income	15,17	158.2	140.1
Cash and cash equivalents	16	625.1	604.3
<b>Total current assets</b>		<b>2,476.4</b>	<b>2,506.9</b>
<b>Total assets</b>		<b>3,899.4</b>	<b>3,922.8</b>

## Balance sheet

MSEK	Note	30 Apr 2017	30 Apr 2016
<b>Equity and liabilities</b>			
<b>Equity</b>			
<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		-89.9	-132.9
Profit brought forward including profit for the year		2,168.2	2,099.3
<b>Total equity</b>		<b>2,250.7</b>	<b>2,138.8</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities	9	195.8	190.2
Other non-current liabilities		5.0	5.0
Other non-current provisions	22	25.9	0.0
<b>Total non-current liabilities</b>		<b>226.8</b>	<b>195.1</b>
<i>Current liabilities</i>			
Accounts payable	20	635.2	685.7
Tax liability		39.4	111.6
Other current liabilities	20	169.2	95.7
Accrued expenses and deferred income	17, 21	500.2	528.9
Other provisions	22	78.0	166.9
<b>Total current liabilities</b>		<b>1,421.9</b>	<b>1,588.9</b>
<b>Total equity and liabilities</b>		<b>3,899.4</b>	<b>3,922.8</b>

## Group

Consolidated statement of changes in equity (Note 18) Attributable to Parent Company's shareholders						
MSEK	Share capital	Other contributed capital	Translation difference	Hedging reserve	Profit brought forward	Total
Opening balance at 1 May 2015	82.0	90.4	-55.1	-20.8	2,047.9	2,144.5
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	378.8	378.8
<b>Other comprehensive income</b>						
Cash-flow hedging after tax	-	-	-	4.3	-	4.3
Exchange-rate differences	-	-	-62.8	-	-	-62.8
Remeasurement of defined-benefit pension obligations	-	-	-	-	0.0	0.0
Total other comprehensive income	-	-	-62.8	4.3	0.0	-58.5
<b>Total comprehensive income</b>	-	-	<b>-62.8</b>	<b>4.3</b>	<b>378.8</b>	<b>320.3</b>
<b>Transactions with shareholders</b>						
Repurchase of own share	-	-	-	-	-47.9	-47.9
Sales of own share	-	-	-	-	43.3	43.3
Employee stock options plan: value of employees' service	-	-	-	-	9.9	9.9
Dividend	-	-	-	-	-331.3	-331.3
Total transactions with shareholders	-	-	-	-	-326.0	-326.0
Closing balance at 30 April 2016	82.0	90.4	-117.9	-16.5	2,100.7	2,138.8
Opening balance at 1 May 2016	82.0	90.4	-117.9	-16.5	2,100.7	2,138.8
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	478.7	478.7
<b>Other comprehensive income</b>						
Cash-flow hedging after tax	-	-	-	21.6	-	21.6
Exchange-rate differences	-	-	22.9	-	-	22.9
Remeasurement of defined-benefit pension obligations	-	-	-	-	0.0	0.0
Total other comprehensive income	-	-	22.9	21.6	0.0	44.5
<b>Total comprehensive income</b>	-	-	<b>22.9</b>	<b>21.6</b>	<b>478.7</b>	<b>523.2</b>
<b>Transactions with shareholders</b>						
Repurchase of own share	-	-	-	-	-75.7	-75.7
Sales of own share	-	-	-	-	19.7	19.7
Employee stock options plan: value of employees' service	-	-	-	-	6.7	6.7
Dividend	-	-	-	-	-362.0	-362.0
Total transactions with shareholders	-	-	-	-	-411.2	-411.3
Closing balance at 30 April 2017	82.0	90.4	-95.0	5.1	2,168.2	2,250.7

## Parent company

Income statement			
MSEK	Note	1 May 2016 –30 Apr 2017	1 May 2015 –30 Apr 2016
	1, 2		
Sales	23	6,384.2	6,073.8
Cost of goods sold	4,5,6	-4,579.7	-4,311.0
<b>Gross profit</b>		<b>1,804.5</b>	<b>1,762.8</b>
Selling expenses	4,5,6	-1,150.9	-1,145.9
Administrative expenses	4,5,6,7	-149.1	-145.0
Other operating income	3	24.3	24.2
Other operating expenses	3	-26.1	-138.4
<b>Operating profit</b>		<b>502.7</b>	<b>357.7</b>
<i>Financial items</i>			
Dividend from subsidiaries		103.2	99.1
Interest income	8	0.4	1.8
Interest expense	8	-2.2	-3.0
<b>Profit after financial items</b>		<b>604.1</b>	<b>455.6</b>
Appropriations	25	-76.2	37.2
<b>Profit before tax</b>		<b>527.9</b>	<b>492.7</b>
Income tax	9	-91.7	-82.3
<b>Profit for the year</b>		<b>436.3</b>	<b>410.4</b>
Proposed dividend per share, SEK	11	6.25	5.75

Comprehensive income, Parent Company			
MSEK		1 May 2016 –30 Apr 2017	1 May 2015 –30 Apr 2016
Profit for the year		436.3	410.4
Other comprehensive income, net after tax:			
Items that can later be reversed in the consolidated income state- ment:			
Profit/loss from hedging of net investments in foreign operations		2.4	-10.7
<b>Comprehensive income for the year</b>		<b>438.7</b>	<b>399.7</b>

Cash-flow statement			
MSEK		1 May 2016 –30 Apr 2017	1 May 2015 –30 Apr 2016
<i>Operating activities</i>			
Operating profit		502.7	357.7
<i>Adjustment for non-cash item</i>			
– depreciation		157.5	157.6
– loss from sale/disposal of non-current assets		3.6	1.0
– other non-cash items		5.1	16.4
Interest received		0.4	1.8
Interest paid		-2.2	-3.0
Tax paid		-105.5	-89.7
<b>Cash flow from operating activities before changes in working capital</b>		<b>561.6</b>	<b>441.8</b>
<i>Cash flow from changes in working capital</i>			
– accounts receivable		-0.3	-0.6
– inventories		42.7	-37.3
– other receivables		211.5	-18.8
– accounts payable		-23.1	75.7
– other current interest-free operating liabilities		-278.7	32.9
<b>Cash flow from operating activities</b>		<b>513.7</b>	<b>493.7</b>
<i>Investing activities</i>			
Investments in intangible assets		-105.9	-133.4
Investments in tangible assets		-62.9	-73.5
Sale of equipment		0.1	0.3
Shareholder contribution in subsidiaries		0.0	-7.5
<b>Cash flow from investing activities</b>		<b>-168.7</b>	<b>-214.1</b>
<i>Financing activities</i>			
Repurchase of own shares		-75.7	-47.9
Sales of own shares		19.7	43.3
Repayments/Lending from subsidiaries		-4.7	30.1
Dividend from subsidiaries		103.2	99.1
Dividend to shareholders		-362.0	-331.3
<b>Cash flow from financing activities</b>		<b>-319.4</b>	<b>-206.7</b>
<b>Cash flow for the year</b>		<b>25.5</b>	<b>72.9</b>
Cash and cash equivalents at the start of the year		515.4	442.5
<b>Cash and cash equivalents at the end of the year</b>		<b>540.9</b>	<b>515.4</b>

## Parent company

## Balance sheet

MSEK	Note	30 Apr 2017	30 Apr 2016
<b>Assets</b>			
Non-current assets	12		
<i>Intangible assets</i>			
IT and software costs		340.2	270.6
<b>Total intangible assets</b>		<b>340.2</b>	<b>270.6</b>
<i>Tangible assets</i>			
Land and buildings		413.7	443.6
Equipment, tools, fixtures and fittings		361.9	393.8
<b>Total tangible assets</b>		<b>775.6</b>	<b>837.4</b>
<i>Financial non-current assets</i>			
Deferred tax assets		3.1	3.7
Receivables, Group companies		153.9	146.8
Participations in Group companies	24	29.3	29.3
<b>Total financial non-current assets</b>		<b>186.3</b>	<b>179.8</b>
<b>Total non-current assets</b>		<b>1,302.1</b>	<b>1,287.8</b>
<i>Current assets</i>			
<i>Inventories</i>			
Merchandise	13	1,062.0	1,104.7
<b>Total inventories</b>		<b>1,062.0</b>	<b>1,104.7</b>
<i>Current receivables</i>			
Accounts receivable	14	19.7	19.5
Tax assets		23.0	20.7
Receivables from Group companies		72.9	293.2
Other receivables		2.6	1.8
Prepaid expenses and accrued income	15	86.9	81.3
<b>Total current receivables</b>		<b>205.2</b>	<b>416.5</b>
Cash and bank balances	26	540.9	515.4
<b>Total current assets</b>		<b>1,808.1</b>	<b>2,036.5</b>
<b>Total assets</b>		<b>3,110.2</b>	<b>3,324.4</b>

## Balance sheet

MSEK	Note	30 Apr 2017	30 Apr 2016
<b>Equity and liabilities</b>			
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		7.9	0.0
<b>Total restricted equity</b>		<b>196.8</b>	<b>188.8</b>
<i>Non-restricted equity</i>			
Fair value fund		-28.8	-31.2
Profit brought forward		394.3	403.0
Profit for the year		436.3	410.4
<b>Total non-restricted equity</b>		<b>801.7</b>	<b>782.2</b>
<b>Total equity</b>		<b>998.5</b>	<b>971.0</b>
Untaxed reserves	27	1,048.5	972.3
<i>Provisions</i>			
Other provisions	22	46.0	47.6
<b>Total provisions</b>		<b>46.0</b>	<b>47.6</b>
<i>Non-current liabilities</i>			
Other non-current liabilities		5.0	5.0
<b>Total non-current liabilities</b>		<b>5.0</b>	<b>5.0</b>
<i>Current liabilities</i>			
Accounts payable	20	578.2	601.3
Liabilities to Group companies		86.0	355.1
Other current liabilities		41.9	47.5
Accrued expenses and deferred income	21	305.9	325.4
<b>Total current liabilities</b>		<b>1,012.2</b>	<b>1,328.4</b>
<b>Total equity and liabilities</b>		<b>3,110.2</b>	<b>3,324.4</b>

## 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 2015	82.0	106.8	-	708.5	897.3
Dividend	-	-	-	-331.3	-331.3
Repurchase own shares	-	-	-	-47.9	-47.9
Sales of own shares	-	-	-	43.3	43.3
Employee stock options plan: value of employees' service	-	-	-	9.9	9.9
Other comprehensive income	-	-	-	399.7	399.7
Closing balance at 30 April 2016	82.0	106.8	-	782.2	971.0
Opening balance at 1 May 2016	82.0	106.8	-	782.2	971.0
Dividend	-	-	-	-362.0	-362.0
Repurchase own shares	-	-	-	-75.7	-75.7
Sales of own shares	-	-	-	19.7	19.7
Employee stock options plan: value of employees' service	-	-	-	6.7	6.7
Change of development fund	-	-	7.9	-7.9	0.0
Other comprehensive income	-	-	-	438.7	438.7
Closing balance at 30 April 2017	82.0	106.8	7.9	801.7	998.5

## 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.

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 40.5 MSEK (107.0 MSEK) at year-end of which 25.9 MSEK (0.0) was classified as long term.

#### The following new and amended IFRSs and interpretations came into effect and impacted the Group in the 2016/17 financial year.

New or amended standards and new interpretations did not have any material impact on the Group's 2016/17 financial statements.

The following changes are not conditional on amendments to IFRS:

#### Alternative Performance Measures (APMs)

The Group has applied the European Securities and Markets Authority's (ESMA) new guidelines on alternative performance measures. In brief, APMs are financial measures of historical or future earnings trends, financial position or cash flow that are not defined or specified in IFRS. The APMs presented in the annual report are reconciled with the closest item in the income statements and balances sheets and are listed at the end of the annual report. The APMs presented in this report may differ from measurements of similar names used by other companies.

#### 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 2017. The standards and interpretations that are deemed to impact the financial statements for the period in which they are applied for the first time are described below.

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

IFRS 9 Financial Instruments was issued on 24 July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard was published in phases, and the version issued in July 2014 replaces all preceding versions.

IFRS 9 contains new principles for recognising and measuring financial assets. The measurement category to be assigned to a financial asset is determined by either the objective of the company holding the asset (the company's "business model") or the financial asset's contractual cash flows.

The new standard also contains new impairment rules for financial assets that entails that the former incurred loss method is replaced by a new expected loss method.

The purpose of the new hedge accounting rules is that the company's risk management is to be reflected in the financial statements. The standard also expands the possibility of hedging risk components of non-financial items and including several types of instruments in a hedge relationship. The quantitative requirement for efficiency is no longer implemented. IFRS 9 applies to financial years beginning on or after 1 January 2018. Executive management has not yet completed its evaluation of the potential impact on financial earnings or position.

IFRS 15 Revenue from Contracts with Customers was issued on 28 May 2014 and will replace IAS 18 Revenue and IAS 11 Construction Contracts. IFRS 15 stipulates a model for recognising revenue for almost all revenue arising on the basis of contracts with customers, except for leases, financial instruments and insurance contracts. The core principle of revenue recognition under IFRS 15 is that an entity is to recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised as control of the goods or services is passed. IFRS 15 provides significantly more detailed guidance for specific areas and the disclosure requirements are extensive. IFRS 15 applies to financial years beginning on or after 1 January 2018. Executive management's current assessment is that the standard will not entail any major differences for the Group.

IFRS 16 Leases was issued on 13 January 2016 and is to replace IAS 17 Leases. IFRS 16 introduces a right of use model and for lessees it means that essentially all lease agreements are to be recognised in the balance sheet, and do not need to be classified into operating or financial leases. The exemption is leases with a lease term of 12 months or less and leases of a low value. Depreciation of the asset and interest expense on the liability are recognised in profit or loss. The standard contains more extensive disclosure requirements compared with the current standard. For lessors, IFRS 16 does not essentially entail any differences compared with IAS 17. IFRS 16 applies to financial years beginning on or after 1 January 2019, with earlier application permitted. The standard has not yet been adopted by the EU. Executive management believes that the standard will lead to recognition of significant assets and liabilities attributable to the Group's lease agreements for premises, but has not yet quantified the effects.

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

### Consolidated financial statements

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

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

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

### Segment accounting

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

### Translation of foreign currencies

#### a) Functional currency and reporting currency

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

#### b) Transactions in foreign currency

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

#### c) Group companies

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

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

### Non-current assets

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

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

### Intangible assets

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

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

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

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

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

### Impairment of non-financial assets

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

## NOTES

### Financial instruments

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

### Cash-flow hedging

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

### Hedging of net investments

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

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

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

### Inventories

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

### Receivables

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

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

### Cash and cash equivalents

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

### Accounts payable

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

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

### Borrowing

Borrowing is initially measured at fair value, net after transaction expenses. Borrowing is thereafter recognised at amortised cost and any difference between

the amount received (net after transaction expenses) and the repayment amount is recognised in profit or loss distributed over the borrowing period, applying the effective interest method.

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

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

### Loan expenses

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

### Current and deferred income tax

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

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

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

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

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

### Employee benefits

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

#### a) Pension obligations

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

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

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

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

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

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

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

#### b) Remuneration in the event of termination of employment

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

#### Share-based payments

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

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

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

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

#### Provisions

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

#### Income

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

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

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

#### Leasing

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

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

#### 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.

## NOTES

### Amendments to accounting principles RFR 2

When expenses for internally generated development costs are capitalised, a limitation is introduced on the possibility of distributing equity, on the basis that an amount equal to that being capitalised is reserved in a separate, restricted fund, known as the development fund. Other Amendments to RFR 2 did not have any material impact on the Parent Company's financial statements for the financial year 2016/17.

### Amendments to RFR 2 that have not yet come into effect

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

### Classification and format

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

### Tax

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

### Other

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

## Note 2 Financial risks

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

The Board has overall responsibility for the Group's risk effort. The risk situation in the Clas Ohlson Group is updated and analysed regularly. This is done by means of a systematic process in which risks are identified, valued, assessed, managed, monitored and reported. Using an overall assessment, priority is given to those risks whose impact and probability are deemed to represent the most negative effect. For more information, refer to pages 76-79 of the Annual Report.

## MARKET RISK

### Currency risk

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

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

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

Currency effects excluding hedging:

Currency	Change, %	Impact on profit before tax, MSEK
NOK	+/- 5 per cent	+/- 86
USD	+/- 5 per cent	-/+ 72
HKD	+/- 5 per cent	-/+ 7
EUR	+/- 5 per cent	+/- 4
GBP	+/- 5 per cent	+/- 3

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

### Refinancing and liquidity risks

Refinancing and liquidity risk pertain to the risk that Clas Ohlson is unable to receive loans or meet payment obligations due to insufficient liquidity. Refinancing requirements are regularly reviewed by Clas Ohlson's central finance function, which is responsible for external borrowing. Refinancing requirements are primarily contingent on market trends and investment plans. See also Note 26.

### Interest-rate risk

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

### Price risk

Price risk is regarded as low as the company buys from more than 600 suppliers. In accordance with its purchasing policy, the company also avoids entering into long-term supply contracts, to retain flexibility with regard to suppliers and products.

### Credit risk

Accounts receivable are characterised by a very low risk, as each sub-item is small and the Group's credit policy is restrictive. Provisions for doubtful receivables are made following individual examination, but this has not been necessary in the past five financial years for either the Group or the Parent Company. Total credit risk is not deemed to exceed the carrying amounts of the Group's financial instruments.

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

### Capital risk

Capital risk is regarded as low because the Group had a low portion of liabilities at the end of the financial year and an equity/assets ratio of 58 per cent.

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

**Note 3 Other operating income and operating expenses**

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
<b>Other operating income</b>				
Rental income	24.2	23.9	24.2	23.9
Profit on sale or disposal of tangible assets	0.1	0.3	0.1	0.3
Other operating income	0.2	0.0	0.0	0.0
<b>Total</b>	<b>24.5</b>	<b>24.2</b>	<b>24.3</b>	<b>24.2</b>
<b>Other operating expenses</b>				
Leasing expenses	-22.5	-23.4	-22.5	-23.4
Loss on sale or disposal of tangible assets*	-5.4	-3.1	-3.6	-1.3
Non-recurring expenses*	0.0	-117.5	0.0	-113.7
<b>Total</b>	<b>-27.9</b>	<b>-144.0</b>	<b>-26.1</b>	<b>-138.4</b>

\*During the previous financial year, the earnings were impacted by non-recurring expenses of 107.0 MSEK pertaining to the restructuring of the store network in the UK. During previous year, 10.5 MSEK were also attributable to closure costs for one store in UK. Closure costs included disposals of 7.2 MSEK. Non-recurring expenses were specified as follows: leasing expenses of 61.0 MSEK, personnel cost of 6.6 MSEK, impairment of inventories of 14.9 MSEK, impairment of tangible assets of 17.2 MSEK and other items of 7.3 MSEK.

**Note 4 Depreciation**

Group	2016/17	2015/16
<b>Depreciation broken down by type of asset</b>		
Intangible assets <sup>1</sup>	34.7	33.8
Land and buildings	29.8	30.0
Equipment, tools, fixtures and fittings	165.6	171.6
<b>Total</b>	<b>230.0</b>	<b>235.4</b>
<b>Depreciation broken down by function</b>		
Cost of goods sold	78.4	75.1
Selling expenses	145.2	153.9
Administrative expenses	6.5	6.4
<b>Total</b>	<b>230.0</b>	<b>235.4</b>
<b>Parent Company</b>		
<b>Depreciation by type of asset</b>		
Intangible assets <sup>1</sup>	34.7	33.8
Land and buildings	29.4	29.6
Equipment, tools, fixtures and fittings	93.4	94.1
<b>Total</b>	<b>157.5</b>	<b>157.6</b>
<b>Depreciation by function</b>		
Cost of goods sold	78.4	75.1
Selling expenses	72.7	76.1
Administrative expenses	6.5	6.4
<b>Total</b>	<b>157.5</b>	<b>157.6</b>

<sup>1</sup> Depreciation of intangible assets is recognised as selling expenses.

**Note 5 Expenses by type of cost**

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

Payroll expenses including social security expenses during the financial year totalled 1,743.4 MSEK (1,686.9) in the Group and 1,049.4 MSEK (1,041.9) in the Parent Company.

Depreciation during the financial year totalled 230.0 MSEK (235.4) in the Group and 157.5 MSEK (157.6) in the Parent Company.

**Note 6 Expenses for employee benefits**

	2016/17	2015/16
<b>Salaries and other remuneration</b>		
Parent Company	751.2	749.7
Subsidiaries	592.0	551.9
<b>Group total</b>	<b>1,343.2</b>	<b>1,301.6</b>

	2016/17		2015/16	
	Social security expenses	of which, pension expenses	Social security expenses	of which, pension expenses
<b>Social security expenses</b>				
Parent Company	298.2	54.9	292.2	53.4
Subsidiaries	102.0	29.3	93.1	28.3
<b>Group total</b>	<b>400.2</b>	<b>84.2</b>	<b>385.3</b>	<b>81.7</b>

Of the Parent Company's pension expenses, 2.8 MSEK (3.0) pertained to the group consisting of the Board, CEO and Deputy CEO. Of the subsidiaries' pension expenses, 0.8 MSEK (0.9) pertained to presidents of subsidiaries.

In the Group, expenses for defined-contribution pensions amounted to 72.5 MSEK (70.9) 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 43.2 MSEK (42.6).

In the Parent Company, the year's expenses for special employer's contribution on pension premiums was 11.7 MSEK (10.8). For more information on the defined-benefit pension plans in the Group, refer to Note 19.

## NOTES

### Remuneration of Board members, presidents and other senior management

	2016/17	2015/16
<i>Parent Company</i>		
Salaries and other remuneration	29.3	37.3
– of which, variable remuneration	6.2	10.0
Pension expenses	4.9	6.7
Number of individuals in Group <sup>1</sup>	14	17
<i>Group</i>		
Salaries and other remuneration	37.3	46.7
– of which, variable remuneration	8.2	12.8
Pension expenses	5.7	7.9
Number of individuals in Group <sup>1</sup>	18	21

<sup>1</sup> The composition of the Senior Management changed from 10 members to 7 members in September 2017.

### Board remuneration

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

No director fees were paid in the subsidiaries.

	2016/17		2015/16	
	Director fees	Commit-tee fees	Director fees	Commit-tee fees
<i>Board of Directors</i>				
Kenneth Bengtsson, Chairman	0.64	0.12	0.63	0.12
Mathias Haid, member	0.32	0.06	0.31	0.06
Cecilia Marlow, member	0.32	0.14	0.31	0.14
Sanna Suvanto-Harsaae, member	0.32	0.06	0.31	0.06
Klas Balkow, member and CEO	0.00	0.00	0.00	0.00
Göran Sundström, member	0.32	0.06	0.31	0.06
Ros-Marie Grusén, member	0.32	0.00	0.00	0.00
Katrina Sjögren Petrini, member	0.00	0.00	0.31	0.07
Göran Näsholm, member	0.32	0.06	0.31	0.07
<b>Board total</b>	<b>2.56</b>	<b>0.51</b>	<b>2.52</b>	<b>0.59</b>

Board member Klas Balkow received remuneration in his capacity of President and CEO of the company. At the 2016 Annual General Meeting, Ros-Marie Grusén was elected to the Board after Katarina Sjögren Petrini and Klas Balkow declined re-election.

Gender distribution on the Board among the members elected by the AGM in the past financial year was four men and three women. In percentage terms, the distribution is 57.1 per cent men and 42.9 per cent women.

### Remuneration of Senior Management

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

For the composition of senior management at 30 April 2017, see page 92.

	2016/17				2015/16			
	Basic salary	Vari. remu. STI	Bene-fits LTI <sup>1</sup>	Bene-fits	Basic salary	Vari. remu. STI	Bene-fits LTI <sup>1</sup>	Bene-fits
<i>Salaries paid to senior management</i>								
Klas Balkow, CEO <sup>2</sup>	6.8	1.3	0.0	0.2	6.5	2.0	1.2	0.2
Peter Jelkeby Acting CEO <sup>3</sup>	1.4	0.3	0.2	0.0	0.0	0.0	0.0	0.0
Peter Jelkeby Deputy CEO <sup>3</sup>	2.1	0.6	0.3	0.1	3.0	0.9	0.7	0.1
Other senior management (5 individuals, of whom 8 individuals in 2015/16) <sup>1</sup>	9.0	1.9	1.6	0.4	13.6	3.1	2.3	0.7
<b>Management total</b>	<b>19.3</b>	<b>4.2</b>	<b>2.1</b>	<b>0.7</b>	<b>23.1</b>	<b>6.0</b>	<b>4.3</b>	<b>1.0</b>

<sup>1</sup> LTI (Long term incentive program) pertains to a reported cost for, LTI 2014, LTI 2015 och LTI 2016. See description below of STI (Short term incentive program) and LTI.

<sup>2</sup> Klas Balkow was CEO until 2016-12-31.

<sup>3</sup> Deputy CEO Peter Jelkeby held the role of Acting President and CEO between January and April 2017.

<sup>4</sup> The composition of the Senior Management changed from 10 members to 7 members in September 2017.

	2016/17		2015/16	
	Defined-contribution	Defined-benefit	Defined-contribution	Defined-benefit
<i>Pension expenses for senior management</i>				
Klas Balkow, CEO <sup>1</sup>		2.1	0.0	2.3
Peter Jelkeby Acting CEO <sup>2</sup>		0.2	0.0	0.0
Peter Jelkeby Deputy CEO <sup>2</sup>		0.5	0.0	0.7
Other senior management (5 individuals, of whom 8 individuals in 2015/16) <sup>3</sup>		2.1	0.0	3.7
<b>Management total</b>		<b>4.9</b>	<b>0.0</b>	<b>6.7</b>

<sup>1</sup> Klas Balkow was CEO until 2016-12-31.

<sup>2</sup> Deputy CEO Peter Jelkeby held the role of Acting President and CEO between January and April 2017.

<sup>3</sup> The composition of the Senior Management changed from 10 members to 7 members in 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, and of the Group, is five men and two women. In percentage terms, the distribution is thus 71.4 per cent male and 28.6 per cent female. The distribution in the preceding year was seven men and three women.

Further information on decision-making processes in the Group is presented on pages 81-89.

### 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 2014, LTI 2015 and LTI 2016 were in effect during the financial year. The qualification period for LTI 2014 was concluded after the close of the financial year and LTI 2017 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 65 senior executives and other individuals deemed to be able to influence Clas Ohlson's development in the long-term.

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

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

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

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

1. senior management comprising senior management including the CEO, Group Management and country managers elected by the Board or corresponding positions, regarded as having considerable potential in their present position to influence Clas Ohlson AB's long-term development (Senior Management).
2. other employees who could develop into members of Senior Management or assume other key positions within the Group and thus influence Clas Ohlson AB's long-term development (Key Individuals).

For senior management, the program is unchanged compared with earlier programs, see the description above. For Key Individuals, LTI 2015 and LTI 2016 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 2014, LTI 2015 and LTI 2016 has been set at 153.60 SEK, 144.80 SEK and 161.00 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 2015 and LTI 2016, 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 2014, LTI 2015 or LTI 2016 on 30 April 2017. 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 10,9 options per share for LTI 2014, 10 options per share for LTI 2015 and 10 options per share for LTI 2016.

## NOTES

In accordance with the above, LTI 2015 and LTI 2016 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).

The total cost recognised in profit or loss for 2016/17 amounted to 10.0 MSEK (13.2), including social security contributions.

### Extent of LTI 2015 and LTI 2016 at target level<sup>1</sup>

Participants	LTI 2015		Target value MSEK <sup>3</sup>
	Matching shares No. of series B-shares <sup>2</sup>	No. of employee stock options <sup>2</sup>	
CEO and President <sup>4</sup>	2,022	20,220	0.6
Other members of Senior Management	4,037	40,370	1.3
Other participants	5,880	222,700	5.0
<b>Total</b>	<b>11,939</b>	<b>283,290</b>	<b>6.9</b>

Participants	LTI 2016		Target value MSEK <sup>3</sup>
	Matching shares No. of series B-shares <sup>2</sup>	No. of employee stock options <sup>2</sup>	
CEO and President <sup>4</sup>	1,863	18,630	0.7
Other members of Senior Management	3,802	38,020	1.4
Other participants	5,166	220,200	5.7
<b>Total</b>	<b>10,831</b>	<b>276,850</b>	<b>7.8</b>

<sup>1</sup> Initially, at the start of the program, the participants acquired 16,256 and 14,528 shares under the frameworks of the LTI 2015 and LTI 2016 respectively.

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

<sup>3</sup> 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 126.75 SEK (LTI 2015)/ 142.76 SEK (LTI 2016) and the fair value of the option was 19.13/22.51 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 143.25/160.76 SEK, an exercise price of 144.80/161.00 SEK, an expected dividend per share annually, an anticipated lifetime for the options of five years, an interest rate of 0.00 per cent /-0.07 per cent, a volatility of 24.79 per cent /25.38 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.

<sup>4</sup> Refers to participation by Peter Jelkeby.

### Share awards

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

Share awards	2016/17			
	LTI 2016	LTI 2015	LTI 2014	LTI 2013
<i>At 1 May</i>		<b>16,256</b>	<b>30,526</b>	<b>40,569</b>
Granted	14,528			
Forfeited	-3,697	-4,317	-6,411	
Exercised				-40,569
<i>At 30 April</i>	<b>10,831</b>	<b>11,939</b>	<b>24,115</b>	<b>0</b>

Share awards	2015/16			
	LTI 2015	LTI 2014	LTI 2013	LTI 2012
<i>At 1 May</i>		<b>30,526</b>	<b>42,358</b>	<b>35,217</b>
Granted	16,256			
Forfeited			-1,789	
Exercised				-35,217
<i>At 30 April</i>	<b>16,256</b>	<b>30,526</b>	<b>40,569</b>	<b>0</b>

### Number of options to exercise

Participants	Number of options to exercise		
	LTI 2013	LTI 2012	LTI 2011
Acting CEO and President	45,660	0	0
Other members of Group Management	69,005	0	0
Other participants	317,187	76,272	35,756
<b>Total</b>	<b>431,852</b>	<b>76,272</b>	<b>35,756</b>

### LTI 2014 result

The qualification and performance periods for LTI 2014 were valid from 1 May 2014 until 30 April 2017. A total of 24,115 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 2014 to 2017 were achieved, which resulted in participants being allotted 10.9 options per share. The exercise price of an option is 153.60 SEK. Participants of LTI 2013, LTI 2012 and LTI 2011 were already entitled to exercise 15, 9 and 7.6 options respectively, per purchased share at an exercise price of 94.30 SEK, 109.10 SEK and 108.10 SEK, respectively.

The table below outlines the number of awarded matching share and options for LTI 2014.

Participants	Share awards LTI 2014	
	Matching share	Options
Acting President and CEO	1,948	21,233
Other members of Group Management	3,950	43,055
Other participants	18,217	198,554
<b>Total</b>	<b>24,115</b>	<b>262,842</b>

### Share repurchase for LTI programs

During 2014, 2015 and 2016, Clas Ohlson repurchased series B Clas Ohlson shares to fulfil the company's long-term obligations under the incentive programmes. Repurchased shares will be allotted, sold to participants or to correspond to social security expenses.

### Pensions and other benefits

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

**Note 7 Remuneration to auditors**

Deloitte AB	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Remuneration for audit engagement	2.0	2.0	1.1	1.2
Remuneration for audit related services	0.1	0.1	0.0	0.0
Tax consultations	0.3	0.2	0.3	0.1
Other	0.1	0.0	0.0	0.0
<b>Total</b>	<b>2.5</b>	<b>2.3</b>	<b>1.4</b>	<b>1.3</b>

**Note 8 Financial income and expenses**

Financial income is distributed as follows:

Group	2016/17	2015/16
Interest income	0.7	1.9
<b>Group total</b>	<b>0.7</b>	<b>1.9</b>
Parent Company	2016/17	2015/16
Interest income	0.4	1.8
Interest income, subsidiaries	0.0	0.0
<b>Parent Company total</b>	<b>0.4</b>	<b>1.8</b>

Financial expenses are distributed as follows:

Group	2016/17	2015/16
Financial expenses	-1,6	-0,7
<b>Group total</b>	<b>-1,6</b>	<b>-0,7</b>
Parent Company	2016/17	2015/16
Interest expense	-1.6	-0.7
Interest expense, subsidiaries	-0.6	-2.3
<b>Parent Company total</b>	<b>-2.2</b>	<b>-3.0</b>

**Note 9 Income tax**

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
<b>Tax on profit for the year</b>				
Income tax on profit for the year	-130.5	-148.7	-91.1	-84.3
	-130.5	-148.7	-91.1	-84.3
<b>Deferred tax</b>				
Deferred tax pertaining to temporary differences	0.3	19.8	-0.5	2.0
	0.3	19.8	-0.5	2.0
<b>Total recognised tax expense</b>	<b>-130.2</b>	<b>-128.8</b>	<b>-91.7</b>	<b>-82.3</b>
<b>Reconciliation of applicable tax rate and effective rate</b>				
Recognised profit before tax	608.9	507.6	527.9	492.7
Expected tax expense according to the Swedish tax rate 22%	-134.0	-111.7	-116.1	-108.4
<b>Tax effect of:</b>				
Differences in foreign tax rates	-1.6	-6.1	0.0	0.0
Non-deductible/non-recognised	4.6	-6.3	3.0	4.2
Adjustment earlier taxation	2.1	-4.2	-0.6	0.0
Tax-free dividend subsidiaries	0.0	0.0	22.7	21.8
Other	-1.3	-0.6	-0.6	0.1
<b>Recognised tax expense</b>	<b>-130.2</b>	<b>-128.8</b>	<b>-91.7</b>	<b>-82.3</b>
Effective tax rate, %	21.4	25.4	17.4	16.7
Deferred tax items recognised directly in equity	-6.1	1.2	0.0	0.0
Deferred tax assets	17.0	16.9	3.1	3.7
Deferred tax liabilities	-195.8	-190.2	0.0	0.0

	Amount at start of year	Recognised in profit or loss	Recognised in comprehensive income	Reclassification/exchange rate differences	Amount at the end of year
Group 2016/17					

**Change in deferred tax in temporary differences during the year**

Inter-company profit in inventories	12.2	19.0	0.0	0.0	31.2
Accruals and deferrals	10.0	-1.2	0.0	0.0	8.8
Pensions	3.3	-1.2	0.0	0.2	2.3
Accelerated depreciation	-71.1	-1.3	0.0	0.0	-72.4
Tax allocation reserves	-132.9	-15.0	0.0	0.0	-147.8
Hedging reserves	4.7	0.0	-6.1	0.0	-1.4
Other	0.4	0.0	0.0	0.0	0.4
<b>Total</b>	<b>-173.3</b>	<b>0.4</b>	<b>-6.1</b>	<b>0.2</b>	<b>-178.9</b>

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

## NOTES

Group 2015/16	Amount at start of year	Recognised in profit or loss	Recognised in comprehensive income	Reclassification/exchange rate differences	Amount at the end of year
<b>Change in deferred tax in temporary differences during the year</b>					
Inter-company profit in inventories	7.2	5.1	0.0	0.0	12.2
Accruals and deferrals	17.9	-7.8	0.0	0.0	10.0
Pension	1.5	2.0	0.0	-0.2	3.3
Accelerated depreciation	-83.9	-12.8	0.0	0.0	-71.1
Tax allocation reserves	-140.6	7.7	0.0	0.0	-132.9
Hedging reserves	0.0	0.0	-1.2	5.9	4.7
Other	0.4	0.1	0.0	0.0	0.4
<b>Total</b>	<b>-197.6</b>	<b>19.8</b>	<b>-1.2</b>	<b>5.7</b>	<b>-173.3</b>

### Note 10 Earnings per share\*

	2016/17	2015/16
<b>Earnings per share before dilution</b>		
Profit for the year	478.7	378.8
Average number of shares before dilution	63.1	63.2
<b>Earnings per share before dilution</b>	<b>7.59</b>	<b>6.00</b>
<b>Earnings per share after dilution</b>		
Profit for the year	478.7	378.8
Average number of shares before dilution	63.1	63.2
Adjusted for:		
- share savings program	0.2	0.3
Average number of shares after dilution	63.3	63.5
<b>Earnings per share after dilution</b>	<b>7.57</b>	<b>5.97</b>

\*number of shares are express in millions of share.

### Earnings per share before and after dilution

The calculation of earnings per share has been based on profit for the year attributable to the Parent Company's shareholders, totalling 478.7 MSEK (378.8) and on a average number of shares outstanding before and after dilution during both 2016/17 and 2015/16.

Options pertaining to LTI 2014, LTI 2015 and LTI 2016 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 2016/17 and 2015/16 totalled 362.0 MSEK (5.75 SEK per share) and 331.3 MSEK (5.25 SEK per share). A dividend pertaining to 2015/16 of 6.25 SEK per share, totalling 410.0 MSEK, will be proposed at the Annual General Meeting to be held on 9 September 2017. The proposed dividend has not been recognised as a liability in these financial statements.

### Note 12 Non-current assets

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
<b>Intangible assets</b>				
<b>Capitalised IT and software costs</b>				
Opening cost	368.0	234.6	368.0	234.6
Acquisitions for the year	105.9	133.4	105.9	133.4
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	-1.7	0.0	-1.7	0.0
<b>Closing accumulated cost</b>	<b>472.3</b>	<b>368.0</b>	<b>472.3</b>	<b>368.0</b>
Opening depreciation	97.4	63.6	97.4	63.6
Depreciation for the year	34.7	33.8	34.7	33.8
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	0.0	0.0	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>132.1</b>	<b>97.4</b>	<b>132.1</b>	<b>97.4</b>
Closing residual value according to plan	340.2	270.6	340.2	270.6

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
<b>Tangible assets</b>				
<b>Land and buildings</b>				
Opening cost	758.2	757.6	755.8	755.7
Acquisitions for the year	0.6	0.6	0.3	0.1
Reclassifications	-3.9	0.0	-3.9	0.0
Translation differences	0.1	0.0	0.0	0.0
<b>Closing accumulated cost</b>	<b>755.0</b>	<b>758.2</b>	<b>752.2</b>	<b>755.8</b>
Opening depreciation	313.8	283.8	312.2	282.5
Sales and disposals	-3.1	0.0	-3.1	0.0
Depreciation for the year	29.8	30.0	29.4	29.6
Translation differences	0.1	0.0	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>340.7</b>	<b>313.8</b>	<b>338.5</b>	<b>312.2</b>
Closing residual value according to plan	414.4	444.4	413.7	443.6
Carrying amount, land	6.5	6.5	6.5	6.5

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
<b>Equipment, tools, fixtures and fittings</b>				
Opening cost	1,780.2	1,771.5	1,044.2	1,012.0
Acquisitions for the year	157.0	140.4	62.6	73.4
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	-163.8	-65.3	-54.8	-41.3
Translation differences	16.3	-66.3	0.0	0.0
<b>Closing accumulated cost</b>	<b>1,789.8</b>	<b>1,780.2</b>	<b>1,052.0</b>	<b>1,044.2</b>
Opening depreciation	1,097.4	1,016.4	650.4	596.2
Depreciation for the year	165.5	171.6	93.4	94.1
Reclassifications	0.0	0.0	0.0	0.0
Sales and disposals	-128.9	-54.3	-53.6	-39.9
Translation differences	5.9	-36.4	0.0	0.0
<b>Closing accumulated depreciation</b>	<b>1,139.8</b>	<b>1,097.4</b>	<b>690.2</b>	<b>650.4</b>
Closing residual value according to plan	649.9	682.8	361.9	393.8

	Parent Company	
	2016/17	2015/16
<b>Financial non-current assets</b>		
Opening cost	179.8	211.1
Increase/decrease in non-current receivables	6.5	-31.3
<b>Closing accumulated cost</b>	<b>186.3</b>	<b>179.8</b>
Fair value	186.3	179.8

#### Investment commitments

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

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Equipment, tools, fixtures and fittings	39.6	85.9	3.0	32.5

### Note 13 Inventories

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Merchandise	1,630.7	1,639.2	1,062.0	1,104.7
<b>Total</b>	<b>1,630.7</b>	<b>1,639.2</b>	<b>1,062.0</b>	<b>1,104.7</b>
Cost of goods sold	4,698.6	4,376.3	4,579.7	4,311.0
Of which, obsolescence	-5.8	-0.9	-5.5	-0.7

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	
	2016/17	2015/16	2016/17	2015/16
Accounts receivable	31.0	30.5	19.7	19.5
<b>Total</b>	<b>31.0</b>	<b>30.5</b>	<b>19.7</b>	<b>19.5</b>
Fair value	31.0	30.5	19.7	19.5

### Note 15 Prepaid expenses and accrued income

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Prepaid rent	73.0	71.1	40.9	41.2
Prepaid costs of materials	18.7	16.8	18.7	16.8
Other prepaid expenses	66.4	52.2	27.3	23.3
<b>Total</b>	<b>158.2</b>	<b>140.1</b>	<b>86.9</b>	<b>81.3</b>

### Note 16 Cash and cash equivalents

Group	2016/17	2015/16
Cash and bank balances	625.1	604.3
<b>Group total</b>	<b>625.1</b>	<b>604.3</b>

At the end of the year, utilised overdraft facilities in the Group, which are not included in cash and cash equivalents, totalled 0.0 MSEK (0.0), refer to Note 20.

Unutilised overdraft facilities in the Group, which are not included in cash and cash equivalents, amounted to 400.0 MSEK (650.0).

### Note 17 Forward contracts

As per the balance-sheet date, outstanding cash-flow hedging existed according to the following table.

Currency	Carrying amount and fair value		Nominal amount		Average remaining term in months. <sup>1</sup>	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Sell/buy						
NOK/SEK	1.5	-1.6	72.0	100.9	2.5	2.4
NOK/USD	5.0	-19.6	430.6	366.5	3.2	3.1
SEK/USD	0.0	0.0	5.3	0.0	4.4	0.0
<b>Total</b>	<b>6.5</b>	<b>-21.2</b>	<b>507.9</b>	<b>467.4</b>	<b>3.1</b>	<b>2.9</b>

<sup>1</sup> Maturity ranges from 3 May - 19 Okt for NOK/USD, 10 May - 12 Oct for NOK/SEK and 12 Sept to 12 Sept for SEK/USD. In the preceding year, the maturity ranges were from 4 May - 27 Oct for NOK/USD and 11 May - 6 Oct for NOK/SEK. No hedging was required 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.

Future hedging is performed monthly with a maturity of six months. Forward contracts with negative market values totalled 0.8 MSEK (21.3), which was recognised in the item Accrued expenses and deferred income. Forward contracts with positive market values amounted to 7.2 MSEK (0.1), which was recognised in the item Prepaid expenses and accrued income.

A deferred tax asset of 1.4 MSEK (previous year a deferred tax liabilities of 4.7 MSEK) was taken into account and the remaining fair value of 5.0 MSEK (16.5) was recognized in the hedging reserve within equity. The amount for forward contracts NOK/USD of 5.0 MSEK (-19.6) is allocated on the currency pair NOK/SEK with 12.7 MSEK (-2.5) and on the currency pair SEK/USD with -7.7 MSEK (-17.1).

**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	365,448
Profit for the year	436,272
<b>Total</b>	<b>801,720</b>

The Board and Chief Executive Officer propose:

Dividend payable to shareholders 6.25 SEK per share	410,000 <sup>1</sup>
Carried forward to new account	391,720
<b>Total</b>	<b>801,720</b>

<sup>1</sup>Dividends are based on the number of shares outstanding on the record date.

The record date for payment of the dividend is proposed as 12 September 2017. It is anticipated that the dividend decided upon by the Annual General Meeting will be despatched on 15 September 2017.

With reference to the information presented above and what has otherwise come to the knowledge of the Board, the view of the Board is as follows: A comprehensive assessment of the financial position of the Parent Company and Group indicates that the dividend is justifiable with reference to the demands made by the nature, size and risks of the operation on the equity and liquidity of the Parent Company and Group. The Group's equity/assets ratio is 58 per cent before payment of dividend and 53 per cent after payment of dividend. This is judged to be an adequate equity/assets ratio, even when the future expansion has been taken into account.

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

The total number of ordinary shares is 65,600,000 (2015/16: 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 2,516,562 series B shares (2,223,580). The number of shares outstanding at the end of the year was 63,083,438 (63,376,420). The average number of shares before and after dilution is reported in Note 10.

The Group's reserves contain translation differences of -95.0 MSEK (-117.9), and hedging reserve of 5.1 MSEK (-16.5).

**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 102-103.

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

	2016/17	2015/16
At the start of the year	1.2	1.2
Net Periodic Pension Cost	0.0	0.0
Employer contribution	0.3	0.2
Exchange-rate differences	0.1	-0.2
<b>Recognised provision at end of the financial year:</b>	<b>1.6</b>	<b>1.2</b>

Pension obligations:

	2016/17	2015/16
Present value of funded obligations	6.6	6.4
Fair value of plan assets	8.2	7.6
Non-recognised actuarial gains/losses	0.0	0.0
<b>Asset in balance sheet</b>	<b>1.6</b>	<b>1.2</b>

**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.

	2016/17	2015/16
Group	72.5	70.9
Parent Company	43.2	42.6

For salaried employees in Sweden, the ITP 2 plan's defined-benefit pension obligations retirement and family pensions are insured on the basis of insurance with Alecta. According to a statement from the Swedish Financial Reporting Board, UFR 10 Classification of ITP plans financed by insurance in Alecta, this is a multi-employer defined-benefit plan. For the current financial year, the company did not have access to information to recognise its proportionate share of the plan's obligations, plan assets and expenses, which entails that the plan cannot be recognised as a defined-benefit plan. The ITP 2 pension plan insured through insurance with Alecta is therefore recognised as a defined-contribution plan. The premium for the defined-benefit retirement and family pensions are individually calculated and depend on such factors as salary, previously earned pension and expected remaining service period. The expected contributions for the next reporting period for ITP 2 insurance policies taken out with Alecta amount to 12.0 MSEK (10.5).

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 2016, Alecta's surplus in the form of the collective funding ratio was 149 per cent (153).

## Note 20 Financial instruments

### Financial instruments per category

Assets 30 April 2017	Level	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
Accounts receivable	2	31.0	0.0	31.0
Cash and cash equivalents	2	625.1	0.0	625.1
<b>Total</b>		<b>656.1</b>	<b>0.0</b>	<b>656.1</b>

Liabilities 30 April 2017	Level	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	2	0.8	0.0	0.8
Accounts payable and other liabilities	2	0.0	772.0	772.0
<b>Total</b>		<b>0.8</b>	<b>772.0</b>	<b>772.8</b>

Assets 30 April 2016	Level	Loan receivables and accounts receivable	Derivatives for hedging purposes	Total
Accounts receivable	2	30.5	0.0	30.5
Cash and cash equivalents	2	604.3	0.0	604.3
<b>Total</b>		<b>634.8</b>	<b>0.0</b>	<b>634.8</b>

Liabilities 30 April 2016	Level	Derivatives for hedging purposes	Other financial liabilities	Total
Derivative instruments	2	21.2	0.0	21.2
Accounts payable and other liabilities	2	0.0	766.1	766.1
<b>Total</b>		<b>21.2</b>	<b>766.1</b>	<b>787.3</b>

### Fair value measured according to the three levels below:

Level 1: Listed prices in an active marketplace.

Level 2: Valuation model mainly based on observable market data for the asset or liability.

Level 3: Valuation model mainly based on own assumptions.

### Financial liabilities

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Accounts payable	635.2	685.7	578.2	601.3
Other current liabilities	136.8	80.4	26.5	32.3
<b>Total</b>	<b>772.0</b>	<b>766.1</b>	<b>604.7</b>	<b>633.6</b>
<b>Fair value</b>	<b>772.0</b>	<b>766.1</b>	<b>604.7</b>	<b>633.6</b>

The average period of credit is 30 days.

The average period of credit is 45 days (45) for accounts payable and for other current liabilities 20 days (18). All accounts payable expires due within 60 days.

All bank loans and overdraft facilities are denominated in SEK. During the current financial year, the Parent Company did not have any bank loans.

The overdraft facility in the cash pool carries floating interest rates. During the year, the average interest rate was 0.12 per cent (0.19). The credit limit on the overdraft in the cashpool facilities totalled 100 MSEK (350). The Parent Company also has an overdraft facility of 300 MSEK available at DNB Bank ASA. Collateral for bank loans consisted of the reporting of financial covenants. The Group's total overdraft facilities amounted to 400 MSEK (650).

The Parent Company's credit is included in a cash pool for the Group in which utilised credit totalled 0.0 MSEK (0.0). The fair value on borrowing corresponds to its carrying amount, since the discounting effect is not significant.

## Note 21 Accrued expenses and deferred income

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Accrued payroll expenses	115.0	114.9	66.8	73.1
Accrued holiday pay expenses	177.1	169.2	103.1	102.7
Accrued social security contributions	107.4	109.7	85.4	89.3
Other items	100.8	135.1	50.6	59.4
<b>Total</b>	<b>500.2</b>	<b>528.9</b>	<b>305.9</b>	<b>324.5</b>

## Note 22 Other provisions

Refers to:

### a) Sales-related provisions

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

### Gift cards

When purchasing Clas Ohlson's gift cards in stores or via online shopping, the entire amount is recognised as a provision and recognised as income only when the gift card has been used in a store or has expired.

### Open purchase and complaints

Clas Ohlson offers its customers open purchase for 90 days and the right to complain about unsatisfactory purchases for up to ten years after the purchase. Most of the returns occur during the week following the purchase. Every month, sales and cost of goods sold are adjusted taking into account the estimated proportion of returns.

### Club Clas

Members of the Clas Ohlson's loyalty program, Club Clas, receive bonus cheques in various amounts depending on the amount of purchases the customer made at Clas Ohlson. The cheques are distributed continuously and are valid for six months. All issued bonus cheques are not redeemed which is why each sale in the loyalty program is reduced by the fair amount with respect to future redemption of bonus cheques, considering the current degree of redemption.

### b) Restructuring

During the financial year 2015/16 a provision for a non-recurring expense of 107.0 MSEK pertaining to the restructuring of the store network in the UK was made.

## NOTES

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Guarantee commitments				
Opening provisions	10.0	9.0	5.7	5.3
Utilised during the year	-10.0	-9.0	-5.7	-5.3
Allocated during the year	10.2	10.0	5.8	5.7
<b>Total</b>	<b>10.2</b>	<b>10.0</b>	<b>5.8</b>	<b>5.7</b>
Open purchase, unredeemed gift cards and bonus points				
Opening provisions	54.2	48.4	41.9	35.8
Utilised during the year	-54.2	-48.4	-41.9	-35.8
Allocated during the year	53.2	54.2	40.2	41.9
<b>Total</b>	<b>53.2</b>	<b>54.2</b>	<b>40.2</b>	<b>41.9</b>
Restructuring				
Opening provisions	102.7	0.0	0.0	0.0
Utilised during the year	-62.2	-4.3	0.0	0.0
Allocated during the year	0.0	107.0	0.0	0.0
<b>Total</b>	<b>40.5</b>	<b>102.7</b>	<b>0.0</b>	<b>0.0</b>
<b>Of which long-term provision amounts to</b>	<b>25.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total provisions</b>	<b>103.9</b>	<b>166.9</b>	<b>46.0</b>	<b>47.6</b>

### Note 23 Inter-Group transactions

Of the Parent Company's invoiced sales, intra-Group sales accounted for 2,784.7 MSEK (2,579.2). Of this sum, 2,173.4 MSEK (2,029.4) related to sales to Clas Ohlson AS in Norway, 563.9 MSEK (504.9) to sales to Clas Ohlson Oy in Finland, 43.7 MSEK (44.4) to sales to Clas Ohlson Ltd in the UK and 3.7 MSEK (0.5) sales to Clas Ohlson GmbH in Germany. No purchases were made from subsidiaries.

### Note 24 Participations in Group companies

Parent company	2016/17	2015/16
<i>Accumulated acquisition value</i>		
Opening value	29.3	21.8
Shareholder contribution	0.0	7.5
<b>Total</b>	<b>29.3</b>	<b>29.3</b>

The table below shows Clas Ohlson AB's holding of shares and participations in subsidiaries according to the balance sheet 30/4. All companies are owned 100 percent.

### Holding of shares and participations in subsidiaries for Clas Ohlson AB

Country	Company	Registered office	Registration number	2017/16		2016/15	
				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
<b>Total</b>					<b>29.3</b>		<b>29.3</b>

**Note 25 Appropriations**

Parent Company	2016/17	2015/16
<i>The difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	-9.1	1.2
– land and buildings	1.0	1.0
<i>Provision for tax allocation reserves</i>		
Provisions for the year	-68.0	35.0
<b>Parent Company total</b>	<b>-76.2</b>	<b>37.2</b>

**Note 26 Cash and bank balances**

Parent Company	2016/17	2015/16
Cash and bank balances	540.9	515.4
<b>Parent Company total</b>	<b>540.9</b>	<b>515.4</b>

Unutilised Group overdraft facilities, which are not included in cash and cash equivalents, totalled 400.0 MSEK (650.0).

**Note 27 Untaxed reserves**

Parent Company	2016/17	2015/16
<i>Accumulated difference between recognised depreciation and depreciation according to plan:</i>		
– equipment, tools, fixtures and fittings	375.5	366.4
– land and buildings	1.0	1.9
<i>Provision for tax allocation reserve</i>		
Tax 2012	–	63.0
Tax 2013:1	107.0	107.0
Tax 2013:2	72.0	72.0
Tax 2014	101.0	101.0
Tax 2015	138.0	138.0
Tax 2016	123.0	123.0
Tax 2017	131.0	-
<b>Parent Company total</b>	<b>1,048.5</b>	<b>972.3</b>

**Note 28 Pledged assets**

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Cash and cash equivalents	0.0	0.0	0.0	0.0
<b>Total pledged assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

The company has no collateral for own obligations pertaining to currency forward contracts. Regarding contracted overdraft facilities, the company's reports financial covenants, for which the company met the terms and conditions by a healthy margin. During the year, unutilised overdraft facilities amounted to 400.0 MSEK (650.0) in the Group and Parent Company.

**Note 29 Contingent liabilities and commitments**

Parent Company	2016/17	2015/16
<i>Contingent liabilities, Parent Company</i>		
Guarantee in favour of Group companies pertaining to future rental commitments	251.7	237.5

*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 2017 was four years.

Contracted leases were calculated according to rent levels for 2017.

	2016/17	2015/16			
Rents and lease payments in financial year	281.1	275.1			
	2017/18	2018/19	2019/20	2020/21	2021-
Contracted future rents	276.7	265.8	236.7	167.9	332.6

*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 2017 was five years. Contracted leases were calculated according to rent levels for 2017.

Group	2016/17	2015/16			
Rents and lease payments in financial year	738.9	738.6			
	2017/18	2018/19	2019/20	2020/21	2021-
Contracted future rents	732.8	680.1	589.4	472.6	1,019.6

**Note 30 Related-party transactions**

The number of shareholders in the company totalled 33,316. 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 65 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 81-89.

**Note 31 Average numbers of employees**

	Group		Parent Company	
	2016/17	2015/16	2016/17	2015/16
Total Sweden	1,601	1,567	1,601	1,567
– of whom, women	(685)	(668)	(685)	(668)
Total Norway	734	723		
– of whom, women	(284)	(280)		
Total Finland	306	279		
– of whom, women	(139)	(133)		
Total UK	116	166		
– of whom, women	(59)	(86)		
Total China	50	50		
– of whom, women	(25)	(25)		
Total Germany	28	2		
– of whom women	(14)	(1)		
<b>Total</b>	<b>2,835</b>	<b>2,787</b>	<b>1,601</b>	<b>1,567</b>
– of whom, women	1,206	1,193	685	668

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

**Note 32 Segment reporting**

Clas Ohlson has the following segments: Sweden, Norway, Finland and Outside Nordic countries as well as Group-wide. The Group-wide segment pertains to the Group-wide functions that assist sales organisations with purchasing, distribution, marketing, management and other support. A large portion of the Group's value is generated in the Group-wide segment. The Group's internal pricing was adapted to these prerequisites. Transactions between Group-wide and the sales organisations consist primarily of deliveries and payment for goods, internal invoicing of services rendered and interest on Group-wide loans. The income measure recognised per segment consists of operating profit. Clas Ohlson has no customers that individually account for more than 10 per cent of the Group's sales.

	2016/17	2015/16
<b>Sales per segment</b>		
Sweden	3,587.8	3,483.0
Norway	3,190.1	2,928.1
Finland	912.9	818.8
Outside Nordic countries	299.3	371.7
Group-wide	2,784.7	2,579.2
Eliminations of sales to other segments	-2,784.7	-2,579.2
<b>Total</b>	<b>7,990.1</b>	<b>7,601.6</b>
<b>Operating profit per segment</b>		
Sweden	147.3	142.3
Norway	134.4	122.9
Finland	28.9	26.1
Outside Nordic countries	10.7	12.7
Group-wide	288.6	202.4
<b>Total</b>	<b>609.9</b>	<b>506.4</b>
<b>Assets per segment</b>		
Sweden	800.8	772.4
Norway	582.2	567.2
Finland	168.0	175.7
Outside Nordic countries	124.8	176.6
Group-wide	1,598.5	1,626.5
<b>Total</b>	<b>3,274.3</b>	<b>3,318.5</b>

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

**Investment and depreciation per segment**

	Investments		Depreciation	
	2016/17	2015/16	2016/17	2015/16
Sweden	39.3	40.0	37.9	38.1
Norway	63.8	33.0	48.1	44.5
Finland	10.4	10.6	14.0	13.5
Outside Nordic countries	20.3	15.5	14.8	24.3
Group-wide <sup>1</sup>	129.8	175.3	115.2	115.0
<b>Total</b>	<b>263.6</b>	<b>274.4</b>	<b>230.0</b>	<b>235.4</b>

<sup>1</sup>Investments in intangible assets amounted to 105.9 MSEK (133.4).

Depreciation attributable to intangible assets amounted to 34.7 MSEK (33.8).

### Note 33 Events after the end of the period

#### Sales in May

Sales in May increased with 5 per cent and amounted to 566 MSEK (540). In local currencies, sales increased 3 per cent.

At the end of the month, the total number of stores was 217, representing a net increase of ten stores compared with the year-earlier period (9).

#### Sales in May were distributed as follows:

	May 2017	May 2016	Percentage Change, SEK	Percentage Change, local currency
Sweden	270	264	2	2
Norway	213	189	12	9
Finland	64	56	14	9
Outside Nordic countries*	19	30	-35	-34
<b>Total</b>	<b>566</b>	<b>540</b>	<b>5</b>	<b>3</b>

\*Effected by store optimization in the UK.

The qualification and performance periods for the long-term incentive program LTI 2014 were valid from 1 May 2014 until 30 April 2017. After the end of the reporting period, a total of 24,115 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.

Following the end of the qualification period, the Board of Directors resolved to award 10.9 options per purchased share (5-15 options in cases of target fulfilment), based on established criteria for sales and profit growth. A total of 262,842 options were awarded. The employee stock options are exercisable as of 15 June 2017 but not later than 23 April 2021, and entitle participants to purchase Clas Ohlson shares at the price of 153.60 SEK per share.

In May 2017, the long-term incentive plan LTI 2017 was introduced following the same structure as LTI 2016. The exercise price for the conditional employee stock options has been set at 148.30 SEK per share, with exercise possible, following the three-year qualification period, between June 2020 and April 2024.

The Annual General Meeting of Clas Ohlson AB on 10 September 2016 authorised the Board of Directors to acquire a maximum of 860,000 shares during the period up until the next Annual General Meeting in order to secure the company's undertakings in conjunction with the introduction of a share-related incentive program, LTI 2017. The total number of shares required to secure the undertaking for LTI 2017 is estimated at 670,000 shares. Part of the undertaking for the LTI 2017 can be secured through the use of shares that were bought back to secure previous LTI-programs where the need has been recalculated (510,000). Besides this, further balances will be performed in connection with the repurchases being carried out if additional shares can be transferred to LTI 2017.

The Board of Directors has decided to use the authorisation received from the AGM to buy back the remaining maximum 160,000 shares required to secure the company's obligation in respect of the LTI 2017. Acquisition will be conducted via Nasdaq Stockholm during the period up until the 2017 AGM, at a price within the quoted price span. As per 30 April 2017 the company's holding of Clas Ohlson shares amounted to 2,516,562 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 2017-06-29

**Kenneth Bengtsson**

Chairman of the Board

**Mathias Haid**

**Cecilia Marlow**

**Göran Näsholm**

**Sanna Suvanto-Harsaae**

**Göran Sundström**

**Ros-Marie Grusén**

**Peter Jelkeby**

Acting President and Chief Executive Officer

**Henrik Andersson**

Employee representative (Unionen)

**Robert Flahiff**

Employee representative (Handels)

Our audit report was submitted on 30 June 2017

**Deloitte AB**

**Kent Åkerlund**

Authorized Public Accountant

The balance sheets and income statements are to be adopted at the Annual General Meeting on 9 September 2017.

# 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 2016-05-01 - 2017-04-30 except for the corporate governance report on pages 81-92. The annual accounts and consolidated accounts of the company are included on pages 68-118 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 April 30, 2017 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 April 30, 2017 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 81-92. 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.

### 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.

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

Clas Ohlson report inventories of SEK 1 630.7 million as of April 30, 2017. Inventories comprise a substantial part of the group's assets and consists of a large number of articles assorted over 216 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 88, Estimates and assumptions on page 100, group accounting principles for inventory on page 102 and note 13.

Our audit included but was not limited to the following audit procedures:

- Auditing Clas Ohlson's procedures for inventory management and evaluation of identified key controls.
- Auditing of Clas Ohlson's applied calculations of costs included in the inventory value.
- Auditing of the inventory valuation according to the "first in, first out" principle and applied model for obsolescence.
- Completeness testing with data analytics covering all in- and outgoing deliveries from the warehouses.
- Participating in stock taking for selected stores and Clas Ohlson's distribution central in Insjön.
- Evaluating the adequacy of applied accounting principles and relevant disclosures.

### Revenue recognition

The group's sales as of April 30, 2017 amounts to SEK 7 990.1 million. The company recognizes revenue at the time of sales/delivery to the customer when material risks and rewards associated with ownership of the goods have been transferred. Revenue recognition has been identified as a key audit matter since sales comprise a significant financial statement line item and consists of a large number of small transactions, in all material aspects to consumers through own stores with upfront payment. For further information refer to Risk assessment and control activities on page 88 and note 32 segment reporting.

Our audit included but was not limited to the following audit procedures:

- Auditing of Clas Ohlson's process for revenue recognition, handling of cash and evaluation of identified key controls, for example matching of sales against obtained payment.
- Analytical audit procedures of recorded revenue and reconciliation of total sales on receipt level traced against the corresponding movement in inventory facilitated by data analytics tools.
- Auditing of Clas Ohlson's analysis and evaluation of fluctuations in the gross margin.
- Auditing of the process of handling cash in a selection of stores.

## AUDITOR'S REPORT

### *Other information than the annual accounts and consolidated accounts*

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-67 and 122-136. 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 responsibility for auditing the annual report and the consolidated accounts is available on the Auditors Inspectorate's website: [www.far.se/globalassets/verktyg/exempel/responsibilities-of-the-statutory-auditor-for-the-statutory-audit-in-a-limited-liability-company.pdf](http://www.far.se/globalassets/verktyg/exempel/responsibilities-of-the-statutory-auditor-for-the-statutory-audit-in-a-limited-liability-company.pdf). This description is part of the audit 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 2016-05-01 - 2017-04-30 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 responsibility for auditing the annual report and the consolidated accounts is available on the Auditors Inspectorate's website: [www.far.se/globalassets/verktyg/exempel/responsibilities-of-the-statutory-auditor-for-the-statutory-audit-in-a-limited-liability-company.pdf](http://www.far.se/globalassets/verktyg/exempel/responsibilities-of-the-statutory-auditor-for-the-statutory-audit-in-a-limited-liability-company.pdf). This description is part of the audit report.

#### **The auditor's examination of the corporate governance report**

The Board of Directors is responsible for that the corporate governance report on pages 81-92 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance report is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance report. This means that our examination of the corporate governance 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 opinions.

A corporate governance report 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.

Insjön June 30 2017  
Deloitte AB

Kent Åkerlund  
Authorized Public Accountant

For signature please see Swedish version of Auditor's report

# 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 9 per cent decline during the financial year. Clas Ohlson's total market capitalization amounted to 9.6 billion SEK (10.6) calculated on the most recent share price of 147 SEK paid for the share on 30 April 2017.

## Share trend

The Clas Ohlson share decreased by 9 per cent to 147.00 SEK (162.00) compared with the year-earlier period, while the SIX General Index increased by 21 per cent. The total return for the share, including reinvested dividends, was minus 6 per cent.

The highest price paid was 174.00 SEK, recorded in May 2016, while the lowest price paid was 121.25 SEK, recorded in November 2016.

## Share turnover

During the financial year 2016/17, 26,109,704 Clas Ohlson shares were traded, representing a turnover rate of 40 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 2,516,562 shares (2,223,580) 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 63,083,438 (63,376,420).



## The 2016 ANNUAL GENERAL MEETING of Clas Ohlson

In line with tradition, the 2016 Annual General Meeting of Clas Ohlson was held at the distribution centre in Insjön, Sweden. With 1,400 registered attendants, the AGM is one of Sweden's largest. Our shareholders learnt about our new products, which were demonstrated at the exhibition.

To safeguard the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2016, Clas Ohlson bought back 530,000 shares during the first quarter 2016/17 for a total of 76 MSEK at an average price of approximately 143 SEK per share.

### Shareholding structure

On 30 April 2017, the company had a total of 33,316 shareholders (27,106). Non-Swedish owners accounted for 33 per cent (35) of the capital and 34 per cent (35) of the votes.

The Swedish ownership is dominated by private individuals and companies, owning 41 per cent (40) of the capital, while institutions own 26 per cent (27).

### Dividend policy and dividend

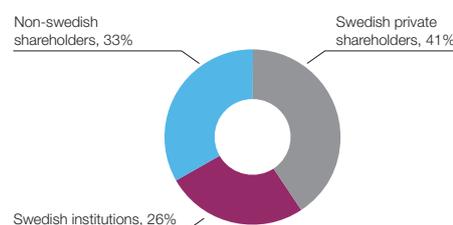
Clas Ohlson's dividend policy is that the dividend is to comprise at least 50 per cent of earnings per share after tax, with consideration for the company's financial position.

The Board of Directors proposes that a dividend of 6.25 SEK (5.75) per share be paid for financial year 2016/17. The proposed dividend totals 410 MSEK (377), which represents 86 per cent (100) of the financial year's net profit.

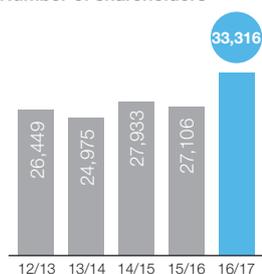
### Share data

Listing:	Nasdaq Mid Cap
Ticker:	Clas B
Industry:	Consumer Services
ISIN code:	SE0000584948

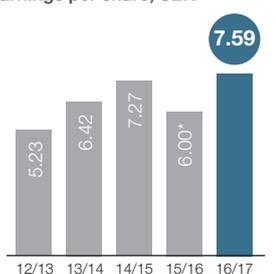
### Shareholder categories, %



Number of shareholders

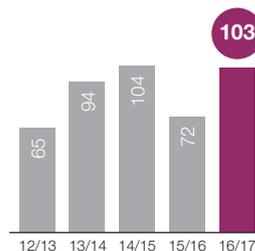


Earnings per share, SEK

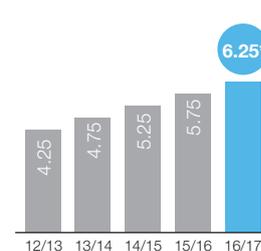


\* Including a non-recurring cost of 107.0 MSEK.

Average daily trading, thousands

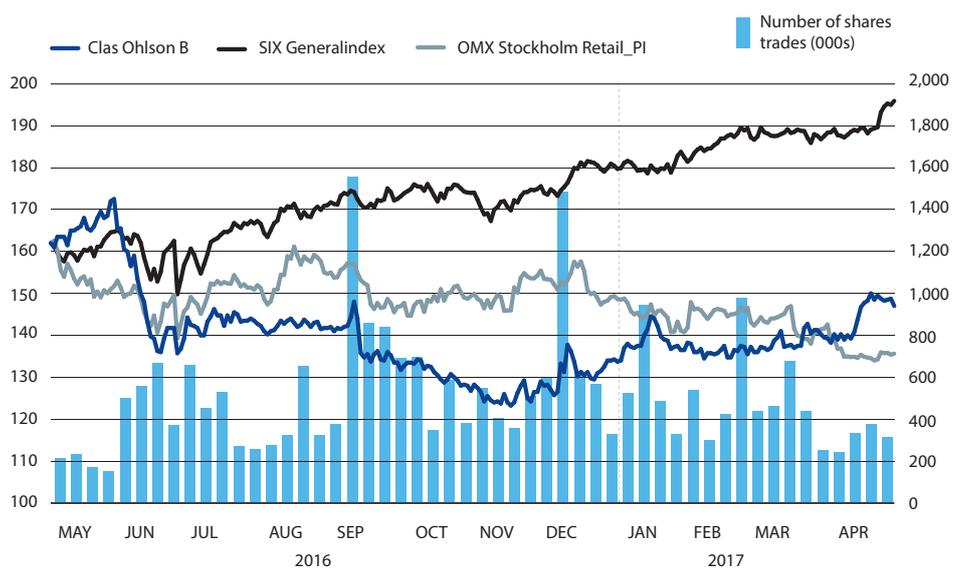


Dividend per share, SEK

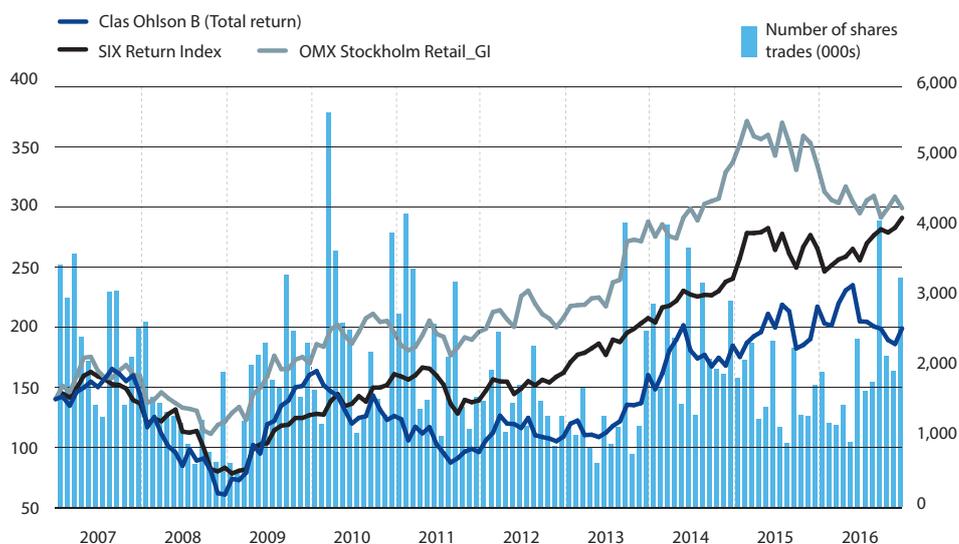


\* Proposed dividend

The Clas Ohlson-share price and turnover trend 2016/17



Source: SIX Financial Information



Source: SIX Financial Information

Data per share<sup>1</sup>

	2016/17	2015/16 <sup>2</sup>	2014/15	2013/14	2012/13
Average number of shares before dillution, million	63.1	63.2	63.1	63.1	63.3
Earnings per share before dilution, SEK	7.59	6.00	7.27	6.42	5.23
Comprehensive income per share, SEK	8.30	5.07	7.41	6.41	6.78
Cash flow per share, SEK <sup>3</sup>	11.08	11.15	10.25	10.91	8.17
Equity per share, SEK	35.68	33.75	33.92	31.12	29.02
Share price at 30 April, SEK	147	162	143	143	87
Dividend per share, SEK	6.25 <sup>4</sup>	5.75	5.25	4.75	4.25
P/E-ratio, multiple	19	27	20	22	17
Dividend yield, %	4.3	3.5	3.7	3.3	4.9
Payout ratio, %	82	96	72	74	81
Total return, %	-6	17	3	69	-8

<sup>1</sup> See key ratio definitions on page 127.

<sup>2</sup> Including a non-recurring cost of 107 MSEK.

<sup>3</sup> From the operating activities.

<sup>4</sup> Proposed dividend.

## Trend in share capital

Year	Transaction	Additional shares	Accumulated number of shares	Total share capital
1994			48,000	4,800,000
1999	Split 10:1	432,000	480,000	4,800,000
1999	Bonus issue	6,720,000	7,200,000	72,000,000
1999	New share issue	1,000,000	8,200,000	82,000,000
2001	Split 4:1	24,600,000	32,800,000	82,000,000
2004	Split 2:1	32,800,000	65,600,000	82,000,000

Major shareholders<sup>1</sup>

Shareholder	Number of series A shares	Number of series B shares	Percentage of capital	Percentage of votes
Helena Ek Tidstrand	1,368,060	6,179,828	11.5	16.9
Björn Haid	1,007,960	4,732,834	8.8	12.6
Johan Tidstrand	1,368,060	900,000	3.5	12.4
Peter Haid	1,007,960	3,785,243	7.3	11.8
Claus-Toni Haid	1,007,960	3,465,916	6.8	11.5
Nordea		3,772,292	5.8	3.2
If Skadeförsäkring AB		3,114,337	4.7	2.7
Afa Försäkring		2,870,803	4.4	2.4
Odin Sverige		1,612,392	2.5	1.4
Swedbank Robur fonder		1,335,043	2.0	1.1
Other shareholders		28,071,312	42.8	23.9
<b>Total</b>	<b>5,760,000</b>	<b>59,840,000</b>	<b>100.0</b>	<b>100.0</b>

Shareholder categories<sup>1</sup>

Shareholder	Number of series A shares	Number of series B shares	Percentage of capital	Percentage of votes
Swedish private individuals	3,744,080	22,803,247	40.5	51.3
Swedish institutions		17,218,777	26.3	14.7
Non-Swedish owners	2,015,920	19,817,976	33.3	34.0
<b>Total</b>	<b>5,760,000</b>	<b>59,840,000</b>	<b>100.0</b>	<b>100.0</b>

Shareholding structure<sup>1</sup>

Size interval	Number of shares	Percentage	Number of shareholders
1–500	3,464,816	5.3	27,273
501–1,000	3,007,645	4.6	3,700
1,001–5,000	4,085,839	6.2	1,929
5,001–10,000	1,422,548	2.2	194
10,001–15,000	686,052	1.1	56
15,001–200,000	648,031	1.0	37
200,001–	52,285,069	79.7	127
<b>Total</b>	<b>65,600,000</b>	<b>100.0</b>	<b>33,316</b>

<sup>1</sup> at 30 April 2017

# Quarterly results

MSEK	2016/17				2015/16			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4*
	1 May 2016 –31 Jul 2016	1 Aug 2016 –31 Oct 2016	1 Nov 2016 –31 Jan 2017	1 Feb 2017 –30 Apr 2017	1 May 2015 –31 Jul 2015	1 Aug 2015 –31 Oct 2015	1 Nov 2015 –31 Jan 2016	1 Feb 2016 –30 Apr 2016
Sales	1,763.5	1,956.6	2,695.2	1,574.8	1,769.8	1,846.5	2,481.5	1,503.9
Cost of goods sold	-1,074.5	-1,144.1	-1,567.3	-912.7	-1,054.0	-1,035.4	-1,396.1	-890.8
<b>Gross profit</b>	<b>689.0</b>	<b>812.5</b>	<b>1,127.9</b>	<b>662.2</b>	<b>715.8</b>	<b>811.1</b>	<b>1,085.4</b>	<b>613.1</b>
Selling expenses	-563.0	-634.4	-684.7	-603.2	-549.0	-617.4	-651.8	-590.3
Administrative expenses	-49.4	-49.4	-51.3	-43.0	-49.2	-49.2	-49.0	-43.2
Other operating income/expenses	-1.2	-1.8	-1.9	1.5	-11.8	0.0	-2.2	-105.8
<b>Operating profit/loss</b>	<b>75.4</b>	<b>127.0</b>	<b>390.0</b>	<b>17.5</b>	<b>105.8</b>	<b>144.5</b>	<b>382.3</b>	<b>-126.2</b>
Financial income	0.2	0.1	0.0	0.4	0.4	0.5	0.6	0.4
Financial expense	-0.1	-0.5	-0.5	-0.5	-6.1	-0.3	-0.2	-0.1
<b>Profit before tax</b>	<b>75.5</b>	<b>126.5</b>	<b>389.5</b>	<b>17.4</b>	<b>106.1</b>	<b>144.8</b>	<b>382.7</b>	<b>-126.0</b>
Income tax	-17.6	-30.2	-84.6	2.2	-25.5	-33.7	-88.3	18.6
<b>Profit/loss for the period</b>	<b>57.9</b>	<b>96.4</b>	<b>305.0</b>	<b>19.5</b>	<b>80.6</b>	<b>111.1</b>	<b>294.4</b>	<b>-107.4</b>
KEY RATIOS FOR THE PERIOD								
Gross margin, %	39.1	41.5	41.8	42.0	40.4	43.9	43.7	40.8
Operating margin, %	4.3	6.5	14.5	1.1	6.0	7.8	15.4	-8.4
Earnings per share before dilution, SEK	0.91	1.53	4.84	0.31	1.27	1.76	4.66	-1.70
Earnings per share after dilution, SEK	0.91	1.53	4.83	0.31	1.27	1.75	4.65	-1.69

\*Including a non-recurring cost of 107.0 MSEK

## Comments to the quarterly results

Four new stores (1) were opened during the first quarter 2016/17 and two were closed (0). Three new stores (4) were opened during the second quarter and two stores were closed (1). In the third quarter, five new stores (4) were opened and zero stores were closed (1). Five new stores (1) were opened during the fourth quarter and two stores were closed (1).

## Seasonal fluctuations

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

# 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).

## 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.

## Operating margin

Operating profit divided by sales for the period.

## Operating profit

Operating profit comprises profit before financial items and tax.

## Payout ratio

Dividend divided by earnings per share before dilution.

## P/E ratio

Share price at year-end divided by earnings per share before dilution.

## Return on capital employed

Operating profit plus financial income expressed as a percentage of average capital employed. Average capital employed is calculated as the total capital employed for the most recent 12 months divided by 12.

## Return on equity

Net profit for the period expressed as a percentage of average equity. Average equity is calculated as the total equity for the most recent 12 months divided by 12.

## Sales growth

Sales in relation to sales during the year-earlier period.

## Total return

Increase or decrease in share price between the end of the year and the beginning of the year plus re-invested dividend as a percentage of the share price at the beginning of the year.

## Working capital

The total of assets, minus cash and cash equivalents (inventories and current receivables), less current non-interest-bearing liabilities.

\*Defined in accordance with IFRS.

# Glossary

## Average ticket value

Average amount per purchase.

## Clas Office

Our concept that facilitates purchases for our corporate customers.

## Club Clas

Our loyalty program, our customer club.

## Code of Conduct

The standards we set for ourselves, and the suppliers of our products and services, regarding working conditions, workplace health and safety and the environment.

## Comparable units

Units that have been in operation during the current period and the entire year-earlier period.

## Conversion rate

The percentage of visitors who make a purchase.

## EU Ecolabel

Joint ecolabelling system applied throughout the EU and EEA. The label can be compared with the Swedish Swan ecolabel.

## Franchise

Concept whereby we "rent" our brand to an external player, who operates a store under our name.

## UN Global Compact

UN international principles regarding human rights, labour standards, the environment and corruption, designed for companies.

## GRI

Global Reporting Initiative, a global standard for sustainability reporting.

## LEAN

Philosophy on how to achieve a resource-efficient working method.

## Level of service

Percentage of product range that is available "on the shelf" in our sales channels.

## Nasdaq Stockholm

Marketplace for trading with securities, where Clas Ohlson's B share is listed.

## Omni-channel

A shopping experience where customers perceive a seamless interaction between physical stores, the online store and telephone sales.

## Products for a more sustainable lifestyle

Products with a positive, or significantly lower, environmental impact throughout their life cycle than a standard product.

## Sales per square metre

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

## sCORE

Systems for Clas Ohlson Retail Efficiency, our project for the introduction of a new business system.

## Store traffic

Number of visitors.

## The Swan

The Swan is the official Nordic ecolabel. Development of the Swan is conducted by SIS Miljömärkning AB on behalf of the Swedish Government and the Riksdag.

# Alternative Performance Measures

This section contains a reconciliation of certain alternative performance measures (APMs) with the closest reconcilable items in the financial statements. As analysis tools, APMs are limited, and must be considered in their context and not as a replacement of financial measures prepared in accordance with IFRS. APMs are presented to improve an investor's evaluation of the operations, as an aid in forecasts of forthcoming periods, and to simplify meaningful comparisons of earnings between periods. Management uses these APMs, for example, to evaluate the operating activities compared with previous results, for internal planning and forecasts and to calculate certain performance-related remuneration. For definitions, refer to page 127. The APMs recognised in this annual report may differ from similarly named measures used by other companies.

## Average inventory value

	Group	
	2016/17	2015/16
Average inventory value	1,739.2	1,618.7

## Capital employed

	Group	
	2016/17	2015/16
Total assets	3,899.4	3,922.8
Long-term non-interest-bearing liabilities	-226.8	-195.1
Current non-interest-bearing liabilities	-1,421.9	-1,588.9
<b>Capital employed</b>	<b>2,250.7</b>	<b>2,138.8</b>

**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	
	2016/17	2015/16
Cash flow from operating activities	698.9	704.6
Number of shares before the dilution	63.053	63.168
<b>Cash flow from operating activities per share</b>	<b>11.08</b>	<b>11.15</b>

**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	
	2016/17	2015/16
Comprehensive income	523.3	320.3
Average number of shares before dilution	63.053	63.168
<b>Comprehensive income per share</b>	<b>8.30</b>	<b>5.07</b>

## Dividend Yield

	Group	
	2016/17	2015/16
Dividend per share	6.25	5.75
Share price 30 April	147.00	162.00
<b>Dividend Yield</b>	<b>4.3%</b>	<b>3.5%</b>

## Earnings per share (before and after dilution)\*

	Group	
	2016/17	2015/16
Profit for the year	478.7	378.8
Number of shares before dilution	63.053	63.168
Number of shares after dilution	63.255	63.462
<b>Number of shares before dilution</b>	<b>7.59</b>	<b>6.00</b>
<b>Number of shares after dilution</b>	<b>7.57</b>	<b>5.97</b>

\*Defined in accordance with IFRS.

## Equity per share

	Group	
	2016/17	2015/16
Total equity	2,250.7	2,138.8
Number of shares at end of period	63.083	63.376
<b>Equity per share</b>	<b>35.68</b>	<b>33.75</b>

**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	
	2016/17	2015/16
Total equity	2,250.7	2,138.8
Total assets	3,899.4	3,922.8
<b>Equity/assets ratio</b>	<b>57.7%</b>	<b>54.5%</b>

**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	
	2016/17	2015/16
Gross profit	3,291.5	3,225.3
Sales	7,990.1	7,601.6
<b>Gross margin</b>	<b>41.2%</b>	<b>42.4%</b>

**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	
	2016/17	2015/16
Sales	7,990.1	7,601.6
Cost of goods sold	4,698.6	-4,376.3
<b>Gross profit</b>	<b>3,291.5</b>	<b>3,225.3</b>

### Operating margin

	Group	
	2016/17	2015/16
Operating profit	609.9	506.4
Sales	7,990.1	7,601.6
<b>Operating margin</b>	<b>7.6%</b>	<b>6.7%</b>

**Reason for use:** The operating margin shows operating profit as a percentage of net sales and shows operational profitability.

### Payout ratio

	Group	
	2016/17	2015/16
Dividend	6.25	5.75
Earnings per share before dilution	7.59	6.00
<b>Payout ratio</b>	<b>82.3%</b>	<b>95.9%</b>

### Return on capital employed

	Group	
	2016/17	2015/16
Operating profit	609.9	506.4
Interest income	0.7	1.9
Average capital employed	2,146.8	2,154.4
<b>Return on capital employed</b>	<b>28.4%</b>	<b>23.6%</b>

**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	
	2016/17	2015/16
Profit for the year	478.7	378.8
Average equity	2,136.8	2,154.4
<b>Return on equity</b>	<b>22.4%</b>	<b>17.6%</b>

**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	
	2016/17	2015/16
Sales actual year	7,990.1	7,601.6
Sales previous year	7,601.6	7,329.8
<b>Sales growth</b>	<b>5.1%</b>	<b>3.7%</b>

**Reason for use:** The change in sales reflects the company's realised sales growth over time.

### Total return

	Group	
	2016/17	2015/16
Share price at the beginning of the year	162.00	143.00
Share price at the end of the year	147.00	162.00
Re-invested dividend	5.75	5.25
<b>Total</b>	<b>-9.25</b>	<b>24.25</b>
<b>Total return</b>	<b>-5.71%</b>	<b>16.96%</b>

### Working capital

	Group	
	2016/17	2015/16
Total current assets	2,476.4	2,506.9
- Cash and cash equivalents	-625.1	-604.3
- Current non-interest-bearing liabilities	-1,421.9	-1,588.9
<b>Working capital</b>	<b>429.3</b>	<b>313.7</b>

**Reason for use:** Working capital is used to measure the company's ability to meet short-term capital requirements.

# Ten-year summary

MSEK	2016/2017	2015/2016 <sup>1</sup>	2014/2015	2013/2014	2012/2013	2011/2012
<b>INCOME STATEMENT</b>						
Sales	7,990.1	7,601.6	7,329.8	6,807.7	6,518.9	6,260.0
Operating profit	609.9	506.4	596.0	530.5	430.6	560.6
Profit before tax	608.9	507.6	597.2	530.2	419.9	551.0
Income tax	-130.2	-128.8	-138.3	-124.8	-88.4	-150.5
<b>Profit for the year</b>	<b>478.7</b>	<b>378.8</b>	<b>458.9</b>	<b>405.4</b>	<b>331.5</b>	<b>400.5</b>
<b>BALANCE SHEET</b>						
Non-current assets	1,404.5	1,397.8	1,399.9	1,424.2	1,461.6	1,515.0
Non-current receivables	18.5	18.1	11.6	8.1	3.2	3.5
Inventories	1,630.7	1,639.2	1,569.3	1,348.2	1,303.9	1,228.7
Current receivables	220.6	263.4	242.5	229.5	214.9	197.5
Cash and cash equivalents	625.1	604.3	517.4	358.3	124.6	111.8
<b>Total assets</b>	<b>3,899.4</b>	<b>3,922.8</b>	<b>3,740.7</b>	<b>3,368.3</b>	<b>3,108.2</b>	<b>3,056.5</b>
Equity	2,250.7	2,138.8	2,144.5	1,964.9	1,836.5	1,843.8
Non-current liabilities, interest-bearing	0.0	0.0	0.0	0.0	0.0	0.0
Non-current liabilities, non-interest-bearing	226.8	195.2	213.3	206.5	185.7	195.7
Current liabilities, interest-bearing	0.0	0.0	0.0	0.0	0.0	30.0
Current liabilities, non-interest-bearing	1,421.9	1,588.8	1,382.9	1,196.9	1,086.0	987.0
<b>Total equity and liabilities</b>	<b>3,899.4</b>	<b>3,922.8</b>	<b>3,740.7</b>	<b>3,368.3</b>	<b>3,108.2</b>	<b>3,056.5</b>
<b>CASH FLOW</b>						
Cash flow from operating activities	698.9	704.6	647.3	689.1	517.8	964.9
Investments	-263.5	-274.1	-192.3	-171.8	-166.5	-206.1
<b>Cash flow after investments</b>	<b>435.4</b>	<b>430.5</b>	<b>455.0</b>	<b>517.3</b>	<b>351.3</b>	<b>758.8</b>
Financing activities	-418.0	-335.9	-298.9	-283.6	-334.4	-781.5
<b>Cash flow for the year</b>	<b>17.5</b>	<b>94.6</b>	<b>156.1</b>	<b>233.7</b>	<b>16.9</b>	<b>-22.7</b>
<b>KEY RATIOS<sup>2</sup></b>						
Growth in sales, %	5.1	3.7	7.7	4.4	4.1	7.4
Gross margin, %	41.2	42.4	42.9	42.6	41.6	42.1
Operating margin, %	7.6	6.7	8.1	7.8	6.6	9.0
Return on capital employed, %	28.4	23.6	29.3	28.0	23.2	27.9
Return on equity, %	22.4	17.6	22.5	21.7	18.3	23.1
Equity/assets ratio, %	57.7	54.5	57.3	58.3	59.1	60.3
Sales per square metre in store, SEK 000s	31	30	30	30	31	34
Number of stores at year-end	216	205	198	185	174	157
Number of full-time equivalent employees	2,835	2,787	2,736	2,629	2,524	2,370
<b>DATA PER SHARE</b>						
Average number of shares before dilution	63,052,803	63,167,924	63,121,729	63,137,148	63,349,241	63,635,998
Average number of shares after dilution	63,254,614	63,461,923	63,400,934	63,243,692	63,421,154	63,702,052
Number of shares at period end	63,083,438	63,376,420	63,216,061	63,140,994	63,287,808	63,615,000
Earnings per share before dilution, SEK	7.59	6.00	7.27	6.42	5.23	6.29
Earnings per share after dilution, SEK	7.57	5.97	7.24	6.41	5.23	6.29
Comprehensive income per share, SEK	8.30	5.07	7.41	6.41	4.68	6.75
Cash flow per share, SEK <sup>3</sup>	11.08	11.15	10.25	10.91	8.17	15.16
Equity per share, SEK	35.68	33.75	33.92	31.12	29.02	28.98
Share price 30 April, SEK	147	162	143	143	87	99
Dividend per share, SEK	6.25 <sup>4</sup>	5.75	5.25	4.75	4.25	4.25
P/E ratio	19	27	20	22	17	16
Dividend Yield, %	4.3	3.5	3.7	3.3	4.9	4.3

<sup>1</sup> During previous year a non-recurring cost of 107.0 MSEK related to the restructuring of the store network in the UK affected the result. During previous year's first quarter 10.5 MSEK was also attributable to costs for closing one store in the UK. In addition, there was a tax effect on non-deductible expenses estimated at 7.1 MSEK.

<sup>2</sup> See key ratio definitions on page 127. <sup>3</sup> From operating activities. <sup>4</sup> Proposed dividend.

2010/2011	2009/2010	2008/2009	2007/2008
5,828.0	5,555.8	4,930.2	4,661.6
507.1	590.5	502.8	577.5
499.0	588.2	503.8	587.8
-134.6	-155.4	-138.3	-166.0
<b>364.4</b>	<b>432.8</b>	<b>365.5</b>	<b>421.8</b>
1,469.5	1,365.5	1,195.5	848.7
10.9	1.0	2.0	3.3
1,429.2	1,204.1	1,117.2	952.6
176.7	173.4	164.5	107.1
132.6	98.8	92.0	280.3
<b>3,218.9</b>	<b>2,842.8</b>	<b>2,571.2</b>	<b>2,192.0</b>
1,656.8	1,646.1	1,493.1	1,499.5
300.0	100.0	65.0	-
165.9	90.3	86.4	26.9
261.7	171.4	208.6	-
834.5	835.0	718.1	665.6
<b>3,218.9</b>	<b>2,842.8</b>	<b>2,571.2</b>	<b>2,192.0</b>
350.3	602.8	339.7	480.0
-295.3	-315.8	-433.1	-250.6
<b>55.0</b>	<b>287.0</b>	<b>-93.4</b>	<b>229.4</b>
-6.0	-267.9	-109.2	-295.2
<b>49.0</b>	<b>19.1</b>	<b>-202.6</b>	<b>-65.8</b>
4.9	12.7	5.8	13.7
41.6	40.8	40.8	40.2
8.7	10.6	10.2	12.4
24.6	32.6	32.6	41.8
22.5	28.0	24.4	29.4
51.5	57.9	58.1	68.4
34	38	38	44
139	120	106	86
2,219	2,048	1,927	1,801
63,802,230	64,383,906	65,065,008	65,600,000
63,870,584	64,432,321	65,075,701	65,600,000
63,710,000	64,280,000	64,955,000	65,600,000
5.71	6.72	5.62	6.43
5.71	6.72	5.62	6.43
4.79	6.43	5.76	6.51
5.49	9.36	5.22	7.31
26.01	25.61	22.99	22.86
98	128	94	98
3.75	3.75	3.00	5.00
17	19	17	15
3.8	2.9	3.2	5.1

## Comments\*

### Sales

Sales increased to 7,990 MSEK, up 5 per cent compared with 7,602 MSEK in the preceding year. In local currencies, sales increased by 4 per cent.

### Number of stores

During the financial year, 17 new stores (10) opened; 2 in Sweden, 8 in Norway, 3 in Finland, 3 in Germany and 1 in franchise store in Dubai. During the financial year 6 stores were closed in the UK. During previous year 2 stores were closed in Norway and 1 in the UK. The number of stores at the end of the period was 216, of which 87 were in Sweden, 80 in Norway, 37 in Finland, 7 in the UK, 3 in Germany and 2 franchise stores in Dubai.

### Operating profit

Operating profit amounted to 610 MSEK (506 MSEK, 613 MSEK excluding non-recurring items\*\*).

### Gross margin

The gross margin was 41.2 per cent, down 1.2 percentage points year-on-year (42.4). The lower gross margin was attributable to negative currency hedging effects (NOK), comprising both currency forwards and exchange-rate effects related to delays in inventory. The decrease was somewhat offset by a strong sales currency (NOK).

### Operating margin

The operating margin was 7.6 per cent (6.7 per cent, 8.1 per cent excluding non-recurring items\*\*).

### Cash flow

During the financial year, cash flow from operating activities totalled 699 MSEK (705). Cash flow for the financial year, after investing and financing activities, was 17 MSEK (95). The cash dividend paid to Clas Ohlson's shareholders in September 2016 totalled 362 MSEK (331).

### Return

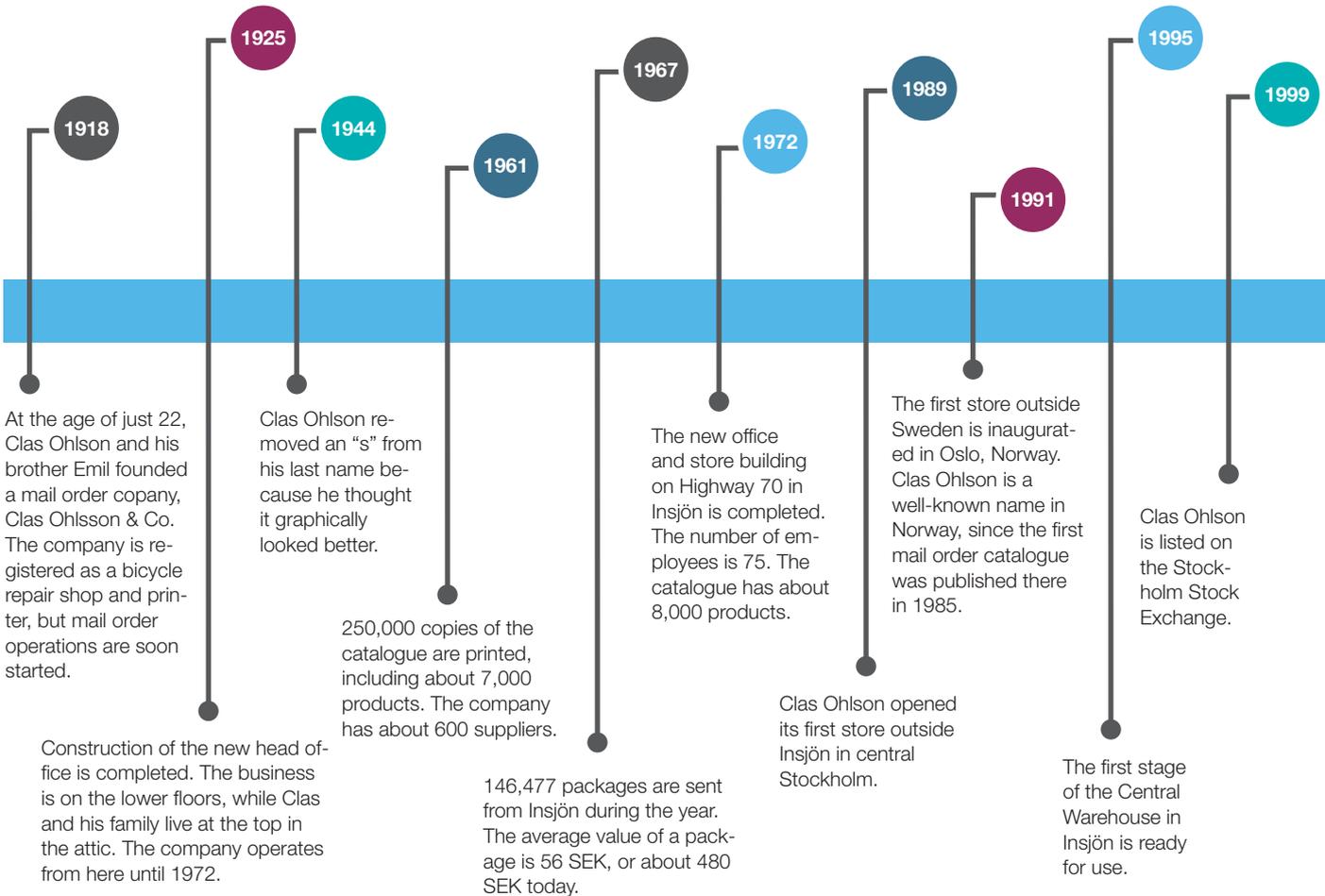
The return on capital employed amounted to 28.4 per cent (23.6) and the return on equity was 22.4 per cent (17.6). Previous year was affected by a non-recurring expense of 107 MSEK.

\* Refers to the financial year 2016/17.

\*\*Non-recurring cost of 107 MSEK related to optimisation of the UK store network during the fourth quarter of the preceding financial year.

# Smart solutions are our passion – in the past and in the future

**CLAS OHLSON, AN ENTREPRENEUR WITH A PASSION** for technology and innovation, founded a mail order company in 1918 in Insjön, Sweden. The company's head office and distribution centre are still located here. Today, Clas Ohlson is an international retail company. We offer smart and affordable solutions to everyday practical problems.





## MATHIAS HAID

Pilot, shareholder, Board member and great-grandson of Clas Ohlson remembers his grandmother's father Clas Ohlson.



### What do you remember about your great-grandfather Clas Ohlson?

"We all called him granddad. He gave us a nice big hug when we went up to his office. 'Granddad' would then open his drawer of his desk that is now in a museum, where he kept his sweets or an apple. Sometimes we met him down in the store, and then we would get a toy car. He was very generous. Driving in his old, green Volkswagen was also an experience.

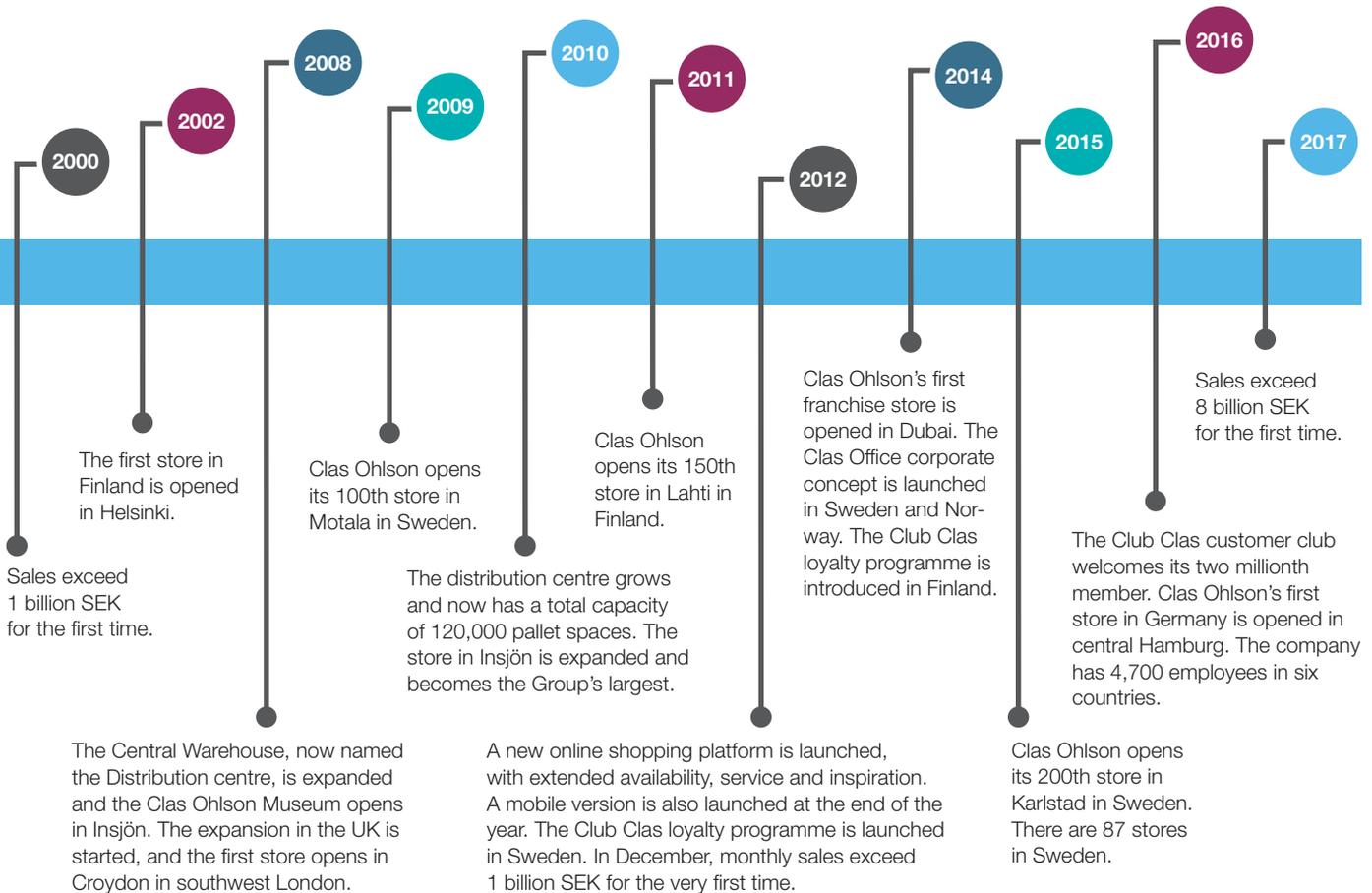
### Have you worked at Clas Ohlson?

"Yes I have! I've had summer jobs at the warehouse in Insjön, in the store and at the IT depart-

ment. And I've accompanied my father Björn on countless trips all over the world. As a teenager, I helped buy computer products."

### What has the company Clas Ohlson meant to you?

"Entering the store was like walking into a treasure chamber. I looked forward to the new catalogue every year. When I got it I read it from cover to cover at our summer home, looking at all the new products. Even though Clas Ohlson is now a publicly listed company it still feels like a family business. Our employees are very important to me, it's like one big family."



## Our stores\*

SWEDEN			NORWAY			
Store	Opening date		Store	Opening date		
A Alingsås	27 Mar 2014		Stockholm, Barkarby Gate	27 Nov 2014	A Alta	17 Nov 2011
B Borlänge	26 Sep 2013		Stockholm, Bromma	23 Sep 2010	Arendal	28 Nov 2007
			Stockholm, Drottninggatan	21 Oct 2010	Asker	16 Oct 2008
E Eskilstuna	30 May 2002		Stockholm, Farsta	18 Nov 1999	B Bergen, Lagunen	6 Mar 2003
F Falun	5 Feb 2009		Stockholm, Gallerian	30 Jun 1989	Bergen, Sartor	16 Feb 2006
G Gävle	27 Nov 2003		Stockholm, Haninge	10 Dec 2004	Bergen, Sentrum	22 Apr 1999
			Stockholm, Hornstull	27 Oct 2016	Bergen, Vestkanten Kjøpesenter	22 Nov 2012
			Stockholm, Kista	5 Dec 2002	Bergen, Åsane	30 Sep 2004
			Stockholm, Kungens Kurva	24 Apr 2014	Bodø	7 Jun 2011
			Stockholm, Liljeholmen	15 Oct 2010	Bryne	5 Nov 2009
			Stockholm, Nacka	29 Mar 2007	D Drammen, Buskerud	8 Sep 2011
H Halmstad, Flygstaden	16 Jun 2011		Stockholm, Sickla	6 Dec 2007	Drammen, Gulsbogen	18 Sep 2008
			Stockholm, Skärholmen	7 Dec 2000	E Elverum	22 Mar 2012
			Stockholm, Sollentuna	31 May 2007	F Finnsnes	9 Jun 2016
			Stockholm, Solna	7 Apr 2005	Fredrikstad, Dikeyveien	25 Nov 2010
			Stockholm, Solna, Mall of Scandinavia	12 Nov 2015	Fredrikstad, Tonvbyen	1 Dec 2005
I Insjön	27 Jun 1918		Stockholm, Täby	25 Oct 2001	Førde	22 Nov 2012
J Jönköping, A6	22 May 2003		Stockholm, Vällingby	15 Nov 2007	G Gjøvik	10 Mar 2006
			Stockholm, Värmdö	17 Jun 2015	H Halden	12 Mar 2015
K Kalmar, Baronen	24 Nov 2005		Stockholm, Väsby	27 Apr 2007	Hamar	11 Nov 2014
			Strömstad	29 May 2009	Harstad, Sjøkanten Senter	24 Feb 2011
			Sundsvall, Birsta	30 Apr 2008	Harstad, Amfi Kanebogen	6 Apr 2017
			Sundsvall, In: gallerian	10 Jun 1999	Haugesund	3 Oct 2002
			Södertälje	29 Apr 2010	Horten	9 Jun 2011
		T Trelleborg	25 Apr 2007	Hønefoss	19 Feb 2009	
			28 Jun 2012	J Jessheim	5 Nov 2008	
		U Uddevalla	19 Oct 2006	K Kongsberg	3 Jun 2010	
			17 Mar 2016	Kongsvinger	24 May 2012	
			13 Apr 2000	Kristiansand, Sandens	6 Nov 2008	
			25 Aug 2011	Kristiansand, Sorlandssenteret	19 Nov 1998	
			16 Nov 2000	Kristiansund	24 Mar 2011	
		V Valbo	23 Feb 2012	L Larvik	23 Apr 2009	
			17 Apr 2008	Levanger	5 Jun 2014	
			6 Dec 2012	Lillehammer	18 Nov 2010	
			22 Sep 2011	Lillestrøm	23 Mar 2017	
			22 Nov 2001	Lørenskog	30 Nov 2006	
			6 May 2004	M Mandal	20 Nov 2014	
		Ä Ängelholm	23 Mar 2017	Mo i Rana	7 Jun 2012	
		Ö Örebro, Krämaren	27 Nov 1997	Molde	22 Oct 2009	
			26 Mar 2009	Moss	12 Oct 2006	
			12 Apr 2007	N Narvik	4 Dec 2008	
			28 Apr 2005			

		FINLAND		OUTSIDE NORDIC COUNTRIES		
	Store	Opening date	Store	Opening date	Store	Opening date
O	Orkdal	30 Oct 2014	E Espoo, Ainoa	16 Mar 2017	<b>UK</b>	
	Oslo, Alna Senter	27 Sep 2006	Espoo, Entresse	25 Nov 2008	L Liverpool	29 Apr 2010
	Oslo, Bogstadsveien	27 Oct 2011	Espoo, Iso Omena	14 Oct 2015	London, Croydon	27 Nov 2008
	Oslo, Bryn Senter	26 Aug 2010	Espoo, Lippulaiva	8 Nov 2012	London, Ealing	3 Dec 2015
	Oslo, CC-Vest	11 Sep 2014	Espoo, Sello	14 Sep 2005	London, Kingston	3 Dec 2009
	Oslo, Lambertseter Senter	12 Oct 2010	H Helsinki, Columbus	18 May 2017	M Manchester	30 Apr 2009
	Oslo, Oslo City	11 Nov 2005	Helsinki, Itis	6 Nov 2003	R Reading	19 Nov 2009
	Oslo, Storo Storsenter	19 Jun 2008	Helsinki, Kaivotalo	3 Nov 2016	S St Albans	1 Oct 2015
	Oslo, Stovner	6 Oct 2016	Helsinki, Kampen	2 Mar 2006		
	Oslo, Torggata	26 Aug 1991	Helsinki, Kannelmäki	17 Oct 2013	<b>GERMANY</b>	
P	Porsgrunn	27 Apr 2006	Helsinki, Mannerheimintie	14 Nov 2002	H Hamburg, Altona	15 Sep 2016
S	Sandefjord	10 Sep 2015	Hyvinkää	18 Oct 2012	Hamburg, Alstertal	24 Nov 2016
	Sandnes, Kvadrat	23 Sep 1998	Hämeenlinna	30 Oct 2014	Hamburg, Jungfernstieg	19 May 2016
	Sandnes, Maxi	26 May 2016	J Joensuu	6 Nov 2008		
	Sandvika	10 Jan 2002	Jyväskylä, Kauppakatu	10 Nov 2016	<b>DUBAI</b>	
	Sarpsborg	8 Jun 2006	Jyväskylä, Palokka	8 Sep 2011	D Dubai, City Centre Mirdif**	30 Apr 2014
	Ski	16 Oct 2003	K Kokkola	27 Sep 2007	Dubai, Mercato Shopping Mall**	15 Nov 2016
	Skien	18 Oct 2007	Kotka	23 May 2013		
	Slependen	18 Sep 2014	Kouvola	13 Sep 2012		
	Sogndal	6 Jun 2013	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		
	Stord	20 Jun 2013	Lempäälä	29 Nov 2007		
	Strømmen	21 Oct 1999	M Mariehamn	16 May 2013		
	Svolvær	8 Dec 2016	Mikkeli	16 Jun 2011		
T	Tromsø	12 Jun 2008	P Pori	30 Oct 2014		
	Trondheim, City Syd	8 May 2003	R Rovaniemi	23 Oct 2008		
	Trondheim, Lade	14 Feb 2008	S Seinäjoki	11 Sep 2008		
	Trondheim, Solsiden	19 Oct 2000	T Tampere	18 Mar 2004		
	Trondheim, Trondheim Torg	17 Feb 2011	Turku, Forum	3 Mar 2005		
	Tønsberg	21 Sep 2001	Turku, Raisio	4 Nov 2015		
V	Vestby	14 Mar 2013	Turku, Skanssi	25 Oct 2012		
	Vinstra	16 Feb 2017	U Oulu	25 Nov 2010		
	Vinterbro	26 Mar 2015	V Vaasa	14 Oct 2004		
	Voss	16 Jun 2016	Vantaa, Jumbo	27 Oct 2005		
Å	Ålesund	22 Jan 2004	Vantaa, Myyrmanni	29 Nov 2011		
Ø	Ørsta	4 Oct 2012				

\* Store portfolio at 31 May 2017

\*\* Franchise store

Visit [about.clasohlson.com/about-us/our-stores/](http://about.clasohlson.com/about-us/our-stores/) to receive continuously updated information about the store portfolio.

Clas Ohlson's broad and affordable product range is also available online in the Swedish, Norwegian, Finnish, UK and German markets.

[www.clasohlson.se](http://www.clasohlson.se)  
[www.clasohlson.no](http://www.clasohlson.no)  
[www.clasohlson.fi](http://www.clasohlson.fi)  
[www.clasohlson.uk](http://www.clasohlson.uk)  
[www.clasohlson.de](http://www.clasohlson.de)

# Information to shareholders

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## Annual General Meeting

The Annual General Meeting (“AGM”) of shareholders of Clas Ohlson AB will be held on Saturday, 9 September 2017 at 11:00 a.m. at the distribution centre in Insjön, Sweden. Registration will commence at 9:45 a.m.

## Participation

Shareholders who intend to participate in the AGM must have notified the company by not later than Monday, 4 September 2017, at the following address: Clas Ohlson AB, SE-793 85 Insjön, Sweden. Notification may take place by telephone, e-mail or via the company’s website: [about.clasohlson.com](http://about.clasohlson.com).

Shareholders entitled to participate at the AGM are those who are listed on Euroclear Sweden AB’s printed shareholder register on Monday, 4 September 2017, and who have notified their intention to participate by not later than Monday, 4 September 2017. Shareholders who have trustee-registered shares must temporarily re-register the shares in their own names with Euroclear Sweden AB. Shareholders must inform the trustee in good time prior to Monday, 4 September 2017.

## 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 Meeting 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](http://about.clasohlson.com)

## Dividend proposal

The Board of Directors proposes a dividend of 6.25 SEK per share (5.75) for the 2016/17 financial year.

- The final trading trade for Clas Ohlson shares, including rights to dividends, is 9 September 2017.
- Record date for payment of dividend is 12 September 2017.
- The payment date is 15 September 2017.

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## FINANCIAL INFORMATION

Clas Ohlson provides financial information for the 2017/18 financial year as follows:

- Interim report May-July, 6 September 2017
- Interim report August-October, 6 December 2017
- Interim report November-January, 14 March 2018
- Interim report February-April, 8 June 2018

## Contact details

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For more information about Clas Ohlson,  
visit [about.clasohlson.com](http://about.clasohlson.com)



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