

Annual report

1 May 2003 -30 April 2004

- * Sales amounted to SEK 2,509.5m (SEK 2,130.8m)
- * Profit after tax amounted to SEK 260.9m (SEK 238.8m)
- * Earnings per share after tax amount to SEK 7.95 (SEK 7.28)
- * A dividend of SEK 4.00 per share is proposed
- * A two-for-one share split is proposed
- * Opening of eight new stores



CLAS OHLSON

**Insjön - Stockholm: Gallerian, Farsta, Skärholmen, Täby, Kista - Göteborg: Nordstan, Bäckebo/
Malmö - Norrköping - Örebro - Sundsvall - Umeå - Uppsala - Halmstad - Västerås - Luleå
Eskilstuna - Borås - Jönköping - Väla - Gävle
Oslo - Sandnes - Kristiansand - Bergen: Bergen Storsenter, Laguneparken - Strømmen
Trondheim: Solsiden, City Syd - Sandvika - Tønsberg - Haugesund - Ski - Ålesund
Helsingfors: Mannerheimsvägen, Östra Centrum - Tammerfors**

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Market and sales

The operation consists of the sale of DIY products for house and home, technology and hobbies through the company's own retail outlets and by mail order/Internet. The company operates in Sweden, Norway and Finland. At the end of the period, the number of stores was 38, 22 of which were located in Sweden, 13 in Norway and three in Finland.

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

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

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

Sales during the financial year amounted to SEK 2,509.5m, compared with SEK 2,130.8m in the previous year, an increase of 18 per cent. The sales figure breaks down into SEK 2,388.0m (SEK 1,992.5m) from stores and SEK 121.5m (SEK 138.3m) from mail order/Internet. The breakdown by country is SEK 1,633.0m (SEK 1,374.3m) in Sweden, SEK 843.3m (SEK 748.6m) in Norway and SEK 33.2m (SEK 7.9m) in Finland.

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

The proportional impact of new and existing stores on the increase in sales for the financial year is as follows:

Like-for-like stores, in local currency	+4 per cent
New stores	+21 per cent
Exchange-rate effect of Norwegian krone	- 5 per cent
Total	+20 per cent

Mail order sales have fallen as a result of us having opened stores in areas where mail order sales were formerly high. Many of our customers now opt to shop in our stores instead. The Internet store, on the other hand, is continuing to develop well, and during the financial year Internet orders accounted for 47 per cent of the total number of orders in mail order/Internet (previous year 38 per cent).

Profits

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

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

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

The improvement in operating profit compared with the previous year amounts to SEK 31.3m. Of the increase in profit, SEK 58.8m is due

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

There was a slight decline in gross margin in comparison with the previous year. This is due to the fact that the Norwegian krone was appreciably weaker than the Swedish krona during the year, resulting in a substantial decline in operating margin in the Norwegian operation. The average exchange rate of the Norwegian krone was 1.10 during the 2003/04 financial year compared with 1.23 in 2002/03, a weakening of around 10 per cent. On the other hand, the US dollar and Hong Kong dollar continued to weaken against the Swedish krona, resulting in successively lower purchasing prices. The average exchange rate of the US dollar was 7.70 during the 2003/04 financial year, compared with 9.10 in 2002/03, a weakening of around 15 per cent. The gross margin was also adversely affected by increased handling expenses in our central warehouse. This was due to sharply increased volumes to be handled during certain periods, combined with our current situation of limited warehouse capacity.

Hedging has been carried out in USD, HKD and NOK. This had an adverse impact on earnings of SEK 1.4m compared with if trading had been done at current rates (previous year SEK -26.6m). Our policy is to hedge half the expected flow during the catalogue period, in this case August 2003 – August 2004. At the end of the period, we had utilised all the forward contracts entered into for the period.

Investments

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

Financing and liquidity

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

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

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

Accounting principles and number of shares

The accounting principles adopted are unchanged in comparison with the previous year. This year-end press release has been drawn up in accordance with the Swedish Financial Accounting Standards Council's recommendation RR20, Interim Reporting. The entire operation is made up of the sale of DIY products, which in application of the Swedish Financial Accounting Standards Council's recommendation on Segment Reporting, RR25, constitutes a primary segment. The total number of shares is 32,800,000, which is the same as in the previous year.

Employees

The number of employees in the Group averaged 1,067 (868), of whom 384 (313) were women. Of these employees, 807 (693) are in Sweden, 210 (165) in Norway and 50 (10) in Finland.

Developments during our fourth quarter (February-April 2004)

Our fourth quarter proved very good in terms of sales, but less good in terms of profits, partly due to an unfavourable trend in exchange rates.

Sales during our fourth quarter amounted to SEK 548.6m, compared with SEK 451.4m for the same period of the previous year, a rise of 22 per cent. The sales figure breaks down into SEK 524.0m (SEK 421.8m) from stores and SEK 24.6m (SEK 29.6m) from mail order/Internet. The breakdown by country is SEK 350.5m (SEK 292.3m) in Sweden, SEK 186.9m (SEK 156.3m) in Norway and SEK 11.2m (SEK 2.8m) in Finland.

The proportional impact of new and existing stores on the increase in sales for the quarter is as follows:

Like-for-like stores, in local currency	+8 per cent
New stores	+21 per cent
Exchange-rate effect of Norwegian krone	- 5 per cent
Total	+24 per cent

Operating profit during our fourth quarter amounted to SEK 39.2m, a fall of 6 per cent on the previous year (SEK 41.5m). Operating profit was SEK 37.7m (SEK 37.4m) for the stores and SEK 1.5m (SEK 4.1m) for mail order/Internet.

One of the reasons why profit fell during the fourth quarter despite an increase in sales is a substantial decline in gross margin. The main reason for this is a decline in gross margin in the Norwegian operation due to a very weak Norwegian krone against the Swedish krona during the period. The Norwegian krone reached a low of 1.03 against the Swedish krona during the period, compared with stable levels above 1.20 in the previous year. The counter-effect we have had during previous quarters of lower purchase prices due to a weaker dollar is starting to fade.

Another reason is our expansion on the Finnish market. This is generally leading to increased expenses during the start-up phase.

There was a negative cash flow from operating activities during the fourth quarter of SEK -38.3m (+23.7m). Inventories during our fourth quarter increased by SEK 27.8m, which is a decrease of SEK 14.2m on the same period of the previous year.

Parent Company

Parent Company turnover amounted to SEK 2,145.8m (SEK 1,768.6m), and profit after financial items amounted to SEK 303.6m (SEK 209.3m).

Liquidity was good. Investments for the year amounted to SEK 138.3m (SEK 61.4m).

Events after the end of the period

On 6 May our store in Växjö was opened in the centrally located Tegnér mall. We also opened a store in the centre of Linköping on 10 June. Both store openings proved very successful. Following these openings, we have a total of 40 stores, of which 24 are in Sweden, 13 in Norway and three in Finland.

Sales during May amounted to SEK 182.6m, compared with SEK 164.2m in the previous year, an increase of 11 per cent. Compared with the same period in the previous year, eight stores have been added. The number of days of sales was lower than in the previous year because the Whit holiday fell in May rather than June as it did last year. The breakdown by country is SEK 118.6m (SEK 107.0m) in Sweden, SEK 59.7m (SEK 56.0m) in Norway and SEK 4.3m (SEK 1.2m) in Finland.

Future prospects

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

Our target with regard to profits is a net margin of 12 per cent.

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

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

Stage 3 of the enlargement of our central warehouse in Insjön is in progress and will be completed in three phases. The first phase involves extending the actual bodies of the buildings and establishing a new high-bay storage facility. It is anticipated that this phase will be completed in the autumn of 2004. The next phase comprises sorting equipment for store deliveries, and completion of this phase is anticipated in the autumn of 2005. The third phase entails installing 'mini-load' storage with associated picking equipment, and it is anticipated that this phase will be completed in the autumn of 2006 to the spring of 2007. The investment signifies substantial expansion of the central warehouse which, when completed, will have capacity to serve 90 stores as well as mail order/Internet. The investment also includes more efficient picking and sorting equipment, which will enable us to improve the efficiency of our store deliveries even further in the future. It is anticipated that the investment for all three phases will total SEK 300m and will be financed from our own funds.

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

Trend in share price and share turnover

The B shares have been listed on the Stockholmsbörsen O list since 5 October 1999. The issue price was SEK 106, which following the split in October 2001 is equivalent to SEK 26.50. During the financial year covering the period from 1 May 2003 to 30 April 2004, the share price rose from SEK 147 to SEK 201, a rise of 36.7 per cent. The Affärsvärlden General Index rose by 35.0 per cent over the same period. The lowest price paid was SEK 144, recorded in May, while the highest price paid was SEK 221.50 in December. Over the period, 10,295,930 Clas Ohlson shares changed hands on Stockholmsbörsen, equivalent to a turnover rate of 31 per cent. The total turnover rate on Stockholmsbörsen over the same period was 128 per cent.* Clas Ohlson's total market capitalisation at 30 April 2004 amounted to SEK 6.59 billion.

Dividend, AGM and financial information

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

The Annual General Meeting will be held in Insjön on 11 September. It is anticipated that the annual report and notice of the AGM will be distributed in the second week of August and posted to all shareholders. The annual report will also be available in the second week of August at the Clas Ohlson head office in Insjön, telephone +46 247-444 00, fax +46 247 444 25.

Annual reports and other relevant financial information are also available on our website at www.clasohlson.se.

The interim report for the first quarter of 2004/05 will be issued on 10 September 2004.

Insjön, 16 June 2004

The Board

Clas Ohlson AB (publ)

* Source Stockholmsbörsen

Consolidated income statement (SEKm)

	3 months 1 Feb 04- 30 April 04	3 months 1 Feb 03- 30 April 03	12 months 1 May 03- 30 April 04	12 months 1 May 02- 30 April 03	12 months 1 May 01- 30 April 02
Sales	548,6	451,4	2 509,5	2 130,8	1 732,0
Cost of goods sold	-342,7	-267,7	-1 501,1	-1 272,2	-1 082,6
Gross profit	205,9	183,7	1 008,4	858,6	649,4
Selling expenses	-149,2	-128,9	-588,9	-483,7	-373,2
Administrative expenses	-16,7	-13,2	-61,9	-49,3	-40,0
Other operating income/expense	-0,8	-0,1	-1,0	-0,3	0,3
Operating profit	39,2	41,5	356,6	325,3	236,5
Net financial income/expense	2,1	3,1	7,0	6,6	3,6
Profit after financial items	41,3	44,6	363,6	331,9	240,1
Tax	-11,9	-12,5	-102,7	-93,1	-67,4
Profit for the period	29,4	32,1	260,9	238,8	172,7
Gross profit margin (%)	37,5	40,7	40,2	40,3	37,5
Operating margin (%)	7,1	9,2	14,2	15,3	13,7
Operating margin stores (%)	7,2	8,9	14,5	15,5	14,0
Operating margin mail order/Internet (%)	6,1	13,9	9,4	12,4	10,5
Net margin (%)	7,5	9,9	14,5	15,6	13,9
Return on capital employed (%)	-	-	45,2	51,6	47,2
Return on equity (%)	-	-	32,2	36,3	33,4
Equity/assets ratio (%)	67,3	69,1	67,3	69,1	68,1
Sales per sq.m in stores, SEK thousand	-	-	49	51	51
Data per share					
Number of shares at end of period	32,8 milj	32,8 milj	32,8 milj	32,8 milj	32,8 milj
Earnings per share (SEK)	0,90	0,98	7,95	7,28	5,27
Gross cash flow per share (SEK)	1,20	1,25	9,10	8,24	6,09
Equity per share (SEK)	26,94	22,43	26,94	22,43	17,72
Share price 30 April (SEK)	-	-	201	147	176
Dividend per share (SEK)	-	-	4,00 *	3,20	2,20
P/E ratio	-	-	25	20	33
Price/gross cash flow	-	-	22	18	29
Price/equity	-	-	746%	655%	993%
Yield	-	-	2,0%	2,2%	1,3%
Dividend proportion	-	-	50%	44%	42%

* proposed dividend

Consolidated balance sheet (SEKm)

	30 April 04	30 April 03	30 April 02
Assets			
Tangible assets	407,6	285,2	233,9
Financial assets	4,1	0,6	0,9
Inventories	447,1	352,5	306,4
Accounts receivable - trade	11,6	11,2	12,0
Other receivables	24,8	20,8	15,3
Liquid assets. current investments	417,9	395,1	285,0
Total assets	1 313,1	1 065,4	853,5
Equity and liabilities			
Equity	883,7	735,8	581,2
Provisions	67,3	53,9	44,1
Long-term liabilities	-	-	-
Current liabilities			
Non-interest-bearing	362,1	275,7	228,2
Interest-bearing	-	-	-
Total equity and liabilities	1 313,1	1 065,4	853,5



Specification of change in results (After financial items, in SEKm)

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Profit from sales	58,8
Improved gross profit margin	-2,8
Increased administrative expenses	-12,6
Increased expansion costs new stores	-0,5
85th anniversary	-5,2
Increased depreciation	-5,9
Improved financial income/expense	0,4
Other	-0,5
Total	31,7

Change in equity (SEKm)

12 months 12 months
1 May 03- 1 May 02-
30 April 04 30 April 03

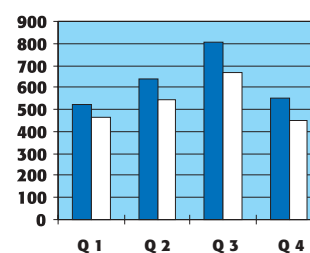
Equity brought forward	735,8	581,2
Dividends paid	-105,0	-72,2
Change in translation difference	-8,0	-12,0
Net profit for the period	260,9	238,8
Equity carried forward	883,7	735,8

Consolidated cash flow (SEKm)

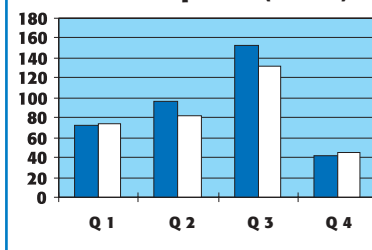
3 months 3 months 12 months 12 months 12 months
1 Feb 04- 1 Feb 03- 1 May 03- 1 May 02- 1 May 01-
30 April 04 30 April 03 30 April 04 30 April 03 30 April 02

Profit after financial items	41,3	44,6	363,6	331,9	240,1
Depreciation	9,5	8,7	40,1	31,5	27,3
Tax paid	-43,1	-35,5	-71,4	-55,5	-47,9
Cash flow from operating activities before changes in operating capital	7,7	17,8	332,3	307,9	219,5
Change in working capital	-46,0	5,9	-35,7	-30,1	8,5
Cash flow from operating activities	-38,3	23,7	296,6	277,8	228,0
Investments	-71,7	-26,8	-162,4	-85,0	-46,2
Change in long-term receivables	0,3	0,3	0,2	0,1	1,5
Cash flow from investing activities	-71,4	-26,5	-162,2	-84,9	-44,7
Divided to shareholders	-	-	-105,0	-72,2	-51,3
Cash flow from financing activities	0,0	0,0	-105,0	-72,2	-51,3
Cash flow for the period	-109,7	-2,8	29,4	120,7	132,0
Liquid assets at the start of the period	514,4	406,1	395,1	285,0	149,1
Exchange rate difference for liquid assets	13,2	-8,2	-6,6	-10,6	3,9
Liquid assets at the end of the period	417,9	395,1	417,9	395,1	285,0
Interest received during the year	1,7	6,5	12,3	12,0	6,6
Interest paid during the year	0,6	2,6	3,1	7,8	4,0

Sales (SEKm)



Profit after net financial income/expense (SEKm)



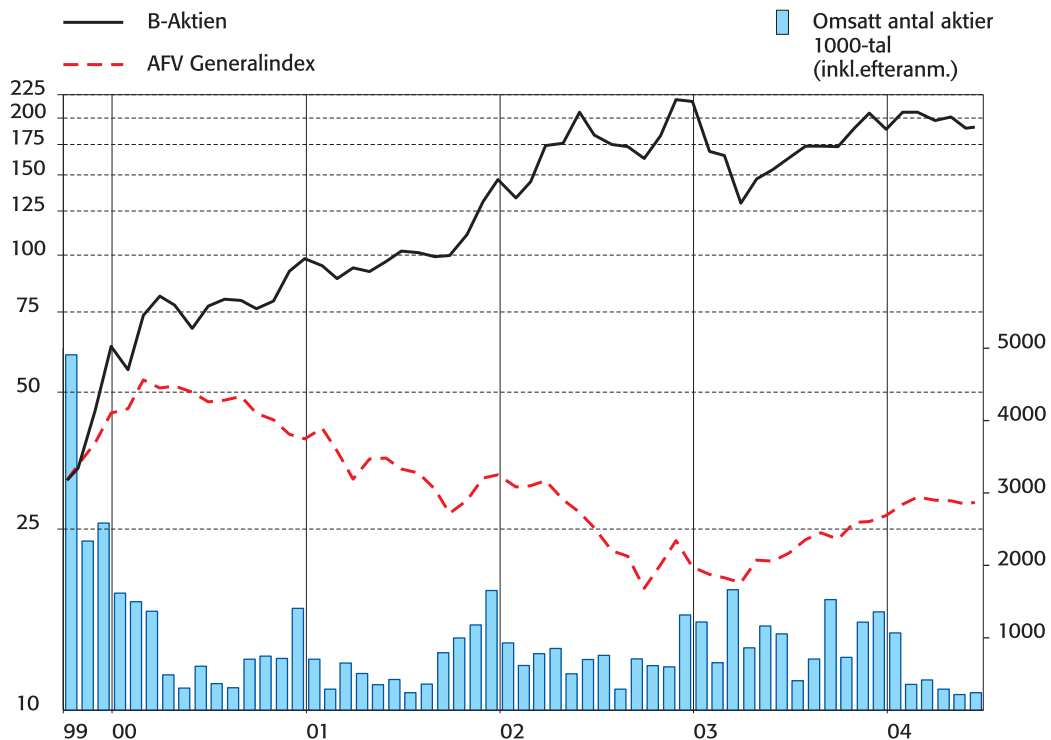
Shaded bar
= Financial year 1 May 03 – 30 Apr 04
White bar
= Financial year 1 May 02 – 30 Apr 03

Quarter 1 relates to period May-Jul, quarter 2 Aug-Oct, quarter 3 Nov-Jan and quarter 4 the period Feb-Apr.

Results per quarter (SEKm)

	Q 4 01/02	Q 1 02/03	Q 2 02/03	Q 3 02/03	Q 4 02/03	Q 1 03/04	Q 2 03/04	Q 3 03/04	Q 4 03/04
Sales	403,2	465,8	542,5	671,1	451,4	519,3	636,0	805,6	548,6
Cost of goods sold	-255,5	-287,8	-325,1	-391,6	-267,7	-310,1	-376,5	-471,8	-342,7
Other operating expenses	-106,9	-105,3	-135,8	-150,0	-142,2	-139,4	-163,7	-182,0	-166,7
Net financial income/expense	2,0	0,5	1,0	2,0	3,1	2,0	1,3	1,6	2,1
Profit after financial items	42,8	73,2	82,6	131,5	44,6	71,8	97,1	153,4	41,3
Net margin	10,6%	15,7%	15,2%	19,6%	9,9%	13,8%	15,3%	19,0%	7,5%

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Annual General Meeting

The Annual General Meeting will be held in Insjön on 11 September. It is anticipated that the annual report and notice of the AGM will be distributed in the second week of August and posted to all shareholders.

Coming information

The annual report will also be available in the second week of August at the Clas Ohlson head office in Insjön, telephone +46 247-444 00, fax +46 247 444 25.

Annual reports and other relevant financial information are also available on our website at www.clasohlson.se.

The interim report for the first quarter of 2004/05 will be issued on 10 September 2004.

The interim report for the second quarter of 2004/05 will be issued on 9 December 2004.

The interim report for the third quarter of 2004/05 will be issued on 10 March 2005.

The full year report of 2004/05 will be issued on 15 June 2005.

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