

Interim report

1 May 2003 – 31 January 2004

- * Sales amounted to SEK 1,960.9 million (SEK 1,679.4 million)
- * Profit after tax was SEK 231.5 million (SEK 206.7 million)
- * Earnings per share after tax were SEK 7.06 (6.30)
- * Excellent trading during Christmas season
- * Continued strong cash flow



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**

Interim report 1 May 2003 – 31 Jan 2004

Market

The operation consists of the sale of DIY products for house and home, technology and hobby items, through the company's own retail outlets and mail order/Internet. The company operates in Sweden, Norway and Finland. At the end of the period, the number of stores was 37, 22 of which are located in Sweden, 13 in Norway and two in Finland.

The market for our products has shown excellent growth during the period, particularly during the autumn and Christmas shopping seasons. All parts of our range have recorded encouraging sales increases in Sweden, Norway and Finland. We are particularly pleased with the trading performance for Christmas 2003, which rose by more than 30 percent in local currencies. The majority of our stores set new sales records for a single day on the Monday before Christmas.

During our third quarter, three new stores were opened, and one moved. Two of the new openings took place in November, at Östra Centrum outside Helsinki and in Gävle in Sweden. The store at Östra Centrum is our first full-range store in Finland. In January, a store opened in Ålesund in Norway. There was also a new opening in November in Malmö, Sweden, where we moved our store to the Triangel shopping mall in the city centre. We regard this as a stronger trade centre.

Sales and earnings

Our third quarter (November-January)

Sales amounted to SEK 805.6 million, compared with SEK 671.1 million in the corresponding period of the previous year, an increase of 20 percent. Compared with the same period in the previous year, eight stores have been added.

The sales divide into SEK 769.7 million (SEK 631.0 million) from stores and SEK 35.9 million (SEK 40.1 million) from mail order/Internet. By country, sales were SEK 519.7 million (SEK 427.4 million) in Sweden, SEK 270.8 million (SEK 238.6 million) in Norway and SEK 15.1 million (SEK 5.1 million) in Finland.

The breakdown of the 22 percent increase in store sales:

Comparable stores in local currency	+ 6 percent
New stores	+21 percent
Currency effect NOK	- 5 percent
Total	+22 percent

Mail order sales have fallen as a consequence of opening stores in areas with previously high mail order sales levels. Many of our customers now prefer to visit our stores instead. Internet orders amounted to 51 percent of the total number of mail order/Internet orders (40 percent).

Operating profit totalled SEK 151.8 million, an increase of 17 percent on the previous year (SEK 129.5 million). Operating profit was SEK 147.8 million (SEK 123.2 million) for the stores and SEK 4.0 million (SEK 6.3 million) for mail order/Internet.

Overall operating margin was 18.8 percent (19.3 percent). Operating margin for the stores was 19.2 percent (19.5 percent), and 11.1 percent (15.7 percent) for mail order/Internet.

Gross margin amounted to 41.4 percent, which was somewhat lower than in the corresponding period in the previous year (41.6 percent). The reason for the deterioration was a temporary rise in handling costs at our central warehouse. This was a consequence of sharply increased volumes over Christmas, in combination with the current limited storage space.

Our first nine months (May-January)

Sales amounted to SEK 1,960.9 million compared with SEK 1,679.4 million for the same period in the previous year, an increase of 17 percent. Compared with the same period in the previous year, eight stores have been added. Sales for the past twelve months totalled SEK 2,412.3 million.

Sales divide into SEK 1,864.0 million (SEK 1,570.7 million) in stores, and SEK 96.9 million (SEK 108.7 million) for mail order/Internet. By country, sales were SEK 1,282.5 million (SEK 1,082.0 million) for Sweden, SEK 656.4 million (SEK 592.3 million) for Norway and SEK 22.0 million (SEK 5.1 million) for Finland.

The breakdown of the 19 percent increase in store sales:

Comparable stores in local currency	+ 3 percent
New stores	+21 percent
Currency effect NOK	- 5 percent
Total	+19 percent

Operating profit amounted to SEK 317.4 million, an increase of 12 percent on the previous year (SEK 283.8 million). Operating profit was SEK 307.5 million (SEK 270.8 million) for the stores, and SEK 9.9 million (SEK 13.0 million) for mail order/Internet.

Operating profit for the past twelve months amounted to SEK 358.9 million.

Operating margin was 16.2 percent (16.9 percent). Operating margin for stores was 16.5 percent (17.2 percent), and for mail order/Internet 10.2 percent (12.0 percent).

The main reason for the decline in operating margin compared with the previous year was the cost of our 85th anniversary celebrations, which amounted to SEK 5.2 million. This item has been recorded under selling expenses. Profits have also been reduced by SEK 3.6 million due to the increase in the start-up costs for new stores. These totalled SEK 20.5 million for the period. In addition, administrative costs have increased by SEK 9.1 million to SEK 45.2 million, and depreciation is up by SEK 4.6 million to SEK 27.4 million. In general, our expansion in the Finnish market has also led to increased costs during the start-up phase.

Against this, gross margin has continued to improve. The principle reason for this is that the US Dollar and the Hong Kong Dollar have weakened against the Swedish Krona, and this has made our purchase prices more favourable. The Norwegian Krone, however, has been weaker during the period, and this has been unfavourable for us, since one-third of our sales are in Norway. The average exchange rate for the Norwegian Krone was SEK 1.10 during our first nine months compared with SEK 1.25 for the same period in the previous year, a weakening of 12 percent. Overall, this has been more than offset by the improved purchase prices. Currency hedging has been used in NOK, USD and HKD. This had a negative effect on profit of SEK 2.1 million com-

pared with trading only at current rates (previous year SEK –21.3 million). Our policy is to hedge half of the expected flow during the catalogue period, in this case August 2003 – August 2004.

Investments

During our first nine months, net investment amounted to SEK 90.7 million (58.2 million). Of this, SEK 30.2 million (SEK 26.4 million) relates to investment in new and future stores. A further SEK 48.1 million relates to investment in the expansion of the central warehouse in Insjön. Other investment mainly consists of replacement investment.

Financing and liquidity

During our third quarter, there was a positive cash flow from day-to-day operations of SEK 175.3 million (SEK 119.9 million). After the deduction of investment operations, cash flow for the third quarter was SEK 122.4 million (SEK 99.2 million).

During our first nine months, there was a positive cash flow from day-to-day operations of SEK 334.9 million (SEK 254.1 million). After deducting investment operations, cash flow was SEK 244.1 million (SEK 195.7 million).

Inventories over our first nine months increased by SEK 66.8 million to SEK 419.3 million. Of this, SEK 25.8 million relates to new stores.

Liquid assets and short-term investments amounted to SEK 514.4 million (SEK 406.1 million), and there were no interest-bearing liabilities whatsoever. Solidity (the equity/assets ratio) was 63.8 percent (66.4 percent).

Accounting principles and number of shares

The accounting principles applied are unchanged from the previous year. The interim report has been drawn up in conformity with the Swedish Financial Accounting Standards Council's recommendation on Interim Financial Reporting, RR20. The whole operation consists of the sale of DIY products, which, in applying the Swedish Financial Accounting Standards Council's recommendation on Segment Reporting, RR25, constitutes the primary segment. The number of shares totalled 32,800,000, which is the same as in the previous year.

Employees

The number of employees in the Group averaged 1,035 (865), of whom 372 (330) were women. 801 (686) of these employees are in Sweden, 209 (169) in Norway and 25 in Finland (10).

Events after the end of the period

Sales during February amounted to SEK 181.5 million, compared with SEK 146.9 million in the previous year, an increase of 24 percent. This makes sales for the first ten months of the financial year SEK 2,142.4 million, an increase of 17 percent (SEK 1,826.3 million). Compared with the same month in the previous year, nine stores have been added.

Future prospects

Our target is annual growth of 15 percent. We will achieve this through increased sales in existing stores and by establishing between six and ten new stores per year. The expansion will continue in the immediate future in Sweden, Norway and Finland, and then into other parts of Europe. Our profit target is a net margin of 12 percent.

During the current financial year, eight new stores will be opened and one moved.

Future new stores, which have currently been contracted for, are in Tammerfors in Finland (March 2004), Växjö (May 2004) and Linköping (June 2004) in Sweden, Åsane outside Bergen in Norway (September 2004), Vaasa in Finland (October 2004), Östersund (April 2005), Skellefteå (spring 2005) and Karlstad (November 2005), all of which are in Sweden. Our objective is to open six to ten new stores every financial year.

The expansion of our central warehouse in Insjön, stage 3, is underway, and will be completed in three phases. The first phase involves the extension of the actual building, and the fitting out of a new high warehouse. This phase is expected to be completed in autumn 2004. The next phase involves sorting equipment for store deliveries, and this is expected to be completed in autumn 2005. The third phase involves the fitting out of a "mini-load warehouse" with appropriate picking equipment, and this should be finished in autumn 2006.

The investment represents a significant expansion of the central warehouse. After the work is complete, it will be dimensioned for 90 stores, as well as mail order/Internet. The investment will provide even more efficient picking and sorting equipment, and this will allow us to improve the efficiency of our store deliveries even more in the future. Total investment for all three phases is forecast at SEK 300 million, and it will be financed through internal funds. We had previously estimated investment at SEK 200 million. During the course of the project, our ambition as to the number of stores to be opened was raised, and this led to an additional investment requirement of SEK 100 million.

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 economy. This is because our range contains a large proportion of DIY products, and demand for these tends to increase even when times are not so good. Another reason is our low prices, which make our products attractive even in periods of falling demand.

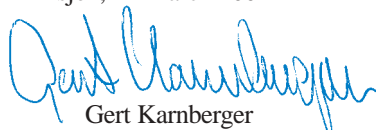
Financial information

Current financial information is available from Clas Ohlson's head office in Insjön, telephone +46 (0)247-444 00, fax +46 (0)247-444 25, and on our website: www.clasohlson.com.

The intended publication date for the highlights of the 2003/04 annual report is 16 June 2004.

This report has not been audited by the company's auditors.

Insjön, 11 March 2004


Gert Karnberger
Managing Director

Consolidated income statement (SEKm)

	3 months 1 Nov 03- 31 Jan 04	3 months 1 Nov 02- 31 Jan 03	9 months 1 May 03- 31 Jan 04	9 months 1 May 02- 31 Jan 03	Rolling 12 months 12 months 1 Feb 03- 31 Jan 04	Latest annual accounts 12 months 1 May 02- 31 Apr 03
Sales	805,6	671,1	1 960,9	1 679,4	2 412,3	2 130,8
Cost of goods sold	<u>-471,8</u>	<u>-391,6</u>	<u>-1 158,4</u>	<u>-1 004,5</u>	<u>-1 426,1</u>	<u>-1 272,2</u>
Gross profit	333,8	279,5	802,5	674,9	986,2	858,6
Selling expenses	-164,8	-136,2	-439,7	-354,8	-568,6	-483,7
Administrative expenses	-17,0	-13,5	-45,2	-36,1	-58,4	-49,3
Other operating income/expense	<u>-0,2</u>	<u>-0,3</u>	<u>-0,2</u>	<u>-0,2</u>	<u>-0,3</u>	<u>-0,3</u>
Operating profit	151,8	129,5	317,4	283,8	358,9	325,3
Net financial income/expense	<u>1,6</u>	<u>2,0</u>	<u>4,9</u>	<u>3,5</u>	<u>8,0</u>	<u>6,6</u>
Profit after financial items	153,4	131,5	322,3	287,3	366,9	331,9
Tax	<u>-43,1</u>	<u>-36,9</u>	<u>-90,8</u>	<u>-80,6</u>	<u>-103,3</u>	<u>-93,1</u>
Profit for the period	110,3	94,6	231,5	206,7	263,6	238,8
Gross profit margin (%)	41,4	41,6	40,9	40,2	40,9	40,3
Operating margin (%)	18,8	19,3	16,2	16,9	14,9	15,3
Operating margin stores (%)	19,2	19,5	16,5	17,2	15,1	15,5
Operating margin mail order/Internet (%)	11,1	15,7	10,2	12,0	11,1	12,4
Net margin (%)	19,0	19,6	16,4	17,1	15,2	15,6
Return on capital employed (%)	-	-	-	-	47,6	51,6
Return on equity (%)	-	-	-	-	33,9	36,3
Equity/assets ratio (%)	63,8	66,4	63,8	66,4	63,8	69,1
Sales per sq.m in stores, SEK thousand					50	51
Number of shares at end of period	32,8 milj	32,8 milj	32,8 milj	32,8 milj	32,8 milj	32,8 milj
Earnings per share (SEK)	3,36	2,88	7,06	6,30	8,04	7,28
Equity per share (SEK)	25,66	21,76	25,66	21,76	25,66	22,43

Consolidated balance sheet (SEKm)

	31 jan 04	31 Jan 03	30 Apr 03
Assets			
Tangible assets	343,3	270,2	285,2
Financial assets	4,0	0,7	0,6
Inventories	419,3	366,7	352,5
Accounts receivable - trade	12,3	12,7	11,2
Other receivables	26,1	18,6	20,8
Liquid assets. current investments	<u>514,4</u>	<u>406,1</u>	<u>395,1</u>
Total assets	1 319,4	1 075,0	1 065,4
Equity and liabilities			
Equity	841,5	713,8	735,8
Provisions	55,3	45,2	53,9
Long-term liabilities	-	-	-
Current liabilities			
Non-interest-bearing	422,6	316,0	275,7
Interest-bearing	<u>-</u>	<u>-</u>	<u>-</u>
Total equity and liabilities	1 319,4	1 075,0	1 065,4

CO TECH[®]
TOOLS

Jig saw
Nr 30-8626



Delta sander
Nr 30-8625



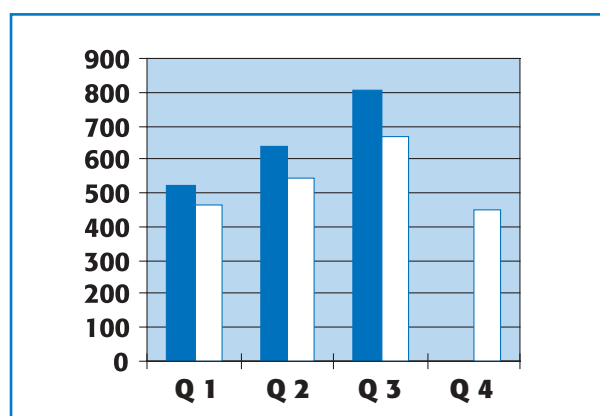
Router
Nr 30-8615



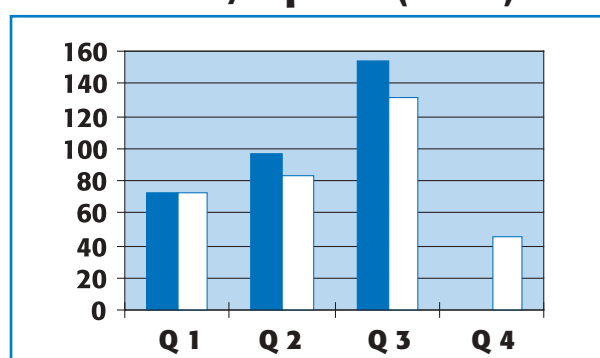
Specification of change in results (After financial items, in SEKm)

	3 months 1 Nov 03- 31 Jan 04	9 months 1 May 03- 31 Jan 04
Profit from sales	31,6	41,7
Improved gross profit margin	-1,2	14,5
Increased administrative expenses	-3,5	-9,1
Increased expansion costs new stores	-2,4	-3,6
85th anniversary	0,0	-5,2
Increased depreciation	-1,4	-4,6
Improved financial income/expense	-0,4	1,4
Other	-0,8	-0,1
Total	21,9	35,0

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.

Change in equity (SEKm)

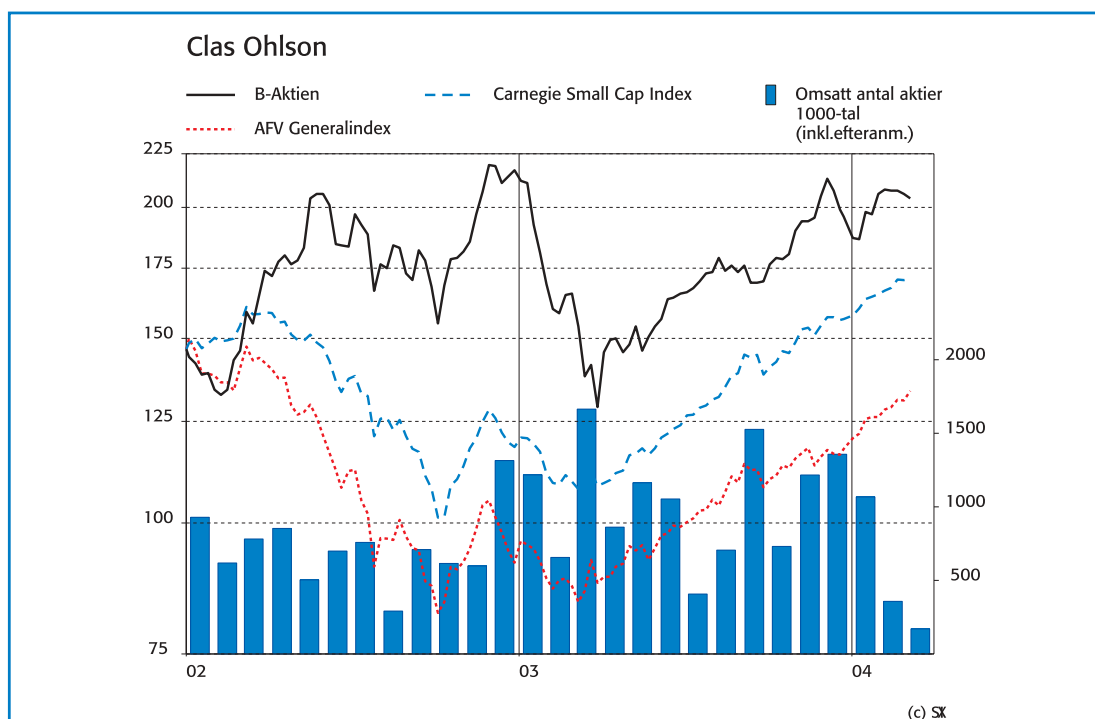
	9 months 1 May 03- 31 Jan 04	9 months 1 May 02- 31 Jan 03
Equity brought forward	735,8	581,2
Dividends paid	-105,0	-72,2
Change in translation difference	-20,8	-1,9
Net profit for the period	<u>231,5</u>	<u>206,7</u>
Equity carried forward	841,5	713,8

Results per quarter (SEKm)

	Q 3 01/02	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
Sales	565,0	403,2	465,8	542,5	671,1	451,4	519,3	636,0	805,6
Cost of goods sold	-342,5	-255,5	-287,8	-325,1	-391,6	-267,7	-310,1	-376,5	-471,8
Other operating expenses	-118,4	-106,9	-105,3	-135,8	-150,0	-142,2	-139,4	-163,7	-182,0
Net financial income/expense	1,0	2,0	0,5	1,0	2,0	3,1	2,0	1,3	1,6
Profit after financial items	105,1	42,8	73,2	82,6	131,5	44,6	71,8	97,1	153,4
Net margin	18,6%	10,6%	15,7%	15,2%	19,6%	9,9%	13,8%	15,3%	19,0%

Consolidated cash flow (SEKm)

	3 months 1 Nov 03- 31 Jan 04	3 months 1 Nov 02- 31 Jan 03	9 months 1 May 03- 31 Jan 04	9 months 1 May 02- 31 Jan 03
Profit after financial items	153,4	131,5	322,3	287,3
Depreciation	9,3	7,9	27,4	22,8
Profit from sale/disposal of fixed assets	0,0	0,0	-0,1	0,0
Tax paid	-14,0	-7,1	-28,3	-20,0
Cash flow from operating activities before changes in operating capital	148,7	132,3	321,3	290,1
Change in working capital	26,6	-12,4	13,6	-36,0
Cash flow from operating activities	175,3	119,9	334,9	254,1
Investments	-52,9	-20,5	-90,7	-58,2
Change in long-term receivables	0,0	-0,2	-0,1	-0,2
Cash flow from investing activities	-52,9	-20,7	-90,8	-58,4
Divided to shareholders	-	-	-105,0	-72,2
Cash flow from financing activities	-	-	-105,0	-72,2
Cash flow for the period	122,4	99,2	139,1	123,5
Liquid assets at the start of the period	401,9	306,4	395,1	285,0
Exchange rate difference for liquid assets	-9,9	0,5	-19,8	-2,4
Liquid assets at the end of the period	514,4	406,1	514,4	406,1
Interest received during the year	7,2	6,5	10,6	10,4
Interest paid during the year	0,9	2,6	2,5	4,8



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Corp. id. 556035-8672