

Interim report

1 May 2004 – 31 October 2004

- * Sales amounted to SEK 1,372.7m (SEK 1,155.3m)
- * Profit after tax amounted to SEK 146.9m (SEK 121.2m)
- * Earnings per share after tax amount to SEK 2.24 (SEK 1.85)
- * Four new stores have been opened
- * Finnish main catalogue has been published



Linköping



Åsane



Växjö

CLAS OHLSON

***Insjön - Stockholm: Gallerian, Farsta, Skärholmen, Täby, Kista - Göteborg: Nordstan, Bäckebo
Malmö - Norrköping - Örebro - Sundsvall - Umeå - Uppsala - Halmstad - Västerås - Luleå
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Oslo - Sandnes - Kristiansand - Bergen: Bergen Storsenter, Laguneparken, Åsane - Strømmen
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Helsingfors: Mannerheimsvägen, Östra Centrum - Tammerfors - Vasa***

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Market

The operations consist of the sale of DIY products for house and home, technology and hobby items 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 42, 24 of which are located in Sweden, 14 in Norway and 4 in Finland.

The market for our products developed well during the period. All parts of our range show good increases in sales in Sweden, Norway and Finland. Our new main catalogue which was published in August contains around 1,600 new items and has been well received by our customers.

In September we also published a main catalogue for the Finnish market for the first time. This represents a milestone in our continued focus on Finland. We have previously marketed ourselves solely through advertising campaigns and accessories catalogues. Finnish sales have risen sharply since the catalogue was published.

Another two stores were opened during our second quarter. In September we opened a store in Åsane, north of Bergen. This is our third store in the Bergen region. We then opened a store in Vasa, Finland, in October. This means that during the financial year we have opened four stores so far, as we had already opened two during our first quarter.

Sales and profits

Our second quarter (August-October)

Sales amounted to SEK 737.4m, compared with SEK 636.0m in the corresponding period of the previous year, a rise of 16 per cent. Compared with the same period in the previous year, eight stores have been added.

The sales figure breaks down into SEK 702.1m (SEK 596.5m) from stores and SEK 35.3m (SEK 39.5m) from mail order/Internet. The breakdown by country is SEK 469.9m (SEK 424.2m) in Sweden, SEK 246.0m (SEK 208.1m) in Norway and SEK 21.5m (SEK 3.7m) in Finland.

The 18 per cent increase in sales by the stores is broken down as follows:

Like-for-like stores, in local currency	+5 per cent
New stores	+13 per cent
Total	+18 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 share of Internet orders amounted to 53 per cent of all mail order/Internet orders (47 per cent).

Operating profit amounted to SEK 105.6m, an increase of 10 per cent compared with the previous year (SEK 95.8m). Operating profit was SEK 104.1m (SEK 92.0m) for the stores and SEK 1.5m (SEK 3.8m) for mail order/Internet.

Operating margin amounted to 14.3 per cent (15.1 per cent). The operating margin was 14.8 per cent (15.4 per cent) for the stores, while it was 4.2 per cent (9.6 per cent) for mail order/Internet.

The principal reason why operating margin has fallen slightly during our second quarter is higher selling expenses in the form of increased marketing. In comparison with our second quarter last year, we carried out an extra sales campaign during the period. In Finland, marketing expenses have also increased in connection with the launch of our new main catalogue.

Our first six months (May-October)

Sales amounted to SEK 1,372.7m, compared with SEK 1,155.3m in the corresponding period of the previous year, a rise of 19 per cent. Compared with the same period in the previous year, eight stores have been added. Sales for the last twelve months amount to SEK 2,726.9m.

The sales figure breaks down into SEK 1,316.6m (SEK 1,094.3m) from stores and SEK 56.1m (SEK 61.0m) from mail order/Internet. The breakdown by country is SEK 873.9m (SEK 762.8m) in Sweden, SEK 462.3m (SEK 385.6m) in Norway and SEK 36.5m (SEK 6.9m) in Finland.

The 20 per cent increase in sales by the stores is broken down as follows:

Like-for-like stores, in local currency	+7 per cent
New stores	+14 per cent
Exchange-rate effect of Norwegian krone	-1 per cent
Total	+20 per cent

Operating profit amounted to SEK 201.9m, an increase of 22 per cent compared with the previous year (SEK 165.6m). Operating profit was SEK 198.3m (SEK 159.7m) for the stores and SEK 3.6m (SEK 5.9m) for mail order/Internet. Operating profit for the last twelve months amounts to SEK 392.9m.

Operating margin amounted to 14.7 per cent (14.3 per cent). Operating margin was 15.1 per cent (14.6 per cent) for the stores, while it was 6.4 per cent (9.7 per cent) for mail order/Internet.

The principal reason why profits have improved in comparison with the previous year is the sharp increase in sales. In addition, we had extra expenses of SEK 5.2m last year in connection with our 85th anniversary. Profit has also improved by SEK 3.3m as a result of reduced start-up costs for new stores. These amount to a total of SEK 9.7m over the period. Against this, administrative expenses have risen by SEK 5.5m to SEK 33.7m and depreciation by SEK 3.2m to SEK 21.3m.

Gross margin is largely unchanged in comparison with the previous year. With regard to our most important foreign currencies, the Norwegian krone was slightly weaker during the period, which is unfavourable to us because 35 per cent of our sales are made in Norway. The average exchange rate for the Norwegian krone was 1.10 during our first six months, compared with 1.12 for the corresponding period of the previous year, a decline of 2 per cent. Overall this has nevertheless been outweighed by better purchasing prices due to a lower dollar exchange rate. The recent relatively sharp drop in the dollar has not yet had time to have an impact on gross margin. There will obviously be a delay before changes in our purchasing currencies have an impact.

Hedging has been carried out in USD, HKD and NOK. This had a favourable impact on earnings of SEK 2.2m compared with if trading had been conducted at current rates (previous year SEK -1.0m). Our policy is to hedge half the expected flow during the catalogue period, which now means August 2004 – August 2005.

Investments

Net investments of SEK 108.1m (SEK 37.8m) were made during our first six months. Of this sum, SEK 12.0m (SEK 21.9m) relates to investments in new and future stores. A further SEK 87.0m (SEK 7.9m) relates to investments in the expansion 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 our second quarter, amounting to SEK 1.7m (SEK 89.0m). Cash flow in the second quarter after deductions for investment operations was SEK -42.1m (SEK 64.6m).

There was a positive cash flow from operating activities during our first six months which totalled SEK 131.2m (SEK 159.6m). Cash flow after deductions for investment operations was SEK 23.0m (SEK 121.7m).

Inventories during the first six months increased by SEK 108.4m to SEK 555.5m. Of this sum, SEK 16.8m relates to new stores. The remainder largely consists of build-up of stocks ahead of Christmas trading. We anticipate strong Christmas trading as we have eight more stores than during the previous year's Christmas trading.

Liquid assets and current investments amounted to SEK 306.7m (SEK 401.9m) while there are no interest-bearing liabilities at all. The equity/assets ratio amounted to 63.3 (63.0) per cent.

Accounting principles and number of shares

The accounting principles adopted are unchanged in comparison with the previous year. A 2:1 split of all shares was made in October 2004. The number of shares was previously 32,800,000 and following the split is therefore 65,600,000. The key indicators per share for the previous year have been adjusted accordingly.

Employees

The number of employees in the Group averaged 1142 (1006), of whom 411 (365) were women. Of the employees, 860 (778) are in Sweden, 220 (203) in Norway and 62 (25) in Finland.

Parent Company

Parent Company sales during our first six months amounted to SEK 1,159.9m (SEK 986.9), and profit after financial items amounted to SEK 218.2m (SEK 144.4m).

Liquidity has been good. Investments have amounted to SEK 96.3m (SEK 25.6m).

Events after the end of the period

Christmas trading has started well. Sales during November amounted to SEK 288.7m, compared with SEK 241.8m in the previous year, an increase of 19 per cent. The sales figure breaks down into SEK 274.7m (SEK 228.8m) from stores and SEK 14.0m (SEK 13.0m) from mail order/Internet. The breakdown by country is SEK 177.4m (SEK 155.8m) in Sweden, SEK 98.9m (SEK 81.4m) in Norway and SEK 12.4m (SEK 4.6m) in Finland. Compared with the same month in the previous year, seven stores have been added.

Sales for the first seven months of the financial year thus amount to SEK 1,661.4m, an increase of 19 per cent (SEK 1,397.1m).

Future prospects

Future store openings contracted to date are Haninge (December 2004), Kuopio in Finland (February 2005), Turku in Finland and Skellefteå (March 2005), Solna and Östersund

(April 2005), Esbo in Finland (September 2005), Vanda in Finland (October 2005), Kalmar in Sweden and Oslo City (November 2005), Hamar in Norway (March 2006), Partille outside Gothenburg (April 2006) and Karlstad in September 2006. Our objective is to open six to ten new stores per financial year.

Stage 3 of the expansion of our central warehouse in Insjön is in progress and will be completed in three phases. The first phase involves extending the actual bodies of the buildings and establishing a new high-bay storage facility. This phase has now been completed and has been successfully put into operation. The next phase comprises sorting equipment for store deliveries, and it is anticipated that this phase will be completed in the autumn of 2005. The third phase entails installing 'mini-load' storage with associated picking equipment, and it is expected that this phase will be completed in the autumn of 2006/spring of 2007.

The investment signifies substantial expansion of the central warehouse which, when complete, 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 more in the future. It is estimated that the investment for all three phases will total SEK 300m and will be financed from our own funds. To date, up to the end of October 2004, SEK 195m has been invested.

With regard to investments, the Board has also decided on a further investment in ergonomic and safety equipment for our employees in our central warehouse. The investments amount to SEK 40m and will be made during the 2005/06 financial year. The basis for a decision has been created in the internal reference groups responsible for the design of the working environment and safety in our central warehouse. As well as a better working environment and safety, the investment will also entail a further improvement in efficiency.

We expect further good growth over the coming 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 due to the fact that our range contains a good mix of typical Clas Ohlson products, do-it-yourself, finished products and consumables. Another reason is our low prices, which make our products attractive even in periods of falling demand.

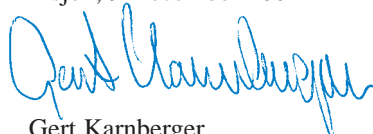
Financial information

Up-to-date financial information is available from the Clas Ohlson head office in Insjön, telephone +46 247-444 00, fax +46 247-444 25 and on our website, www.clasohlson.com.

The interim report for our third quarter of 2004/2005 will be published on 10 March 2005. The intended publication date for the press release containing unaudited annual earnings figures is 15 June 2005.

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

Insjön, 9 December 2004



Gert Karnberger
Chief Executive Officer

Consolidated income statement (SEKm)

	Rolling 12 months		Latest annual accounts			
	3 months 1 Aug 04- 31 Oct 04	3 months 1 Aug 03- 31 Oct 03	6 months 1 May 04- 31 Oct 04	6 months 1 May 03- 31 Oct 03	12 months 1 Nov 03- 31 Oct 04	12 months 1 May 03- 31 Apr 04
Sales	737,4	636,0	1 372,7	1 155,3	2 726,9	2 509,5
Cost of goods sold	<u>-436,3</u>	<u>-376,5</u>	<u>-815,1</u>	<u>-686,6</u>	<u>-1 629,6</u>	<u>-1 501,1</u>
Gross profit	301,1	259,5	557,6	468,7	1 097,3	1 008,4
Selling expenses	-177,6	-148,9	-322,0	-274,9	-636,0	-588,9
Administrative expenses	-17,3	-14,7	-33,7	-28,2	-67,4	-61,9
Other operating income/expense	<u>-0,6</u>	<u>-0,1</u>	<u>0,0</u>	<u>0,0</u>	<u>-1,0</u>	<u>-1,0</u>
Operating profit	105,6	95,8	201,9	165,6	392,9	356,6
Net financial income/expense	<u>1,2</u>	<u>1,3</u>	<u>2,7</u>	<u>3,3</u>	<u>6,4</u>	<u>7,0</u>
Profit after financial items	106,8	97,1	204,6	168,9	399,3	363,6
Tax	<u>-30,0</u>	<u>-27,5</u>	<u>-57,7</u>	<u>-47,7</u>	<u>-112,7</u>	<u>-102,7</u>
Profit for the period	76,8	69,6	146,9	121,2	286,6	260,9
Gross margin (%)	40,8	40,8	40,6	40,6	40,2	40,2
Operating margin (%)	14,3	15,1	14,7	14,3	14,4	14,2
Operating margin stores (%)	14,8	15,4	15,1	14,6	14,7	14,5
Operating margin mail order/Internet (%)	4,2	9,6	6,4	9,7	7,8	9,4
Net margin (%)	14,5	15,3	14,9	14,6	14,6	14,5
Return on capital employed (%)	-	-	-	-	48,9	45,2
Return on equity (%)	-	-	-	-	35,0	32,2
Equity/assets ratio (%)	63,3	63,0	63,3	63,0	63,3	67,3
Sales per sq.m in stores, SEK thousand	-	-	-	-	48	49
Number of shares at end of period	65,6 milj	65,6 milj*	65,6 milj	65,6 milj*	65,6 milj	65,6 milj*
Earnings per share (SEK)	1,17	1,06 *	2,24	1,85 *	4,37	3,98 *
Equity per share (SEK)	13,66	11,29 *	13,66	11,29 *	13,66	13,47 *

*Data per share has been adjusted to reflect the split

Consolidated balance sheet (SEKm)

	31 Oct 04	31 Oct 03	30 Apr 04
Assets			
Tangible assets	494,1	302,3	407,6
Financial assets	6,1	3,4	4,1
Inventories	555,5	424,9	447,1
Accounts receivable - trade	15,2	14,8	11,6
Other receivables	37,0	28,5	24,8
Liquid assets, current investments	<u>306,7</u>	<u>401,9</u>	<u>417,9</u>
Total assets	1 414,6	1 175,8	1 313,1
Equity and liabilities			
Equity	896,1	740,9	883,7
Provisions	66,3	54,4	67,3
Long-term liabilities	-	-	-
Current liabilities			
Non-interest-bearing	452,2	380,5	362,1
Interest-bearing	<u>-</u>	<u>-</u>	<u>-</u>
Total equity and liabilities	1 414,6	1 175,8	1 313,1



**Digital camera,
Olympus μ-mini Digital
No 38-1458**

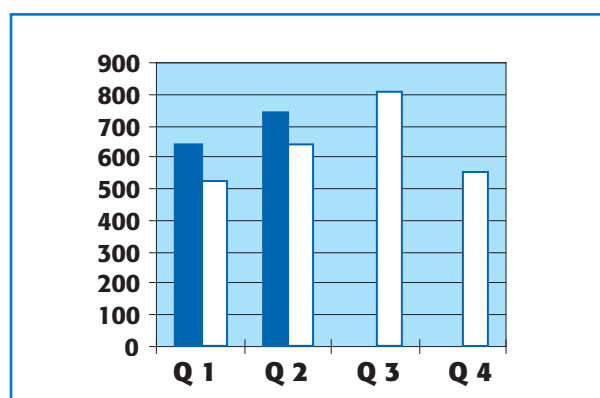


**Mp3-player
No 38-1206**

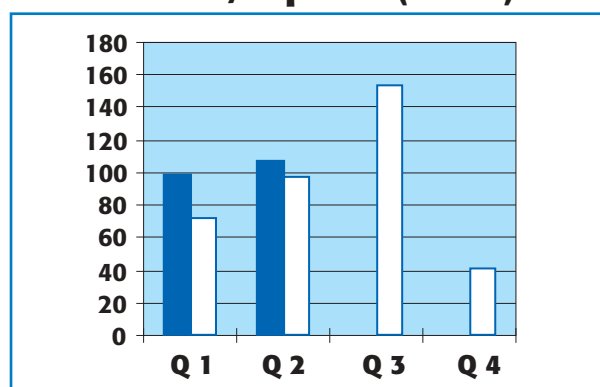
Specification of change in results (After financial items, in SEKm)

	3 months 1 Aug 04- 31 Oct 04	6 months 1 May 04- 31 Oct 04
Profit from sales	11,4	34,8
Improved gross profit margin	0,2	0,7
Increased administrative expenses	-2,6	-5,5
Improved expansion costs new stores	1,5	3,3
Last year 85th anniversary	0,2	5,2
Increased depreciation	-1,5	-3,2
Improved financial income/expense	-0,1	-0,6
Other	0,6	1,0
Total	9,7	35,7

Sales (SEKm)



Profit after net financial income/expense (SEKm)



Shaded bar = Financial year 1 May 04 – 30 Apr 05
White bar = Financial year 1 May 03 – 30 Apr 04

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)

	6 months 1 May 04- 31 Oct 04	6 months 1 May 03- 31 Oct 03
Equity brought forward	883,7	735,8
Dividend to shareholders	-131,2	-105,0
Change in translation difference	-3,3	-11,1
Net profit for the period	146,9	121,2
Equity carried forward	896,1	740,9

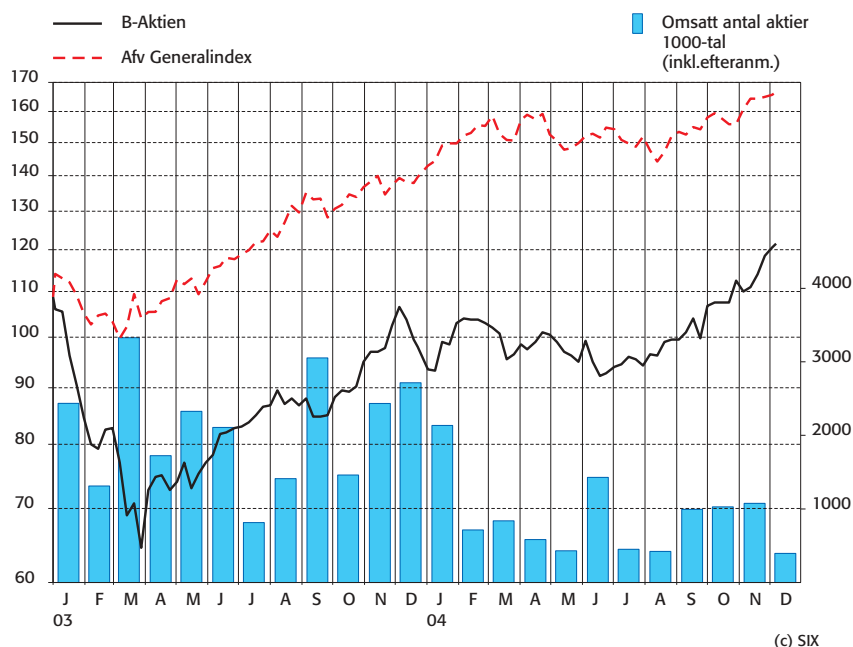
Results per quarter (SEKm)

	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	Q 1 04/05	Q 2 04/05
Sales	542,5	671,1	451,4	519,3	636,0	805,6	548,6	635,3	737,4
Cost of goods sold	-325,1	-391,6	-267,7	-310,1	-376,5	-471,8	-342,7	-378,8	-436,3
Other operating expenses	-135,8	-150,0	-142,2	-139,4	-163,7	-182,0	-166,7	-160,2	-195,5
Net financial income/expense	1,0	2,0	3,1	2,0	1,3	1,6	2,1	1,5	1,2
Profit after financial items	82,6	131,5	44,6	71,8	97,1	153,4	41,3	97,8	106,8
Net margin	15,2%	19,6%	9,9%	13,8%	15,3%	19,0%	7,5%	15,4%	14,5%

Consolidated cash flow (SEKm)

	3 months 1 Aug 04- 31 Oct 04	3 months 1 Aug 03- 31 Oct 03	6 months 1 May 04- 31 Oct 04	6 months 1 May 03- 31 Oct 03
Profit after financial items	106,8	97,1	204,6	168,9
Adjustment for items not included in cash flow	10,9	9,1	20,6	18,0
Tax paid	-8,1	-12,1	-11,1	-14,3
Cash flow from operating activities before changes in working capital	109,6	94,1	214,1	172,6
Change in working capital	-107,9	-5,1	-82,9	-13,0
Cash flow from operating activities	1,7	89,0	131,2	159,6
Investments	-43,7	-24,4	-108,1	-37,8
Change of financial assets	-0,1	0	-0,1	-0,1
Cash flow from investing activities	-43,8	-24,4	-108,2	-37,9
Divided to shareholders	-131,2	-105,0	-131,2	-105,0
Cash flow from financing activities	-131,2	-105,0	-131,2	-105,0
Cash flow for the period	-173,3	-40,4	-108,2	16,7
Liquid assets at the start of the period	477,7	445,6	417,9	395,1
Exchange rate difference for liquid assets	2,3	-3,3	-3,0	-9,9
Liquid assets at the end of the period	306,7	401,9	306,7	401,9
Interest received during the period	1,3	2,7	2,0	3,4
Interest paid during the period	0,1	1,0	0,1	1,6

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