# Interim report 1 May 2004 - 31 January 2005

- \* Sales amounted to SEK 2,328.0m (SEK 1,960.9m)
- \* Profit after tax amounted to SEK 278.3m (SEK 231.5m)
- \* Earnings per share after tax amount to SEK 4.24 (SEK 3.53)
- \* Five new stores have been opened
- \* Very good Christmas trading



### **CLAS OHLSON**

Insjön - Stockholm: Gallerian, Farsta, Skärholmen, Täby, Kista, Haninge - Göteborg: Nordstan, Bäckebol Malmö - Norrköping - Örebro - Sundsvall - Umeå - Uppsala - Halmstad - Västerås - Luleå Eskilstuna - Borås - Jönköping - Väla - Gävle - Växjö - Linköping Oslo - Sandnes - Kristiansand - Bergen: Bergen Storsenter, Laguneparken, Åsane - Strømmen

Trondheim: Solsiden, City Syd - Sandvika - Tønsberg - Haugesund - Ski - Ålesund Helsingfors: Mannerheimsvägen, Östra Centrum - Tammerfors - Vasa - Kuopio - Åbo

## Interim report 1 May 2004 - 31 January 2005

#### **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 43, 25 of which were 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 are showing good increases in sales in Sweden, Norway and Finland. Christmas trading, which is the most important period for us, again proved a great success with several sales records being broken in our stores.

Sales in Finland have greatly improved since we published our first main catalogue for the Finnish market last autumn. We have attained a higher level of sales since October, due in part to a successful store opening in Vasa, but also to large increases in the other stores. It is apparent that our brand is becoming steadily stronger in Finland.

Another new store was opened during our third quarter. In December we opened a store in Haninge outside Stockholm. This is our sixth store in the Stockholm region. This means that we have opened five stores during the financial year to date, as we had already opened four during our first six months.

#### Sales and profits

#### **Our third quarter (November-January)**

Sales amounted to SEK 955.3m, compared with SEK 805.6m in the corresponding period of the previous year, a rise of 19 per cent. Compared with the same period in the previous year, seven stores have been added.

The sales figure breaks down into SEK 917.5m (SEK 769.7m) from stores and SEK 37.8m (SEK 35.9m) from mail order/Internet. The breakdown by country is SEK 593.2m (SEK 519.7m) in Sweden, SEK 320.3m (SEK 270.8m) in Norway and SEK 41.8m (SEK 15.1m) in Finland.

The 19 per cent increase in sales by the stores is broken down as follows:

Like-for-like stores, in local currency
New stores
Total

+ 7 per cent
+ 12 per cent
+ 19 per cent

Operating profit amounted to SEK 181.7m, an increase of 20 per cent compared with the previous year (SEK 151.8m). Operating profit was SEK 175.6m (SEK 147.8m) for the stores and SEK 6.1m (SEK 4.0m) for mail order/Internet.

Operating margin amounted to 19.0 per cent (18.8 per cent). Operating margin was 19.1 per cent (19.2 per cent) for the stores, while it was 16.1 per cent (11.1 per cent) for mail order/Internet

Gross margin amounted to 41.3 per cent (41.4 per cent). The positive impact the lower dollar exchange rate had during our third quarter has been partly offset by a high proportion of sales of campaign products, lower sales prices in our campaigns, increased carriage costs due to high world market prices and increased handling costs at our central warehouse due to the costs of the current expansion.

#### **Our first nine months (May-January)**

Sales amounted to SEK 2,328.0m, compared with SEK 1,960.9m 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 2,876.6m.

The sales figure breaks down into SEK 2,234.1m (SEK

1,864.0m) from stores and SEK 93.9m (SEK 96.9m) from mail order/Internet. The breakdown by country is SEK 1,467.1m (SEK 1,282.5m) in Sweden, SEK 782.6m (SEK 656.4m) in Norway and SEK 78.3m (SEK 22.0m) 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 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 share of Internet orders amounted to 53 per cent of all mail order/Internet orders (48 per cent).

Operating profit over the same period amounted to SEK 383.6m, an increase of 21 per cent compared with the previous year (SEK 317.4m). Operating profit was SEK 373.9m (SEK 307.5m) for the stores and SEK 9.7m (SEK 9.9m) for mail order/Internet. Operating profit for the last twelve months amounts to SEK 422.8m.

Operating margin amounted to 16.5 per cent (16.2 per cent). Operating margin was 16.7 per cent (16.5 per cent) for the stores, while it was 10.3 per cent (10.2 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 6.3m as a result of reduced start-up costs for new stores. These amount to a total of SEK 14.2m over the period. Against this, administrative expenses have risen by SEK 7.3m to SEK 52.5m and depreciation by SEK 6.4m to SEK 33.8m.

Gross margin amounted to 40.9 per cent, which was unchanged in comparison with the corresponding period of the previous year.

Hedging has been carried out in USD, HKD and NOK. This had a negative impact on earnings of SEK 2.1m compared with if trading had been conducted at current rates (previous year SEK -2.1m). 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 163.2m (SEK 90.7m) were made during our first nine months. Of this sum, SEK 22.5m (SEK 30.2m) relates to investments in new and future stores. A further SEK 122.3m (SEK 48.1m) 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 third quarter of SEK 211.4m (SEK 175.3m). Cash flow in the third quarter after deductions for investment operations was SEK 156.3m (SEK 122.4m).

There was a positive cash flow from operating activities during our first nine months of SEK 342.6m (SEK 334.9m). Cash flow after deductions for investment operations was SEK 179.3m (SEK 244.1m).

Inventories during our first nine months increased by SEK 81.3m to SEK 528.4m. Of this sum, SEK 21.5m relates to new stores.

Liquid assets and current investments amounted to SEK 462.8m (SEK 514.4m) while there were no interest-bearing liabilities at all. The equity/assets ratio amounted to 65.4 per cent (63.8 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 1,200 (1,035), of whom 432 (372) were women. Of the employees, 898 (801) are in Sweden, 237 (209) in Norway and 65 in Finland (25).

#### Events after the end of the period

Sales during February amounted to SEK 202.7m, compared with SEK 181.5m in the previous year, an increase of 12 per cent. The sales figure breaks down into SEK 193.3m (SEK 173.5m) from stores and SEK 9.4m (SEK 8.0m) from mail order/Internet. The breakdown by country is SEK 125.0m (SEK 118.8m) in Sweden, SEK 68.3m (SEK 59.5m) in Norway and SEK 9.4m (SEK 3.2m) in Finland. Compared with the same period in the previous year, six stores have been added.

Sales for the first ten months of the financial year thus amount to SEK 2,530.7m, an increase of 18 per cent (SEK 2,142.4m).

Two new stores have been opened in Finland. These openings took place on 24 February in Kuopio which is located inland in central Finland and on 3 March in Turku. Both stores have started well and will contribute to further strengthening of our brand in Finland.

#### **Future prospects**

Our objective is an annual growth rate of 15 per cent. This is to be achieved through increased sales in existing stores and through further new store openings. Expansion is planned initially in Sweden, Norway and Finland, followed later by other parts of Europe. Our objective with regard to profit is a net margin of 12 per cent of an economic cycle.

As an element in securing our future growth, the Board has decided on a new concept for medium-size Clas Ohlson stores in addition to our present concept for full-size stores. Like the present-day concept, this entails the store carrying our whole range. The difference is that in our new concept it is divided between a smaller sales space in the store. The concept also involves lower manning in the store, which we achieve by having more tasks dealt with centrally by head office. Our perception is that we can achieve good profitability in these stores even in smaller towns. We aim to open these stores in towns with a catchment area of 30-60,000 people. In larger towns we are continuing with our present concept of full-size stores.

We anticipate that we will be offered many new store premises in our existing markets through our new concept of medium-sized stores. The Board has therefore decided on future store-opening targets. Our target for the 2005/06 financial year continues to be to open 6-10 new stores, while the new target for 2006/07 is 12-15 new stores. During this time the

organisation is to be prepared for continued growth in both existing and new markets. The breakdown between full-size and medium-size stores has not been fixed and will be decided from one year to the next depending on the store locations for which we sign contracts.

Future store openings for which contracts have been signed to date are Skellefteå (March 2005), Solna and Östersund (April 2005), Esbo in Finland (September 2005), Vanda in Finland (October 2005), Kalmar and Oslo City in Oslo (November 2005), Fredrikstad in Norway (December 2005), Hamar in Norway (January 2006), Partille outside Gothenburg (April 2006) and Karlstad in September 2006.

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 automatic 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 to the 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. Decisions have also been taken on an investment in ergonomic and safety equipment for staff in our central warehouse. The investment amounts to SEK 40m and will be implemented during the 2005/06 financial year. To date, up to and including January 2005, a total of SEK 230.1m has been invested.

We expect continued 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 intended publication date for the press release containing unaudited annual earnings figures for 2004/05 is 15 June 2005.

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

Insjön, 10 March 2005

Gert Karnberger
Chief Executive C

Chief Executive Officer

Consolidated income statement (SEKm)  Rolling 12 Latest annual months accounts						
	3 months	3 months	9 months	9 months	12 months	12 months
		1 Nov 03-	1 May 04-	1 May 03-	1 Feb 04-	1 May 03-
	31 Jan 05	31 Jan 04	31 Jan 05	31 Jan 04	31 Jan 05	31 Apr 04
Sales	955,3	805,6	2 328,0	1 960,9	2 876,6	2 509,5
Cost of goods sold	-561,1	-471,8	-1 376,2	-1 158,4	-1 718,9	-1 501,1
Gross profit	394,2	333,8	951,8	802,5	1 157,7	1 008,4
Selling expenses	-193,8	-164,8	-515,8	-439,7	-665,0	-588,9
Administrative expenses	-18,8	-17,0	-52,5	-45,2	-69,2	-61,9
Other operating income/expense	0,1	-0,2	0,1	-0,2		
Operating profit	181,7	151,8	383,6	317,4	422,8	356,6
Net financial income/expense	1,2	1,6	3,9	4,9	6,0	7,0
Profit after financial items	182,9	153,4	387,5	322,3	428,8	363,6
Tax	-51,5	-43,1	-109,2	-90,8	-121,1	-102,7
Profit for the period	131,4	110,3	278,3	231,5	307,7	260,9
Gross margin (%)	41,3	41,4	40,9	40,9	40,2	40,2
Operating margin (%)	19,0	18,8	16,5	16,2	14,7	14,2
Operating margin stores (%)	19,1	19,2	16,7	16,5	14,9	14,5
Operating margin mail order/Internet (%)	16,1	11,1	10,3	10,2	9,5	9,4
Net margin (%)	19,1	19,0	16,6	16,4	14,9	14,5
Return on capital employed (%)	-	-	-	-	46,0	45,2
Return on equity (%)	_	-	-	-	32,9	32,2
Equity/assets ratio (%)	65,4	63,8	65,4	63,8	65,4	67,3
Sales per sq.m in stores, SEK thousand	-	-	-	-	48	49
Number of shares at end of period	65,6 m		milj* 65,6		milj* 65,6	
Earnings per share (SEK)	2,00	1,68		3,53		3,98 *
Equity per share (SEK)	15,65	12,83	* 15,65	12,83	* 15,65	13,47 *

<sup>\*</sup>Data per share has been adjusted to reflect the split

Consolidated balance sheet (SEKm)					
	31 Jan 05	31 Jan 04	30 Apr 04		
Assets					
Tangible assets	536,5	343,3	407,6		
Financial assets	5,0	4,0	4,1		
Inventories	528,4	419,3	447,1		
Accounts receivable - trade	13,4	12,3	11,6		
Other receivables	25,2	26,1	24,8		
Liquid assets. current investments	462,8	514,4	417,9		
Total assets	1 571,3	1 319,4	1 313,1		
Equity and liabilities					
Equity	1 026,9	841,5	883,7		
Provisions	65,9	55,3	67,3		
Long-term liabilities	-	-	-		
Current liabilities					
Non-interest-bearing	478,5	422,6	362,1		
Interest-bearing			<u>-</u> _		
Total equity and liabilities	1 571,3	1 319,4	1 313,1		

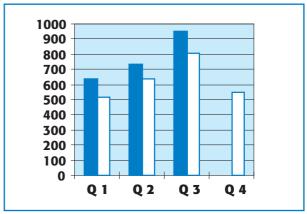


## **Specification of change in results** (After financial items, in SEKm)

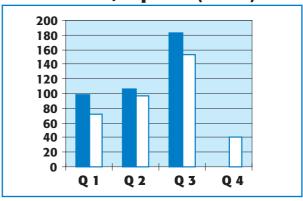
,		
	3 months	9 months
	1 Nov 04-	1 May 04-
	31 Jan 05	31 jan 05
Profit from sales	33,4	68,2
Change in gross profit margin	-1,6	-0,9
Increased administrative expenses	-1,8	-7,3
Improved expansion costs new stores	3,0	6,3
Last year 85th anniversary	0,0	5,2
Increased depreciation	-3,2	-6,4
Change in financial income/expense	-0,4	-1,0
Other	0,1	1,1
Total	29,5	65,2

#### **Change in equity (SEKm)** 9 months 9 months 1 May 04-1 May 03-31 jan 05 31 Jan 04 Equity brought forward 883,7 735,8 Dividend to shareholders -131,2-105,0Change in translation difference -3,9 -20,8 Net profit for the period 278,3 231,5 Equity carried forward 1026,9 841,5

#### 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.

Results per quarter (SEKm)										
	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	Q 3 04/05	
Sales	671,1	451,4	519,3	636,0	805,6	548,6	635,3	737,4	955,3	
Cost of goods sold	-391,6	-267,7	-310,1	-376,5	-471,8	-342,7	-378,8	-436,3	-561,1	
Other operating expenses	-150,0	-142,2	-139,4	-163,7	-182,0	-166,7	-160,2	-195,5	-212,5	
Net financial income/expens	se 2,0	3,1	2,0	1,3	1,6	2,1	1,5	1,2	1,2	
Profit after financial items	131,5	44,6	71,8	97,1	153,4	41,3	97,8	106,8	182,9	
Net margin	19,6%	9,9%	13,8%	15,3%	19,0%	7,5%	15,4%	14,5%	19,1%	

Consolidated cash flow (SEKm)							
	3 months 1 Nov 04- 31 Jan 05	3 months 1 Nov 03- 31 Jan 04	9 months 1 May 04- 31 Jan 05	9 months 1 May 03- 31 Jan 04			
Profit after financial items Adjustment for items not included in cash Tax paid	182,9 flow 13,5 -7,7	153,4 9,3 -14,0	387,5 34,1 -18,8	322,3 27,3 -28,3			
Cash flow from operating activities before changes in working capital	188,7	148,7	402,8	321,3			
Change in working capital	22,7	26,6	-60,2	13,6			
Cash flow from operating activities	211,4	175,3	342,6	334,9			
Investments Change of financial assets	-55,1 0,0	-52,9 0,0	-163,2 -0,1	-90,7 -0,2			
Cash flow from investing activities	-55,1	-52,9	-163,3	-90,8			
Divided to shareholders	-	-	-131,2	-105,0			
Cash flow from financing activities	0,0	0,0	-131,2	-105,0			
Cash flow for the period	156,3	122,4	48,1	139,			
Liquid assets at the start of the period Exchange rate difference for liquid assets	306,7 -0,2	401,9 -9,9	417,9 -3,2	395, -19,8			
Liquid assets at the end of the period	462,8	514,4	462,8	514,4			
Interest received during the period	2,6	7,2	4,6	10,0			
Interest paid during the period	0,2	0,9	0,3	2,5			



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