

# *Interim report*

## *1 May 2005 – 31 July 2005*

– Drawn up in accordance with IFRS

- \* Sales amounted to SEK 759.4m (SEK 635.3m)
- \* Profit after tax amounted to SEK 86.5m (SEK 70.1m)
- \* Earnings per share after tax stand at SEK 1.32 (SEK 1.07)



## **CLAS OHLSON**

**Insjön - Stockholm: Gallerian, Farsta, Skärholmen, Täby, Kista, Haninge, Solna**  
**Göteborg: Nordstan, Bäckebo - Malmö - Norrköping - Örebro - Sundsvall - Umeå - Uppsala - Halmstad**  
**Västerås - Luleå - Eskilstuna - Borås - Jönköping - Väla - Gävle - Växjö - Linköping - Skellefteå - Östersund**  
**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 2005 – 31 July 2005

## Market and sales

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 48, 28 of which were located in Sweden, 14 in Norway and 6 in Finland.

The market for Clas Ohlson's products was very good during our first quarter. The relatively cool summer meant that we had more visitors in our stores than expected.

Sales during our first quarter amounted to SEK 759.4m, compared with SEK 635.3m in the previous year, a rise of 20 per cent. Compared with the same period last year, eight stores have been added. Sales for the past twelve months amount to SEK 3,078.9m.

The sales figure breaks down into SEK 736.4m (SEK 614.5m) from stores and SEK 23.0m (SEK 20.8m) from mail order/Internet. The breakdown by country is SEK 469.4m (SEK 404.0m) in Sweden, SEK 250.1m (SEK 216.3m) in Norway and SEK 39.9m (SEK 15.0m) in Finland.

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

Like-for-like stores, in local currency	+ 5 per cent
New stores	+13 per cent
Exchange-rate effect of Norwegian krone	+2 per cent
Total	+20 per cent

The share of Internet orders amounted to 58 per cent of all mail order/Internet orders during the first quarter of the financial year (50 per cent).

## Profits

Profit after financial items during our first quarter amounted to SEK 120.3m, an increase of 23 per cent compared with the corresponding period of the previous year (SEK 97.8m).

Operating profit over the same period amounted to SEK 118.7m, an increase of 23 per cent compared with the previous year (SEK 96.3m). Operating profit was SEK 115.8m (SEK 94.2m) for the stores and SEK 2.9m (SEK 2.1m) for mail order/Internet. Operating profit for the past twelve months amounts to SEK 442.9m.

The principal reason why profits have improved in comparison with the previous year is the sharp increase in sales. Profit has also improved by SEK 2.0m as a result of reduced start-up costs for new stores. These amounted to a total of SEK 0.5m over the period. Against this, administrative expenses have risen by SEK 1.3m to SEK 17.7m and depreciation by SEK 4.3m to SEK 14.9m. Of this sum, SEK 3.0m relates to depreciation of the new storage facility.

Gross margin is largely unchanged in comparison with the previous year. As regards our most important currencies, a higher exchange rate for the dollar has had an adverse impact. However, this has been compensated for by the strong Norwegian krone. The Norwegian currency is important to us, because 35 per cent of our sales are made in Norway. The average exchange rate for the Norwegian krone was 1.17 during our first quarter, compared with 1.10 for the corresponding period of the previous year, amounting to a boost of 6 per cent. Operating margin during the first quarter amounted to 15.6 per

cent (15.2 per cent). Operating margin was 15.7 per cent (15.3 per cent) for the stores, and 12.6 per cent (10.1 per cent) for mail order/Internet.

Hedging has been carried out in USD, HKD and NOK. This had a favourable impact on earnings of SEK 0.6m compared with if trading had only been conducted at current rates (previous year SEK 1.1m). Our policy is to hedge half the expected flow during the catalogue period, which now means August 2005 – August 2006.

## Investments

Net investments of SEK 35.1m (SEK 64.4m) were made during our first quarter. Of this sum, SEK 4.7m (SEK 4.4m) relates to investments in new and future stores. A further SEK 20.8m (SEK 53.5m) 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 the first quarter of SEK 107.2m (SEK 129.7m). Cash flow after deducting investment operations was SEK 27.2m (SEK -16.9m).

Inventories during the first quarter increased by SEK 24.9m to SEK 567.8m.

Liquid assets amounted to SEK 489.6m (SEK 334.9m) while there are no interest-bearing liabilities at all. The equity/assets ratio totalled 66.7 per cent (66.5 per cent).

## Accounting principles

This interim report has been prepared according to IAS 34.

Clas Ohlson has been using the EU-approved International Financial Reporting Standards (IFRS) since 1 May 2005. Previously, the financial reports were drawn up in accordance with applicable Swedish accounting principles. Financial reports that apply to periods starting on or after 1 May 2005 have therefore been drawn up to comply with IFRS. This has also been applied retroactively to data from 2004/2005 for comparison purposes, with the exception of reporting on financial instruments (IAS 39). This information has not been adapted, because retroactive application of this accounting principle is not required.

The main effect on Clas Ohlson of the transition to IFRS is a reclassification in the balance sheet of provisions to long-term and current liabilities (IAS 1), reclassification between current investments and liquid assets in the balance sheet and the cash flow statement (IAS 7), and altered reporting of currency forward contracts (IAS 39) according to the description below.

Clas Ohlson has previously reported cash and bank balances as well as current investments separately in the balance sheet according to the Swedish Annual Accounts Act. In conjunction with the transition to IFRS, current investments that are defined as liquid investment according to IAS 7 will be reported together with bank balances under the liquid assets heading in the balance sheet. According to IAS 7 only liquid assets that, at the time of acquisition, had a remaining term not exceeding three months may be reported as liquid assets. Furthermore, accrued interest on current investments, previously reported among interim receivables, will now be reported on the row for liquid assets and current investments respectively.

IAS 39 includes regulations on valuation of currency forward contracts. According to IAS 39 derivatives must always be taken up at their actual value in the balance sheet. If the derivative is not an instrument in a currency hedging, changes in actual value must be reported in the income statement. In hedging cash flow qualified for hedging reporting, changes in the actual value of the hedging instruments must be reported under equity until the underlying hedge item is reported, whereby all appurtenant hedging items in equity are to be simultaneously transferred to the income statement. Hedging reporting is used, and on the closing date 31 July 2005, the net value of this hedging reserve in equity amounted to SEK - 5,8m. Currency forward contracts were not previously valued continuously (off balance). At year-end 30 April 2005 there were no outstanding currency forward contracts.

The following adjustments have been made in the comparative figures for 31 July 2004, concerning the transition to IFRS:

	Swedish accounting principles	Effect of transition to IFRS	IFRS
Accrued income	24,3	-0,9	23,4
Current investments	142,8	0,9	143,7
Cash and bank balances	334,9	-334,9	-
Liquid assets	-	334,9	334,9
Total	502,0	0,0	502,0
Provisions	67,7	-67,7	-
Long-term liabilities	0,0	63,5	63,5
Current liabilities	409,6	4,2	413,8
Total provisions and liabilities	477,3	0,0	477,3

The Group's cash flow has been adjusted in the following items.

## Number of shares

The total number of shares is 65,600,000, which is the same as in the previous year.

## Employees

The number of employees in the Group averaged 1,233 (1,085), of whom 457 (390) were women. Of the employees, 920 (825) are in Sweden, 226 (210) in Norway and 87 in Finland (50).

## Events after the end of the period

Sales during August amounted to SEK 280.3m, compared with SEK 225.9m in the previous year, an increase of 24 per cent. The sales figure breaks down into SEK 271.8m (SEK 218.2m) from stores and SEK 8.5m (SEK 7.7m) from mail order/Internet. The breakdown by country is SEK 171.0m (SEK 146.9m) in Sweden, SEK 94.8m (SEK 73.8m) in Norway and SEK 14.5m (SEK 5.2m) in Finland. Sales for the first four months of the financial year thus amount to SEK 1,039.7m, an increase of 21 per cent (SEK 861.2m). Compared with the same period in the previous year, eight stores have been added.

The main catalogue for 2006 and a new catalogue for computer accessories were issued on 22 August. All the products in the catalogues are also available from our Internet store. The catalogues contain around 1,700 new products, and the main catalogue has a print run of 3.5 million copies. The new catalogues have so far been well received by our customers.

## Future prospects

Future store openings for which contracts have been signed to date are Espoo in Finland (September 2005), Vantaa in Finland (October 2005), Kalmar in Sweden and Oslo City in Oslo (November 2005), Fredrikstad in Norway (December 2005), Sartor near Bergen in Norway (February 2006), Kamppi in Helsinki and Hamar and Gjøvik in Norway (March 2006), Partille near Gothenburg (April 2006), Sarpsborg in Norway (June 2006), Karlstad in September 2006 and Kristianstad in May 2007.

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 equipment will be ready for use in the autumn of 2005. The third phase entails installing "mini-load" storage with associated picking equipment, and it is expected that this final phase will be completed in 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. A total of SEK 269.1m had been invested up to July 2005.

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 items, finished products and consumables. Another reason is our low prices, which make our products attractive even in periods of falling demand.

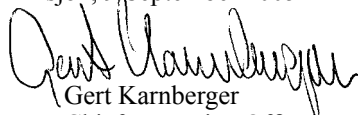
## Financial information

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](http://www.clasohlson.com).

The interim report for the second quarter of 2005/06 will be issued on 8 December 2005. The interim report for the third quarter of 2005/06 will be issued on 9 March 2006. The intended publication date for the press release containing unaudited annual earnings figures for 2005/06 is 14 June 2006.

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

Insjön, 9 September 2005

  
Gert Karnberger  
Chief Executive Officer

## Consolidated income statement (SEKm)

Rolling 12 Latest annual  
months accounts

	3 months 1 May 05- 31 July 05	3 months 1 May 04- 31 July 04	12 months 1 Aug 04- 31 July 05	12 months 1 May 04- 30 Apr 05	12 months 1 May 03- 30 Apr 04
Sales	759,4	635,3	3 078,9	2 954,8	2 509,5
Cost of goods sold	-453,3	-378,8	-1 836,4	-1 761,9	-1 501,1
Gross profit	306,1	256,5	1 242,5	1 192,9	1 008,4
Selling expenses	-169,1	-144,4	-728,9	-704,2	-588,9
Administrative expenses	-17,7	-16,4	-69,3	-68,0	-61,9
Other operating income/expense	-0,6	0,6	-1,4	-0,2	-1,0
Operating profit	118,7	96,3	442,9	420,5	356,6
Net financial income/expense	1,6	1,5	5,5	5,4	7,0
Profit after financial items	120,3	97,8	448,4	425,9	363,6
Tax	-33,8	-27,7	-126,7	-120,6	-102,7
Profit for the period	86,5	70,1	321,7	305,3	260,9
Number of shares at end of period	65,6 milj	65,6 milj *	65,6 milj	65,6 milj	65,6 milj *
Earnings per share (SEK)	1,32	1,07 *	4,90	4,65	3,98 *
Equity per share (SEK)	17,61	14,45 *	17,61	16,14	13,47 *
Gross margin (%)	40,3	40,4	40,4	40,4	40,2
Operating margin (%)	15,6	15,2	14,4	14,2	14,2
Operating margin stores (%)	15,7	15,3	14,6	14,5	14,5
Operating margin mail order/Internet (%)	12,6	10,1	9,1	8,6	9,4
Net margin (%)	15,8	15,4	14,6	14,4	14,5
Return on capital employed (%)	-	-	42,7	43,9	45,2
Return on equity (%)	-	-	30,6	31,4	32,2
Equity/assets ratio (%)	66,7	66,5	66,7	66,2	67,3
Sales per sq.m in stores, SEK thousand	-	-	48	48	49

\*Data per share has been adjusted to reflect the split

## Consolidated balance sheet (SEKm)

31 July 05 31 July 04 31 Apr 05

	31 July 05	31 July 04	31 Apr 05
<b>Assets</b>			
Tangible assets	580,9	460,5	558,0
Financial assets	6,5	5,0	5,7
Inventories	567,8	449,7	542,9
Accounts receivable - trade	5,9	8,2	10,3
Other receivables	35,3	23,4	36,1
Current investments	44,9	143,7	0,0
Liquid assets	489,6	334,9	445,2
Total assets	1 730,9	1 425,4	1 598,2
<b>Equity and liabilities</b>			
Equity	1 155,1	948,1	1 058,6
Long-term liabilities	19,3	63,5	18,3
Current liabilities			
Non-interest-bearing	556,5	413,8	521,3
Interest-bearing	-	-	-
Total equity and liabilities	1 730,9	1 425,4	1 598,2



**Laptop computer**  
No 38-1785

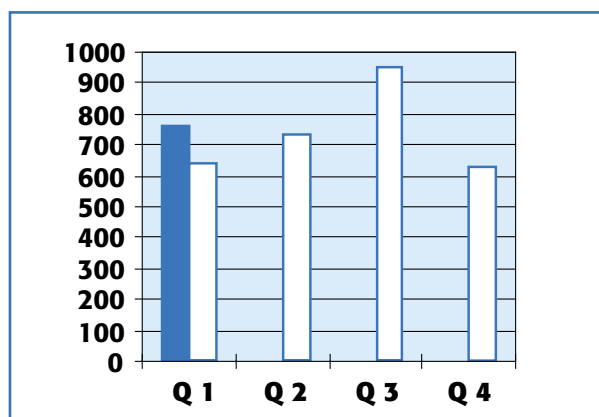


**Sandler CO/TECH**  
No 30-9154

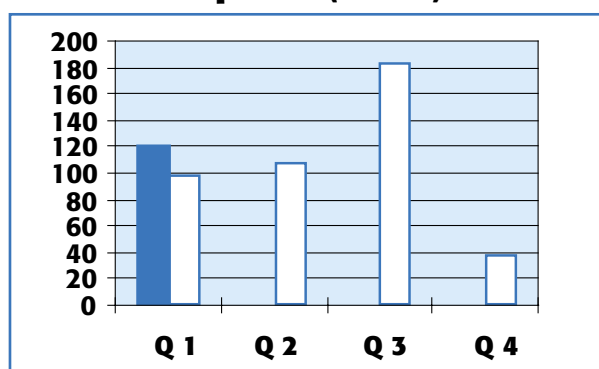
### Specification of change in results (After financial items, in SEKm)

	3 months 1 May 05- 31 July 05
Profit from sales	27,7
Change in gross profit margin	-0,5
Increased administrative expenses	-1,3
Improved expansion costs new stores	2,0
Increased depreciation	-4,3
Improved financial income/expense	0,1
Other	-1,2
<b>Total</b>	<b>22,5</b>

### Sales (SEKm)



### Profit after net financial income/ expense (SEKm)



Shaded bar = Financial year 1 May 05 – 30 Apr 06  
White bar = Financial year 1 May 04 – 30 Apr 05

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

### Change in equity (SEKm)

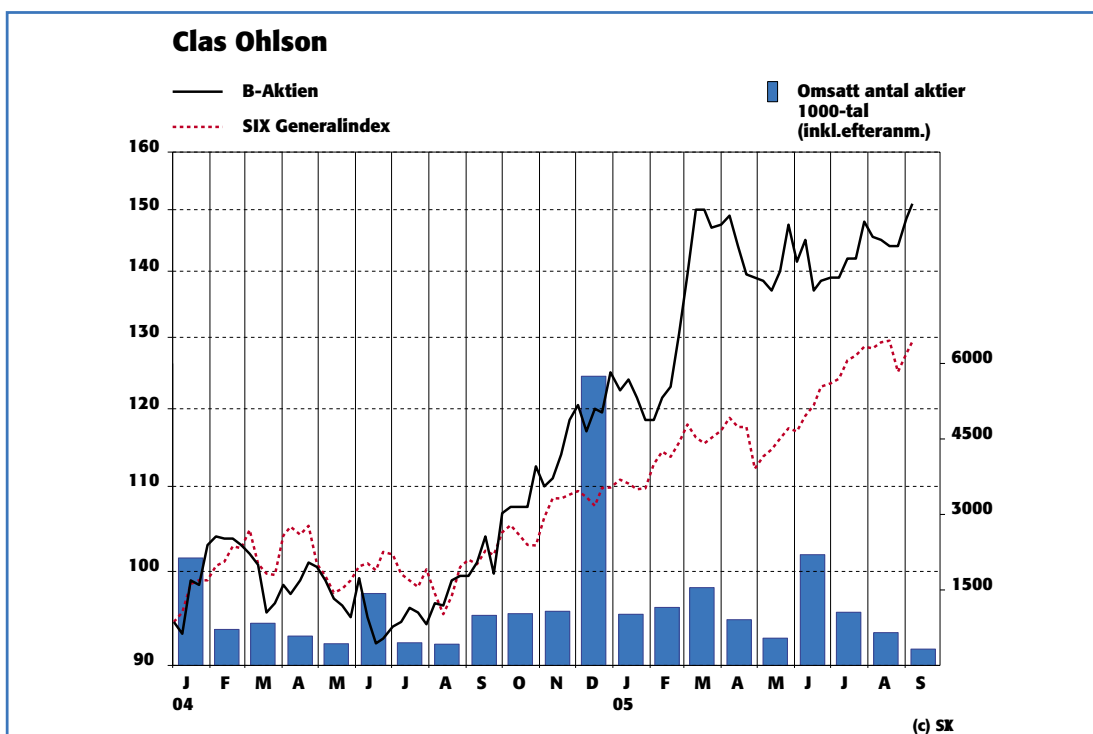
	3 months 1 May 05- 31 July 05	3 months 1 May 04- 31 July 04
Equity brought forward	1058,6	883,7
Change in hedging reserve according to IAS 39	-5,8	-
Change in translation difference	15,8	-5,7
Net profit for the period	86,5	70,1
Equity carried forward	1155,1	948,1

### Results per quarter (SEKm)

	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	Q 4 04/05	Q 1 05/06
Sales	519,3	636,0	805,6	548,6	635,3	737,4	955,3	626,8	759,4
Cost of goods sold	-310,1	-376,5	-471,8	-342,7	-378,8	-436,3	-561,1	-385,7	-453,3
Other operating expenses	-139,4	-163,7	-182,0	-166,7	-160,2	-195,5	-212,5	-204,2	-187,4
Net financial income/expense	2,0	1,3	1,6	2,1	1,5	1,2	1,2	1,5	1,6
Profit after financial items	71,8	97,1	153,4	41,3	97,8	106,8	182,9	38,4	120,3
Net margin	13,8%	15,3%	19,0%	7,5%	15,4%	14,5%	19,1%	6,1%	15,8%

## Consolidated cash flow (SEKm)

	3 months 1 May 05- 31 July 05	3 months 1 may 04- 31 July 04	12 months 1 May 04- 30 Apr 05
Profit after financial items	120,3	97,8	425,9
Adjustment for items not included in cash flow	16,3	9,7	49,1
Tax paid	-9,1	-3,0	-38,8
<b>Cash flow from operating activities before changes in working capital</b>	<b>127,5</b>	<b>104,5</b>	<b>436,2</b>
Change in working capital	-20,3	25,2	-80,8
<b>Cash flow from operating activities</b>	<b>107,2</b>	<b>129,7</b>	<b>355,4</b>
Investments	-35,1	-64,4	-198,6
Change in current investments	-44,9	-82,2	61,5
Change in financial assets	0,0	0,0	-0,1
<b>Cash flow from investing activities</b>	<b>-80,0</b>	<b>-146,6</b>	<b>-137,2</b>
Divided to shareholders	-	-	-131,2
<b>Cash flow from financing activities</b>	<b>0,0</b>	<b>0,0</b>	<b>-131,2</b>
<b>Cash flow for the period</b>	<b>27,2</b>	<b>-16,9</b>	<b>87,0</b>
Liquid assets at the start of the period	445,2	357,1	357,1
Exchange rate difference for liquid assets	17,2	-5,3	1,1
Liquid assets at the end of the period	489,6	334,9	445,2
Interest received during the period	0,5	0,7	6,1
Interest paid during the period	0,0	0,0	0,5



# CLAS OHLSON

**Clas Ohlson AB (publ), 793 85 INSJÖN**

Telephone +46 247-444 00 • Fax +46 247-444 25

E-mail: [order@clasohlson.se](mailto:order@clasohlson.se) • Internet: [www.clasohlson.com](http://www.clasohlson.com)

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