

Interim Report

1 May 2009 – 31 July 2009



1st quarter

- * Sales totalled SEK 1,288 M (1,114), up 16%
- * Operating profit amounted to SEK 141 M (108), up 31%
- * Profit after tax totalled SEK 101 M (79), up 29%
- * Earnings per share amounted to SEK 1.56 (1.20), up 30%

Events after the end of the period

- * Sales in August amounted to SEK 446 M (407), up 10%

CEO Klas Balkow comments:

"We had a positive start to the financial year with an improvement in the sales trend during the spring and summer. We also posted higher earnings for the quarter, which confirms that our efforts to increase Clas Ohlson's productivity have had an effect."

"We are now increasing the investment in the UK through two new store contracts in London and the surrounding area. The UK market has immense potential for Clas Ohlson and has attractive growth prospects for many years to come. At the same time, we remain aware that time and resources will be required to establish a strong position in a completely new market."

	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08	Rolling 12 months 01/08/08- 31/07/09	Latest annual accounts 01/05/08- 31/04/09
Sales, SEK M	1,288	1,114	5,104	4,930
Operating profit, SEK M	141	108	537	503
Profit after tax, SEK M	101	79	388	366
Gross margin, %	39.5	39.9	40.7	40.8
Operating margin, %	11.0	9.6	10.5	10.2
Equity/assets ratio, %	57.9	69.2	57.9	58.1
Earnings per share, SEK	1.56	1.20	5.98	5.62

Operations

Operations comprise the sale of products for house and home, as well as technology and hobby items, through the company's own retail outlets and via mail order/Internet channels. Activities are pursued in Sweden, Norway, Finland and the UK. The number of stores at the end of the period was 108, including 52 in Sweden, 38 in Norway, 16 in Finland and two in the UK.

During the first quarter, two new stores were opened, both in Sweden.

Sales and profits

First quarter (May-July)

Clas Ohlson continues to grow. The product range focuses on attractively priced products that are necessary for everyday life. During the quarter, sales displayed a higher growth rate due to the positive reception of Clas Ohlson's spring and summer range combined with more stable market conditions.

Sales amounted to SEK 1,288 M compared with SEK 1,114 M in the year-earlier period, up 16 per cent. In local currencies, sales rose 14 per cent. Compared with the same month in the preceding year, 20 stores were added and the total number of stores on 31 July 2009 was 108. Mail order/Internet sales amounted to SEK 19 M, compared with SEK 23 M in the year-earlier period.

Sales were distributed as follows:

Sales areas (SEK)			Percentage	
	2009/10	2008/09	Percentage change	change, local currency
Countries				
Sweden	653	603	+ 8	+ 8
Norway	509	420	+ 21	+18
Finland and UK	126	91	+ 38	+23
	<u>1,288</u>	<u>1,114</u>	<u>+ 16</u>	<u>+14</u>

The 16 per cent increase in sales was distributed as follows:

Comparable stores in local currencies	+ 2 per cent
New stores	+ 12 per cent
Exchange-rate effects	+ 2 per cent
<u>Total</u>	<u>+ 16 per cent</u>

The gross margin was 39.5 per cent, compared with 39.9 per cent in the year-earlier period. The margin was adversely affected by exchange-rate effects that were partly offset by the sales mix and more efficient distribution.

The share of selling expenses fell 1.8 percentage points to 26.2 per cent (28.0 per cent). The decline was primarily due to sales in comparable stores, measures to increase productivity in stores and lower start-up costs. Two new stores were opened during the quarter (two in the year-earlier period). Start-up costs for the new stores totalled SEK 4 M (10).

Depreciation for the period amounted to SEK 28 M, compared with SEK 22 M for the year-earlier period. The increase was primarily attributable to new stores and the commissioning of Clas Ohlson's new sorting facility in May 2009.

Operating profit was SEK 141 M, up 31 per cent compared with the year-earlier period (108). The increase was mainly attributable to the rise in sales in comparable stores.

The operating margin amounted to 11.0 per cent (9.6).

Profit after financial items totalled SEK 140 M, up 28 per cent compared with the year-earlier period (109).

Exchange rates for key currencies averaged SEK 1.21 for NOK and SEK 7.70 for USD, compared with SEK 1.17 and SEK 6.00, respectively, for the year-earlier period. Currency hedging was undertaken in USD, HKD, EUR and NOK. The company's policy is to hedge 50 per cent of expected flows during a catalogue period.

Investments

During the period, new investments totalled SEK 84 M (71), of which SEK 3 M (9) related to investments in new stores. An additional SEK 65 M (50) pertained to investments in the expansion of the distribution centre in Insjön. On 31 July 2009, SEK 522 M of the current investment totalling SEK 615 M had been utilised. Other investments were mainly replacement investments.

Clas Ohlson's new store concept was launched in November 2008 and is being implemented in all new stores that are opened. Existing stores will gradually be converted. For the financial year, the conversion of up to ten stores for a total of approximately SEK 40 M is planned, of which about a third has been expensed.

Financing and liquidity

Cash flow from operating activities for the quarter was SEK 199 M (105). Cash flow for the period after investments and financing activities amounted to SEK 69 M (neg: 24 M).

The average 12-month value of inventories was SEK 1,052 M (963), up 9 per cent.

At the end of the quarter, the average value of inventories was SEK 1,093 M (939). Compared with the same month in the preceding year, 20 new stores have been added.

The buy-back of the company's own shares to secure the 2009 long-term incentive plan (LTI 2009) amounted to SEK 73 M during the first quarter of the financial year (SEK 58 M for LTI 2008).

Cash and cash equivalents totalled SEK 154 M (257). Interest-bearing liabilities pertaining to bank loans amounted to SEK 300 M (0). The increase was primarily due to current investments in the distribution centre at Insjön, in the amount of SEK 615 M, and investments in new stores. The Group's net indebtedness, meaning interest-bearing liabilities less cash and cash equivalents, totalled SEK 146 M, which is a decline of SEK 36 M during the quarter. The equity/assets ratio was 57.9 per cent (69.2).

Number of shares

The number of registered shares is 65,600,000, unchanged compared with a year earlier. As of 31 July 2009, the company's holding of treasury shares amounted to 1,320,000 (645,000), corresponding to 2 per cent of the total number of registered shares (1). The number of shares outstanding, net excluding treasury shares, was 64,280,000 at the end of the year.

To secure the company's commitment regarding conditional matching shares and employee warrants in connection with LTI 2009, Clas Ohlson bought back 675,000 shares during the first quarter of the 2009/10 financial year for a total of SEK 73 M at an average price of approximately SEK 108 per share.

Long-term incentive plan LTI 2009

In May 2009, the long-term incentive plan LTI 2009 plan was implemented. Up to 40 employees are participating in the programme by making an initial investment in Clas Ohlson shares corresponding to between 5 and 10 per cent of employees' annual gross earnings. In May 2009, after the end of the period, the participants purchased a total of 35,767 shares. Participants who, after three years, are still employed in the company and hold initially invested shares will be allotted, free of charge, matching shares corresponding to the number of initially purchased shares. Depending on the degree of target fulfilment, 0-15 options per share will be allocated. The exercise price for the conditional employee stock options has been established at SEK 98.10 per share, with exercise possible, following the three-year qualification period, between June 2012 and April 2016.

Employees

The number of employees in the Group averaged 1,927 (1,820), of whom 790 (740) were women. The distribution by country was 1,265 (1,270) in Sweden, 458 (395) in Norway, 174 (155) in Finland and 30 (0) in the UK.

Parent Company

Parent Company sales amounted to SEK 994 M (934) and profit after financial items was SEK 72 M (90).

Investments for the year totalled SEK 79 M (56). Contingent liabilities for the Parent Company amounted to SEK 177 M (90).

Events after the end of the period

August sales rose 10 per cent to SEK 446 M (407). In local currencies, sales increased 9 per cent. Compared with the same month a year earlier, 20 new stores were added, bringing the total number of stores to 108 as of 31 August 2009. Mail order/Internet sales amounted to SEK 8 M, compared with SEK 7 M in the year-earlier period.

Sales were distributed as follows:

Sales areas (SEK)	Percentage change		Percentage change, local currency
	2009	2008	
Countries			
Sweden	227	219	+ 4
Norway	178	156	+ 14
Finland and UK	41	32	+ 28
	446	407	+ 10

New store contracts in UK

Clas Ohlson has signed two new store contracts in the UK: in Reading in southeast England and Kingston in London. The new stores are scheduled for opening in November and December 2009.

The customer response to the newly opened UK stores has been positive, with many visitors to both the store in Croydon (November 2008) and that in Arndale in Manchester (April 2009). To date, the number of visitors has been higher than the Group average. The conversion rate and average purchase in the UK have been lower than the Group average, which is generally the case in conjunction with the penetration of new markets. Clas Ohlson anticipates that establishing its brand name and position in a completely new market will take time and that the conversion rate and average purchase value will gradually increase. In coming years, many attractive store locations are expected to become available.

Start-up costs for new stores in the UK amount to approximately SEK 5-6 M per store. The higher costs are primarily due to the need for more extensive marketing activities in establishing the Clas Ohlson brand in a new market where it is not widely known. The share of selling expenses in relation to sales will initially be higher in the UK compared with Nordic markets where the company is already established.

Outlook

Clas Ohlson's business concept of offering a broad and attractively priced product range that conveniently solves the little practical problems of everyday life is highly attractive in established markets. The concept is unique in Europe and has potential for expansion to several countries.

Clas Ohlson's long-term growth objectives stand firm. The prevailing economic climate is both generating opportunities and creating a need for adjustment. Clas Ohlson expects to be able to continue capturing market shares. The recession is also improving the opportunities for contracting and establishing stores in attractive locations and at an attractive rent, primarily in the UK market.

Clas Ohlson will continue to open new stores in established markets, but will adjust its rate of establishment to the prevailing market conditions. During the 2009/10 financial year, the aim is to establish 15-20 stores, of which four to eight in the UK. The launch of Clas Ohlson's new store concept in new and existing stores, combined with the new, smaller store format known as "Mini-Clas," will generate additional growth opportunities for the company.

Clas Ohlson will continue its endeavours to simplify and enhance the efficiency of its entire operations and adapt costs to the trend in the retail sector and the growth rate of the company.

Long-term financial objectives

The objective for long-term sales growth is 15 per cent, measured as the average annual sales increase over a five-year period. The profitability objective is to achieve an operating margin of at least 10 per cent annually.

Risks and uncertainties

A number of factors could affect the company's profits and operations. Most of these are managed through internal procedures, while others are governed to a greater degree by external circumstances. The company works continuously to address these issues.

Clas Ohlson's business operations are exposed to financial and operational risks. Financial risks primarily comprise wage inflation, raw-material prices and exchange-rate exposure, while operational risks relate to establishment in the UK, purchasing in China, economic conditions, competition, logistics, key employees, social responsibility, product range and shrinkage. With regard to the description and quantification of the financial risks, refer to page 26 and Note 2 on pages 62-63 of the 2008/09 Annual Report. Operational risks are stated on pages 24-26. Apart from the risks described in the Annual Report, no other significant risks have arisen.

Accounting policies

Clas Ohlson applies the International Financial Reporting Standards (IFRS) adopted by the EU. This interim report was prepared in accordance with the Swedish Annual Accounts Act, IAS 34 Interim Financial Reporting and RFR 1.2 Supplementary Accounting Rules for Groups.

The Parent Company's accounts were prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2.2. The same accounting policies are applied as for the Group, except in those cases indicated in the section headed "Parent Company accounting policies" in the 2008/09 Annual Report on page 62.

The IASB (International Accounting Standards Board) has issued new and revised IFRSs that apply from 1 January 2009. IAS 1 Presentation of Financial Statements has been revised. For Clas Ohlson, IAS 1 entails that income and expenses that were previously recognised directly in shareholders' equity are currently recognised in a separate statement under the heading "Comprehensive income" immediately after the consolidated income statement. Only changes that involve transactions with shareholders are recognised in the statement of shareholders' equity. IFRS 8 Operating Segments replaces IAS 14 Segment Reporting. The new standard pertains to segment reporting. In this connection, the distribution into primary and secondary segments will cease. Instead, Clas Ohlson will report segments according to the following: Sweden, Norway, other segments (Finland and UK), and Group-functions. The Group-functions segment pertains to the Group-wide functions in Sweden that assist the sales organisation with purchasing, distribution, marketing, management and other support. A large part of the Group's value creation takes place in the Group-functions segment. The Group's internal pricing has been adjusted to this structure. Other new or revised IFRSs or IFRIC interpretations that came into effect on 1 January 2009 had no discernible effect on the consolidated income statement or balance sheet.

For a more detailed description of the accounting policies applied to the Group and Parent Company in this interim report, refer to the Annual Report for the 2008/09 financial year, pages 60-62.

Financial information and Annual General Meeting

Up-to-date financial information is available on the company's website: www.clasohlson.se and from Clas Ohlson AB's head office in Insjön, telephone +46 (0)247-444 00, fax +46 (0)247-444 25.

The Annual Report for 2008/09 was published in August 2009 on the company's website and distributed to the shareholders who requested information from Clas Ohlson via e-mail or a printed Annual Report via traditional mail.

The Annual General Meeting will be held on Saturday, 12 September 2009 in Insjön. The official notice to the Meeting was issued on 14 August 2009. Information regarding the Nomination Committee and notification of attendance at the Meeting are available on Clas Ohlson's website at www.clasohlson.se under Financial Information – The Group.

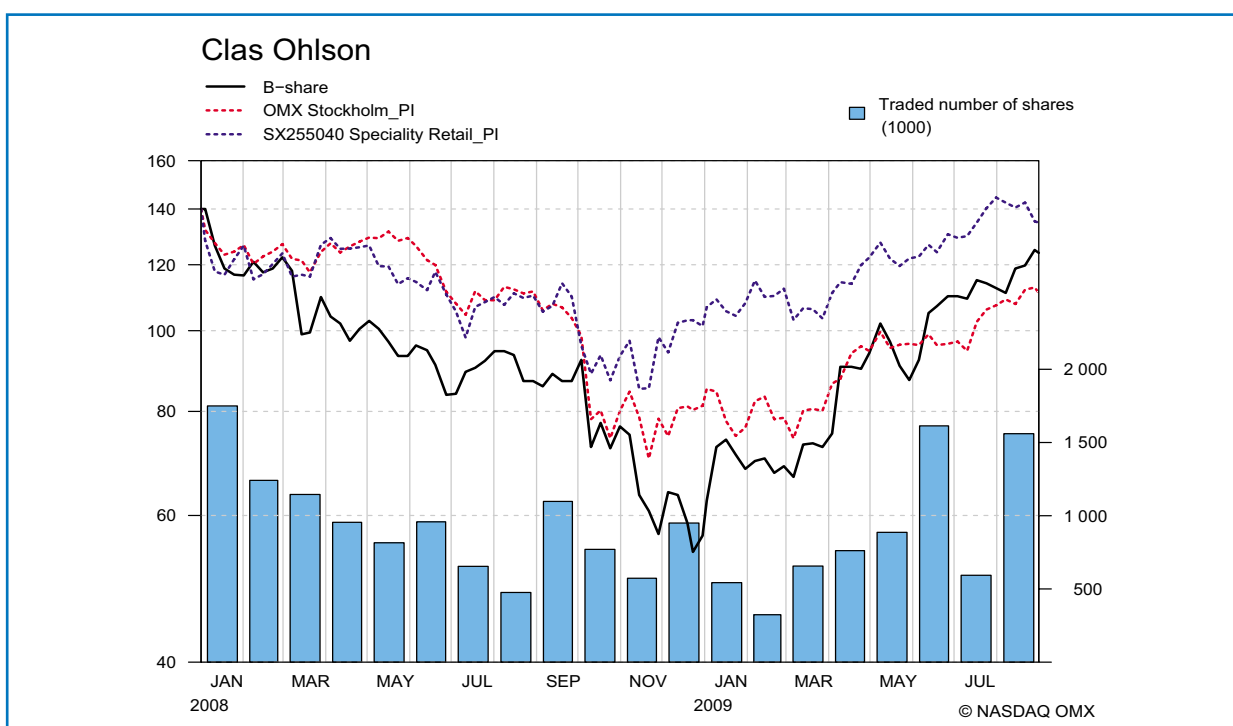
- The interim report for the second quarter of 2009/10 will be published on 8 December 2009
- The interim report for the third quarter of 2009/10 will be published on 10 March 2010
- The Year-end Report for the 2009/10 financial year will be published on 10 June 2010
- The 2009/10 Annual Report in August 2010.

This report is unaudited.

Insjön, 10 September 2009

Klas Balkow
Chief Executive Officer

This interim report has been prepared in Swedish and translated into English. In the event of any discrepancies between the Swedish and the translation, the former shall have precedence.



Consolidated Income Statement

SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08	Rolling 12 months 12 months 01/08/08- 31/07/09	Latest annual accounts 12 months 01/05/08- 30/04/09	12 months 01/05/07- 30/04/08
Sales	1,288.3	1,114.3	5,104.2	4,930.2	4 661.6
Cost of goods sold	-779.7	-669.6	-3,026.6	-2,916.5	-2 788.7
Gross profit	508.6	444.7	2,077.6	2,013.7	1 872.9
Selling expenses	-337.8	-312.4	-1,414.1	-1,388.7	-1 183.1
Administrative expenses	-30.6	-24.7	-125.3	-119.4	-110.9
Other operating income/expense	1.0	-0.1	-1.7	-2.8	-1.4
Operating profit	141.2	107.5	536.5	502.8	577.5
Net financial income/expense	-0.8	1.8	-1.6	1.0	10.3
Profit after financial items	140.4	109.3	534.9	503.8	587.8
Tax	-39.2	-30.6	-146.9	-138.3	-166.0
Profit for the period	101.2	78.7	388.0	365.5	421.8
Gross margin (%)	39.5	39.9	40.7	40.8	40.2
Operating margin (%)	11.0	9.6	10.5	10.2	12.4
Return on capital employed (%)	-	-	33.4	32.6	41.8
Return on equity (%)	-	-	25.6	24.4	29.4
Equity/assets ratio (%)	57.9	69.2	57.9	58.1	68.4
Sales per sq.m in stores, SEK thousand	-	-	38	38	44
Data per share:					
Number of shares before dilution	64 692 236	65 391 447	64 888 769	65 065 008	65 600 000
Number of shares after dilution	64 721 906	65 396 472	64 904 406	65 075 701	65 600 000
Number of shares at end of period	64 280 000	64 955 000	64 280 000	64 955 000	65 600 000
Earnings per share before dilution (SEK)	1.56	1.20	5.98	5.62	6.43
Earnings per share after dilution (SEK)	1.56	1.20	5.98	5.62	6.43
Equity per share (SEK)	23.45	23.40	23.45	22.99	22.86

Consolidated comprehensive income statement

SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08	Rolling 12 months 12 months 01/08/08- 31/07/09	Latest annual accounts 12 months 01/05/08- 30/04/09	12 months 01/05/07- 30/04/08
Profit for the period	101.2	78.7	388.0	365.5	421.8
Other comprehensive income, net of tax:					
Exchange differences on translating foreign operations	-14.3	0.0	-4.2	10.1	5.6
Cash flow hedging	-0.6	-2.5	1.2	-0.7	0
Other comprehensive income	-14.9	-2.5	-3.0	9.4	5.6
Total comprehensive income for the period	86.3	76.2	385.0	374.9	427.4

Consolidated Balance Sheet

SEKm	31/07/09	31/07/08	30/04/09
Assets			
Tangible assets	1,246.8	904.0	1,195.8
Financial assets	0.1	3.0	1.7
Inventories	1,093.0	939.0	1,117.2
Other receivables	110.2	93.0	164.5
Liquid assets	154.1	257.2	92.0
Total assets	2,604.2	2,196.2	2,571.2
Equity and liabilities			
Equity	1,507.4	1,519.8	1,493.1
Long-term liabilities, Non-interest-bearing	61.5	28.1	86.4
Long-term liabilities, Interest-bearing	300.0	-	65.0
Current liabilities, Interest-bearing	-	-	208.6
Current liabilities, Non-interest-bearing	735.3	648.3	718.1
Total equity and liabilities	2,604.2	2,196.2	2,571.2

Consolidated Cash Flow

SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08	12 months 01/05/08- 30/04/09
Operating profit	141.2	107.5	502.8
Adjustment for items not included in cash flow	33.0	26.3	96.0
Interest received	0.5	1.3	9.9
Interest paid	-1.3	0.0	-3.9
Tax paid	-34.1	-34.1	-206.1
Cash flow from operating activities before changes in working capital	139.3	101.0	398.7
Change in working capital	59.4	3.5	-59.0
Cash flow from operating activities	198.7	104.5	339.7
Investments	-83.9	-71.4	-434.3
Change in current investments	0.4	0.0	0.5
Change in financial assets	0.0	0.0	0.7
Cash flow from investing activities	-83.5	-71.4	-433.1
Change in current liability, Interest-bearing	-208.6	0.0	208.6
Change in long-term liabilities, Interest-bearing	235.0	0.0	65.0
Repurchase of own shares	-72.9	-56.7	-58.0
Dividend to shareholders	-	-	-324.8
Cash flow from financing activities	-46.5	-56.7	-109.2
Cash flow for the period	68.7	-23.6	-202.6
Liquid assets at the start of the period	92.0	280.3	280.3
Exchange rate difference for liquid assets	-6.6	0.5	14.3
Liquid assets at the end of the period	154.1	257.2	92.0

Turnover by segments

SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08
Sweden	652.7	602.6
Norway	509.3	420.4
Finland and UK	126.3	91.3
Group functions	341.7	331.1
Sales to other segments	-341.7	-331.1
Total	1,288.3	1,114.3

Operating profits by segments

SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08
Sweden	25.5	22.8
Norway	21.4	17.2
Finland and UK	3.5	2.5
Group functions	90.8	65.0
Total	141.2	107.5

Assets by segments

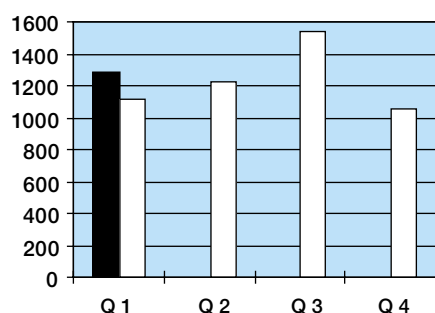
SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08
Sweden	439.9	383.5
Norway	345.2	311.0
Finland and UK	190.0	111.9
Group functions	1,475.0	1,132.6
Total	2,450.1	1,939.0

Liquidity is not included in above.

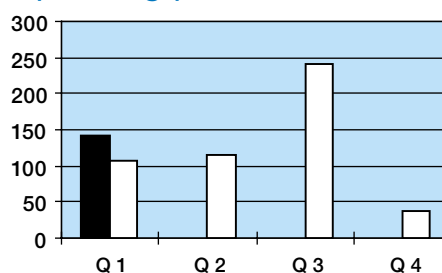
Results per quarter

SEKm	Q 1 07/08	Q 2 07/08	Q 3 07/08	Q 4 07/08	Q 1 08/09	Q 2 08/09	Q 3 08/09	Q 4 08/09	Q 1 09/10
Sales	1,031.9	1,146.1	1,496.2	987.4	1,114.3	1,223.9	1,538.6	1,053.4	1,288.3
Cost of goods sold	-624.9	-676.8	-875.7	-611.3	-669.6	-724.6	-888.9	-633.4	-779.7
Other operating expenses	-265.2	-344.3	-359.6	-326.3	-337.2	-384.1	-408.0	-381.6	-367.4
Operating profit	141.8	125.0	260.9	49.8	107.5	115.2	241.7	38.4	141.2
Operating margin	13.7%	10.9%	17.4%	5.0%	9.6%	9.4%	15.7%	3.6%	11.0%

Sales (SEKm)



Operating profit (SEKm)



Shaded bar = Financial year
01/05/09– 30/04/10
White bar = Financial year
01/05/08 – 30/04/09

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

Specification of change i results

(After financial items. in SEKm)	3 months 01/05/09- 31/07/09
Profit from sales	43.2
Change in gross profit margin	-5.4
Change in administrative expenses	-5.9
Change in expansion costs new stores	6.8
Increased depreciation	-6.1
Change in financial income/expense	-2.6
Other	1.1
Total	31.1

Change in equity

SEKm	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08
Equity brought forward	1,493.1	1,499.5
Repurchase of own shares	-72.9	-56.7
Paid-in option premiums	0.9	0.8
Total comprehensive income	86.3	76.2
Equity carried forward	1,507.4	1,519.8

Parent company Income Statement

SEKm	Note	3 months 01/05/09- 31/07/09	3 months 01/05/08- 31/07/08	Rolling 12 months 12 months 01/08/08- 31/07/09	Latest annual accounts 12 months 01/05/08- 30/04/09
Sales		994.4	933.8	4,062.4	4,001.8
Cost of goods sold	1	-719.9	-635.1	-2,942.4	-2,857.6
Gross profit		274.5	298.7	1,120.0	1,144.2
Selling expenses	1	-175.8	-168.7	-747.5	-740.4
Administrative expenses	1	-26.7	-21.6	-103.3	-98.2
Other operating income/expenses		1.0	0.0	-1.5	-2.5
Operating profit		73.0	108.4	267.7	303.1
Dividend from Group companies		-	-	39.4	39.4
Net financial items		-1.3	1.3	-5.4	-2.8
Profit after financial items		71.7	109.7	301.7	339.7
Appropriations		-	-	-96.4	-96.4
Profit before tax		71.7	109.7	205.3	243.3
Income tax		-18.9	-30.8	-48.3	-60.2
Net profit for the year		52.8	78.9	157.0	183.1

Parent company Balance Sheet

SEKm	31/07/09	31/07/08	30/04/09
Assets			
Tangible assets	1,030.0	745.8	970.4
Financial assets	272.4	36.4	41.1
Inventories	821.7	704.1	800.8
Other receivables	62.0	395.6	521.0
Liquid assets	11.5	112.2	14.0
Total assets	2,197.6	1,994.1	2,347.3
Equity and liabilities			
Equity	1,056.3	1,301.6	1,080.5
Untaxed reserves	249.0	152.6	249.0
Provisions	16.4	14.8	12.4
Long-term liabilities, Interest-bearing	300.0	-	65.0
Current liability, Interest-bearing	39.3	-	208.6
Current liability, Non-interest-bearing	536.6	525.1	731.8
Pledged assets	97.0	67.0	97.0
Contingent liabilities	176.6	90.4	176.6

Note 1 Depreciation

Depreciation for the first quarter amounts to 18.7 SEKm (15.2 SEKm).

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