

Clas Ohlson: Interim report

1 May 2011 – 31 July 2011

First quarter

- * Sales totalled SEK 1,387 M (1,324), up 5%.
In local currencies, growth was up 7%
- * Operating profit amounted to SEK 120 M (115), up 4%
- * Profit after tax amounted to SEK 85 M (84)
- * Earnings per share amounted to SEK 1.33 (1.32)

Events after the end of the reporting period

- * Sales in August totalled SEK 527 M (480), up 10%.
In local currencies, growth was up 11%

CEO Klas Balkow comments:

“We are continuing to grow in all markets despite a generally weak retail environment. The quarter reflects the continued positive effect on our gross margin of a higher proportion of direct purchases without intermediaries. We increased our profit in the quarter compared with the year-earlier period including continued investment in the UK market.”

“Our long-term initiative to strengthen Clas Ohlson prior to entering the European market continues. In August, we opened our 12th store in the UK market. In August, we increased sales by 11 per cent, measured in local currencies, and updated our extensive range with 900 product news in conjunction with the release of our new catalogue.”

	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10	Rolling 12 months 01/08/10- 31/07/11	Latest annual accounts 01/05/10- 30/04/11
Sales, SEK M	1,387	1,324	5,892	5,828
Operating profit, SEK M	120	115	511	507
Profit after tax, SEK M	85	84	365	364
Gross margin, %	42.6	41.9	41.8	41.6
Operating margin, %	8.6	8.7	8.7	8.7
Equity/assets ratio, %	53	55	53	51
Earnings per share before dilution, SEK	1.33	1.32	5.72	5.71

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. The product range focuses on attractively priced products for everyday use. Activities are pursued in Sweden, Norway, Finland and the UK. The number of stores at the end of the period was 143, of which 62 were in Sweden, 52 in Norway, 18 in Finland and 11 in the UK.

During the first quarter, four new stores (one) were opened, of which one in Sweden, two in Norway and one in Finland.

Sales and profits

The first quarter (May-July)

Sales totalled SEK 1,387 M, up 5 per cent compared with SEK 1,324 M in the year-earlier period. Growth during the first quarter was impacted by lower sales in comparable stores and by negative exchange-rate effects. In local currencies, sales increased 7 per cent.

Compared with the same period in the preceding year, 22 new stores (13) were added and the total number of stores on 31 July 2011 was 143. Mail order/Internet sales amounted to SEK 18 M (19).

Sales were distributed as follows:

<u>Sales areas (SEK M)</u>	2011/2012	2010/2011	Percentage change	Percentage change, local currency
<u>Countries</u>				
Sweden	667	661	+1	+1
Norway	554	510	+9	+12
Finland	116	105	+11	+17
UK	<u>50</u>	<u>48</u>	<u>+4</u>	<u>+16</u>
	1,387	1,324	+5	+7

The sales increase of 5 per cent was distributed as follows:

Comparable stores in local currency	-4 per cent
New stores	+11 per cent
<u>Exchange-rate effects</u>	<u>-2 per cent</u>
Total	+5 per cent

The gross margin was 42.6 per cent, 0.7 percentage points higher than in the year-earlier period. The increase was attributable to changes in the sales mix (countries/products) and an increased proportion of direct purchases without intermediaries via Clas Ohlson's purchasing office in Shanghai. The margin has been negatively impacted by exchange-rate effects.

The share of selling expenses increased 0.9 percentage points to 30.9 per cent (30.0). Lower sales in comparable stores and higher costs deriving from store establishment in the UK led to a higher proportion of selling expenses, which were partly compensated by increased productivity.

During the quarter, four new stores were opened (one). One store (three) was converted to a new store concept. The start-up costs for new and renovated stores, including the scrapping of fittings, amounted to SEK 11 M (13).

Depreciation/amortisation for the period amounted to SEK 44 M compared with SEK 37 M for the year-earlier period. The increase was mainly attributable to new and renovated stores.

Operating profit amounted to SEK 120 M (115).

The operating margin was 8.6 per cent (8.7).

Profit after financial items totalled SEK 116 M (114).

Spot exchange rates for key currencies averaged SEK 1.17 for NOK and 6.33 for USD compared with SEK 1.20 and SEK 7.66 in the year-earlier period. Currency hedging was undertaken in USD and NOK. The company's policy is to hedge 50 per cent of expected flows during a catalogue period.

Investments

During the quarter, investments totalled SEK 44 M (50). Of this amount, investments in new or renovated stores accounted for SEK 21 M (23). Other investments were primarily investments in IT and replacement investments. Ongoing investments of SEK 11 M related mainly to e-commerce and support processes were recognised as intangible assets.

Financing and liquidity

Cash flow from operating activities for the quarter was SEK 276 M (117). The increase was primarily due to a positive change in working capital. After investments and financing activities, cash flow for the period was SEK 163 M (118).

The average 12-month value of inventories was SEK 1,412 M (1,194).

At the end of the quarter, the value of inventories was SEK 1,321 M (1,279). Compared with the year earlier period, 22 new stores were added.

During the first quarter of the financial year, buy-backs of the company's own shares to secure the Long Term Incentive Plan 2011 (LTI 2011) amounted to SEK 11 M (62).

The Group's net indebtedness, meaning interest-bearing liabilities less cash and cash equivalents, totalled SEK 197 M (172). The equity/assets ratio was 53 per cent (55).

Number of shares

The number of registered shares is 65,600,000, unchanged compared with the year-earlier period. On 31 July 2011, the company held 1,985,000 shares (1,890,000) corresponding to 3 per cent of the total number of registered shares (3). The number of shares outstanding, net after treasury shares, was 63,615,000 (63,710,000) at the end of the period.

Allocation of a total of 31,520 shares was completed on 2 May in accordance with the resolution passed at the General Meeting in respect of share matching with one share per share purchased to those participants in LTI 2008 still employed after the end of the three-year qualification period.

To secure the company's commitment regarding conditional matching shares and employee stock options in connection with LTI 2011, Clas Ohlson bought back 126,520 shares during the first quarter of the 2011/2012 financial year for a total of SEK 11 M at an average price of approximately SEK 88 per share.

Long-term incentive plan LTI 2011

In May 2011, the long-term incentive plan LTI 2011 was introduced following the same structure as previously implemented LTI programs. A total of 45 employees are participating in the plan. In May 2011, the participants purchased a total of 38,398 shares. The exercise price for the conditional employee stock options has been set at SEK 108.10 per share, with exercise possible, following the three-year qualification period, between June 2014 and April 2018.

Employees

The number of employees in the Group averaged 2,263 (2,058), of whom 973 (885) were women. The distribution by country was 1,294 (1,275) in Sweden, 573 (481) in Norway, 171 (164) in Finland, 192 (115) in the UK and 33 (23) in China.

Parent Company

Parent Company sales totalled SEK 1,089 M (1,142) and profit after financial items was SEK 101 M (178).

Investments for the period totalled SEK 25 M (30). Contingent liabilities for the Parent Company amounted to SEK 248 M (225).

Events after the end of the reporting period

Sales during August increased 10 per cent to SEK 527 M (480). In local currencies, sales increased 11 per cent. Compared with the same month in the preceding year, 23 new stores (14) were added bringing the total number of stores to 145 as of 31 August 2011. Mail order/Internet sales amounted to SEK 6 M compared with SEK 7 M a year earlier.

Sales were distributed as follows:

<u>Sales areas (SEK M)</u>	2011	2010	Percentage change	Percentage change, local currency
<u>Countries</u>				
Sweden	251	239	+5	+5
Norway	218	189	+16	+17
Finland	39	36	+9	+12
UK	<u>19</u>	<u>16</u>	<u>+17</u>	<u>+28</u>
	527	480	+10	+11

New stores in the UK

Clas Ohlson is continuing to establish new stores in the UK but is balancing the rate of expansion to fit prevailing market conditions. The austerity measures implemented to improve public finances have negatively impacted the UK retail trade through a reduction in consumer spending and a less positive outlook among UK consumers. The establishment of between one and four new stores is planned for the financial year 2011/2012.

In August, after the close of the reporting period, a new store was opened in Newcastle, which means that Clas Ohlson now has a total of 12 stores in the UK. The response from our store customers in the UK has been positive and despite harsh market conditions, floor traffic in the UK stores exceeds the Group average. The conversion rate and average purchase in the UK was lower than the Group average. Clas Ohlson expects it to take time to establish the brand and its position in an entirely new market and the conversion rate, average purchase and turnover to increase successively over the coming years.

Start-up costs for the new stores in the UK amount to approximately SEK 5-6 M per store compared with approximately SEK 2-3 M in the Nordic markets. The higher costs are primarily due to the need for more extensive marketing activities when establishing the Clas Ohlson brand in a new market where it is not well-known. The share of selling expenses in relation to sales will initially be higher in the UK compared with the Nordic markets where the company is already established. Consequently, Clas Ohlson expects that reaching the break-even point for a new store in the UK will take significantly longer, given the higher rental and marketing costs necessary, compared with opening a new store in the established markets in the Nordic region.

Outlook

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

Clas Ohlson continued to expand and reported positive trends with healthy profits in its home markets for the most recent financial year (2010/2011). During the coming years, establishment in new markets (currently the UK) is expected to have a negative impact of up to 2 – 3 percentage points on Clas Ohlson's operating margin during a financial year. Growth in the new markets in Europe is to take place in accordance with with the long-term financial objectives.

During the 2011/2012 financial year, Clas Ohlson plans to establish 17-22 stores, of which, two to four in Finland and one to four in the UK. The prerequisites for establishing new stores in the Nordic region continue to be assessed as positive and the trend in Finland was positive over the last year. Clas Ohlson will continue its expansion in the UK though the pace of expansion will be balanced to fit prevailing market conditions.

Continued development of Clas Ohlson's product range and development of sales channels creates additional growth opportunities for the company in our primary markets in the Nordic region where Clas Ohlson has achieved a high level of market penetration.

Long-term financial objectives

The objective for long-term sales growth is a minimum annual growth rate of 10 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. 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 Asia, economic conditions, competition, logistics, strikes, key employees, social responsibilities, product range and shrinkage.

For a more detailed description of the Group's risks and risk management, refer to the 2010/2011 Annual Report. 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 has been prepared in accordance with the Swedish Annual Accounts Act, IAS 34 Interim Financial Reporting and RFR 1 Supplementary Accounting Rules for Groups.

The Parent Company's financial statements have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 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 2010/2011 Annual Report on page 66. The same accounting policies and calculation methods are applied as in the latest annual report except as listed below.

The IASB (International Accounting Standards Board) has issued new and revised IFRSs as well as interpretations that apply from 1 May 2011. These had no significant impact on the Group's profit 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 2010/2011 Annual Report, pages 64-66.

Financial information and Annual General Meeting

Up-to-date financial information is available on Clas Ohlson's website: <http://about.clasohlson.com> under "shareholders" and from Clas Ohlson AB's head office in Insjön, telephone +46 (0)247-444 00, fax +46 (0)247-444 25.

- The interim report for the second quarter of 2011/2012 will be published on 8 December 2011.
- The interim report for the third quarter of 2011/2012 will be published on 8 March 2012.
- The year-end report for 2011/2012 will be published on 13 June 2012.
- The Annual General Meeting will be held on Saturday, 10 September 2011, 11:00 a.m. at Clas Ohlson's distribution centre in Insjön. Official notification of the Annual General Meeting and other information is available on Clas Ohlson's website: <http://om.clasohlson.com> under the tab "shareholders".

This report is unaudited.

Insjön, 7 September 2011

Klas Balkow
CEO

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The information in this interim report is such that Clas Ohlson is obligated to publish according to the Securities Market Act. This information was submitted for publication on 7 September 2012 at 8:00 a.m. CET.

Consolidated Income Statement

SEKm	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10	Rolling 12 months 12 months 01/08/10- 31/07/11	Latest annual accounts 12 months 01/05/10- 30/04/11	12 months 01/05/09- 30/04/10
Sales	1,387.0	1,323.5	5,891.5	5,828.0	5,555.8
Cost of goods sold	-795.8	-769.0	-3,428.5	-3,401.7	-3,287.9
Gross profit	591.2	554.5	2,463.0	2,426.3	2,267.9
Selling expenses	-427.9	-396.9	-1,792.6	-1,761.6	-1,531.7
Administrative expenses	-43.4	-40.2	-160.1	-156.9	-138.4
Other operating income/expense	-0.3	-1.9	0.9	-0.7	-7.3
Operating profit	119.6	115.5	511.2	507.1	590.5
Net financial income/expense	-3.6	-1.2	-10.5	-8.1	-2.3
Profit after financial items	116.0	114.3	500.7	499.0	588.2
Income tax	-31.3	-29.9	-136.0	-134.6	-155.4
Profit for the period	84.7	84.4	364.7	364.4	432.8
Gross margin (%)	42.6	41.9	41.8	41.6	40.8
Operating margin (%)	8.6	8.7	8.7	8.7	10.6
Return on capital employed (%)	-	-	24.1	24.6	32.6
Return on equity (%)	-	-	22.3	22.5	28.0
Equity/assets ratio (%)	52.9	54.7	52.9	51.5	57.9
Sales per sq.m in stores, SEK thousand	-	-	34	34	38
Data per share:					
Number of shares before dilution	63,698,535	64,075,911	63,707,110	63,802,230	64,383,906
Number of shares after dilution	63,741,088	64,127,853	63,749,886	63,870,584	64,432,321
Number of shares at end of period	63,615,000	63,710,000	63,615,000	63,710,000	64,280,000
Earnings per share before dilution (SEK)	1.33	1.32	5.72	5.71	6.72
Earnings per share after dilution (SEK)	1.33	1.32	5.72	5.71	6.72
Equity per share (SEK)	27.47	25.96	27.47	26.01	25.61

Consolidated comprehensive income statement

SEKm	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10	Rolling 12 months 12 months 01/08/10- 31/07/11	Latest annual accounts 12 months 01/05/10- 30/04/11	12 months 01/05/09- 30/04/10
Profit for the period	84.7	84.4	364.7	364.4	432.8
Other comprehensive income, net of tax:					
Exchange differences	17.9	-13.7	-20.7	-52.3	-19.9
Cash flow hedging	-3.4	-2.0	-7.7	-6.3	1.4
Other comprehensive income, net of tax:	14.5	-15.7	-28.4	-58.6	-18.5
Total comprehensive income for the period	99.2	68.7	336.3	305.8	414.3

Consolidated Balance Sheet

SEKm	31/07/11	31/07/10	30/04/11
Assets			
Intangible assets	44.6	0,0	33.5
Tangible assets	1,435.9	1,373.6	1,436.0
Financial assets	10.7	1.4	10.9
Inventories	1,321.5	1,279.4	1,429.2
Other receivables	181.8	156.8	176.7
Liquid assets	306.3	212.7	132.6
Total assets	3,300.8	3,023.9	3,218.9
Equity and liabilities			
Equity	1,747.4	1,654.2	1,656.8
Long-term liabilities, Interest-bearing	300.0	300.0	300.0
Long-term liabilities, Non-interest-bearing	157.1	92.1	165.9
Current liabilities, Interest-bearing	203.6	85.1	261.7
Current liabilities, Non-interest-bearing	892.7	892.5	834.5
Total equity and liabilities	3,300.8	3,023.9	3,218.9

Consolidated Cash Flow

SEKm	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10	12 months 01/05/10- 30/04/11
Operating profit	119.6	115.5	507.1
Adjustment for items not included in cash flow	53.0	44.0	170.7
Interest received	0.8	0.4	3.2
Interest paid	-4.4	-1.6	-10.3
Tax paid	-11.8	-30.3	-127.7
Cash flow from operating activities before changes in working capital	157.2	128.0	543.0
Change in working capital	118.9	-11.5	-192.7
Cash flow from operating activities	276.1	116.5	350.3
Investments in tangible assets	-32.3	-50.1	-262.5
Investments in intangible assets	-11.4	-	-33.9
Change in current investments	-	-	0.9
Change in financial assets	-	0.1	0.2
Cash flow from investing activities	-43.7	-50.0	-295.3
Change in current liabilities, Interest-bearing	-58.1	-86.2	90.3
Change in long-term liabilities, Interest-bearing	-	200.0	200.0
Change in long-term liabilities, Non-interest-bearing	-	-	5.0
Repurchase of own shares	-11.2	-62.4	-62.4
Dividend to shareholders	-	-	-238.9
Cash flow from financing activities	-69.3	51.4	-6.0
Cash flow for the period	163.1	117.9	49.0
Liquid assets at the start of the period	132.6	98.8	98.8
Exchange rate difference for liquid assets	10.6	-4.0	-15.2
Liquid assets at the end of the period	306.3	212.7	132.6

Turnover by segments

SEKm	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10
Sweden	667.2	661.1
Norway	554.0	510.0
Finland and UK	165.8	152.4
Group functions	422.1	481.1
Sales to other segments	-422.1	-481.1
Total	1,387.0	1,323.5

Specification of change in results

(After financial items. in SEKm)	3 months 01/05/11- 31/07/11
Profit from sales	0.2
Change in gross profit margin	10.1
Increased administrative expenses	-3.2
Change in expansion costs stores	2.1
Increased depreciation	-6.7
Change in financial income/expense	-2.4
Change in other operating income/expense	1.6
Total	1.7

Operating profits by segments

SEKm	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10
Sweden	24.4	24.8
Norway	20.2	18.6
Finland and UK	4.6	4.1
Group functions	70.4	68.0
Total	119.6	115.5

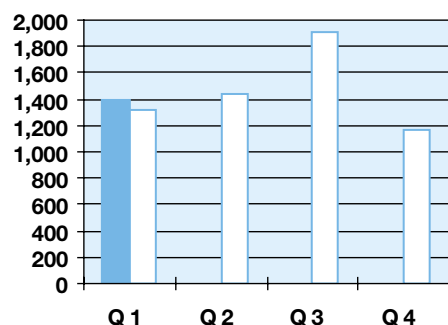
Change in equity

SEKm	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10
Equity brought forward	1,656.8	1,646.1
Repurchase of own shares	-11.2	-62.4
Paid-in option premiums	2.6	1.8
Total comprehensive income	99.2	68.7
Equity carried forward	1,747.4	1,654.2

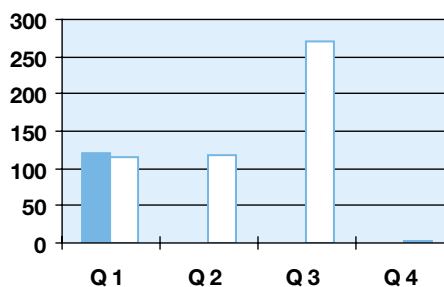
Results per quarter

SEKm	Q 1 09/10	Q 2 09/10	Q 3 09/10	Q 4 09/10	Q 1 10/11	Q 2 10/11	Q 3 10/11	Q 4 10/11	Q 1 11/12
Sales	1,288.3	1,372.5	1,817.3	1,077.7	1,323.5	1,434.9	1,906.0	1,163.6	1,387.0
Cost of goods sold	-779.7	-816.1	-1,049.6	-642.5	-769.0	-840.2	-1,097.6	-694.9	-795.8
Other operating expenses	-367.4	-411.0	-477.9	-421.1	-439.0	-476.2	-538.9	-465.1	-471.6
Operating profit	141.2	145.4	289.8	14.1	115.5	118.5	269.5	3.6	119.6
Operating margin	11.0%	10.6%	15.9%	1.3%	8.7%	8.3%	14.1%	0.3%	8.6%

Sales (SEKm)



Operating profit (SEKm)



Shaded bar = Financial year
01/05/11– 30/04/12
White bar = Financial year
01/05/10 – 30/04/11

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

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.

Parent company Income Statement

SEKm	Note	3 months 01/05/11- 31/07/11	3 months 01/05/10- 31/07/10	Rolling 12 months 01/08/10- 31/07/11	Latest annual accounts 12 months 01/05/10- 30/04/11
Sales		1,089.3	1,142.3	4,566.4	4,619.4
Cost of goods sold	1	-748.1	-738.0	-3,398.7	-3,388.6
Gross profit		341.2	404.3	1,167.7	1,230.8
Selling expenses	1	-200.7	-191.7	-838.4	-829.4
Administrative expenses	1	-34.4	-32.1	-123.3	-121.0
Other operating income/expenses		-0.3	-0.7	1.7	1.3
Operating profit		105.8	179.8	207.7	281.7
Dividend from Group companies		0,0	0,0	0,0	0,0
Net financial items		-4.4	-1.7	-11.3	-8.6
Profit after financial items		101.4	178.1	196.4	273.1
Appropriations		0,0	0,0	-114.9	-114.9
Profit before tax		101.4	178.1	81.5	158.2
Income tax		-26.7	-46.9	-31.8	-52.0
Profit for the period		74.7	131.2	49.7	106.2

Parent company Balance Sheet

SEKm	31/07/11	31/07/10	30/04/11
Assets			
Intangible assets	44.5	0,0	33.5
Tangible assets	1,104.5	1,132.0	1,118.1
Financial assets	457.6	355.5	446.7
Inventories	927.4	960.0	1,020.7
Other receivables	265,2	304.6	186.4
Liquid assets	74.6	139.6	70.2
Total assets	2,873,8	2,891.7	2,875.6
Equity and liabilities			
Equity	1,009.2	1,216.5	932.4
Untaxed reserves	574.5	459.6	574.5
Provisions	16.2	16.4	13.3
Long-term liabilities, Interest-bearing	300.0	300.0	300.0
Long-term liabilities, Non-interest-bearing	5.0	0,0	5.0
Current liabilities, Interest-bearing	203.6	85.1	261.7
Current liabilities, Non-interest-bearing	765,3	814.1	788.7
Total equity and liabilities	2,873,8	2,891.7	2,875.6
Pledged assets	97.0	97.0	97.0
Contingent liabilities	247.7	224.6	237.9

Note 1 Depreciation

Depreciation for the first quarter amounts to 27.9 SEKm (26.0 SEKm).

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