

Clas Ohlsons nine-month report 2019/20

Improved profitability

Third quarter – 1 November 2019 to 31 January 2020

- Sales in the Nordics increased by 2% to 2,883 MSEK (2,823), organic growth up 2% and total sales as well as organic growth were unchanged at 2,905 MSEK (2,915)
- Online sales increased 19% to 177 MSEK (148)
- Operating profit, including non-recurring costs and costs linked to the CO100+ action programme, totalled 378 MSEK (105). Excluding the effect of IFRS 16, operating profit amounted to 355 MSEK
- Underlying operating profit amounted to 368 MSEK (363) (excl IFRS 16)
- The operating margin was 13.0% (3.6)
- Net debt/EBITDA excluding the effect of IFRS 16 (12 months) amounted to -0.3 times (0.5)
- Profit after tax totalled 283 MSEK (79)
- Earnings per share amounted to 4.47 SEK (1.24)

Nine months – 1 May 2019 to 31 January 2020

- Sales in the Nordics increased by 4% to 7,040 MSEK (6,801), organic growth up 3% and total sales increased by 1% to 7,115 MSEK (7,030), organic growth up 1%
- Operating profit, including non-recurring items and costs linked to CO100+ action programme, totalled 590 MSEK (171). Excluding the effect of IFRS 16, operating profit amounted to 515 MSEK
- Underlying operating profit amounted to 612 MSEK (549) (excl IFRS 16)
- The operating margin was 8.3% (2.4)
- Profit after tax totalled 422 MSEK (133)
- Earnings per share amounted to 6.68 SEK (2.11)

Events after the reporting period

- In February, sales in the Nordics increased by 8% to 566 MSEK (527), organic growth up 9% and total sales increased by 5% to 570 MSEK (545), organic growth up 6%
- Online sales in February increased by 16% to 31 MSEK (27)
- Follow-up investment of 27 MSEK in MatHem i Sverige AB

CEO Lotta Lyrå comments on the quarter:

Both store and online growth in Nordics

In summarising Clas Ohlson's most important quarter that includes Christmas shopping, we can conclude that our sales in the Nordics increased organically by 2 per cent in all our home markets of Sweden, Norway and Finland, despite fewer stores and a challenging market climate. Online growth remained favourable.

The fact that Black Friday was our single best sales day ever shows just how much Christmas shopping has changed. Many of our customers are choosing to make bigger purchases early in the

run-up to Christmas during Black Week, both in stores and online. We succeeded in responding to customer demand with relevant offerings for the entire Christmas shopping period, which, together with strict inventory control, also meant that our inventory value decreased. Our gross margin for the quarter continued to be impacted by a stronger USD. The gross margin was at 40.1 per cent compared with 40.4 in the preceding year, in line with the trend in previous quarters.

Lower costs and improved profitability

Our systematic and dedicated work to reduce costs is generating results. Besides having a positive effect on the margin here and now, it is creating conditions for profitable growth over time. Under the framework of the CO100+ action programme, we primarily focused on continuing to concentrate on purchasing costs, more efficient logistics and a more productive organisation. Most of the activities have now been completed and all in all, this means that we have taken further steps towards our target of an operating margin of 4-6 per cent for the current year. One quarterly period of the programme remains, and we will report on the effects achieved when we close the financial year.

Underlying operating profit amounted to 368 MSEK for the quarter, compared with 363 MSEK last year, and for the nine-month period improved to 612 MSEK, compared with 549 MSEK.

Contingency for the impact of corona virus and macro consequences

We are exposed in different ways to some of the effects resulting from the corona virus. In addition to taking certain precautions in consideration for our employees, we believe that the current situation will not have any material impact on earnings. Naturally, we have respect for the uncertainty surrounding the future. Our assessment is that developments in the future will be affected by the recovery of supplier chains in China and the further spread of the virus in the Nordics, which could impact customer behaviour patterns. In addition, a weaker macro economy would probably have a negative impact on consumption in the long-term.

All of these factors combined could impact our earnings and we will provide more information in future quarters. We are closely monitoring the situation and continuously evaluating various scenarios so that we can manage any consequences that may arise in terms of production, purchasing and deliveries as well as changed customer behaviour patterns.

Synergies between our channels and offering

Giving customers greater accessibility to Clas Ohlson's offering is a central part of our strategy. Accordingly, we are continuing to develop the combination of stores in prime locations, smart services, online shopping in various platforms and many delivery options. The partnerships with MatHem in Sweden and Kolonial in Norway are key components in this work that we are continuously developing by expanding and tailoring our product range based on the season and customer needs, and by carrying our joint marketing activities.

We also strongly believe in our service offering, and an important step here is to expand our Clas Fix it DIY service. The roll-out of the service started in February to cover Sweden's four largest cities during the year.

We believe that offering consumers Clas Ohlson in a variety of channels that relate to the home in some way is the key to future growth and the synergies between these channels is becoming increasingly clear. We are now continuing to develop both the product offering and service offering

and bring them closer together. The aim is to create an even more sustainable offering with clear added value for customers.

Long-term profitable growth

The results of the CO100+ action programme, our strong brand in the Nordics and solid financial position provide us with a strengthened platform for long-term profitable growth.

We will continue to remain forward-thinking and take every chance to improve the operations to overcome challenges, become more efficient and capitalise on new business opportunities. This way, we will create a sustainable and profitable Clas Ohlson that delivers shareholder value both this year and beyond.

Webcasted telephone conference at 9.00 a.m.

A webcasted telephone conference will be held at 9.00 a.m. CET today, where President and CEO Lotta Lyrå and CFO Pär Christiansen will present the report and answer questions. The webcast is accessible at the direct link:

<https://about.clasohlson.com/webcast-201920-q3>

To participate in the conference via telephone, and thereby be able to ask questions verbally, please dial in on any number below a couple of minutes before the start of the call:

SE: +46850558356, UK: +443333009030, US: +18335268397

For more information, please contact:

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Clas Ohlson was founded in 1918 as a mail order business in Insjön, Sweden. Today we are a retail company with customers in five markets, approximately 5,000 co-workers and annual sales of approximately 8.8 billion SEK. Our share is listed on Nasdaq Stockholm. A lot has happened since the start in 1918, but one thing has remained the same over the years; that we want to help and inspire people to improve their everyday lives by offering smart, simple, practical solutions at attractive prices. Visit about.clasohlson.com/en to read about our passion for simplifying life in all kinds of homes.