

# INTERIM REPORT

## 1 MAY 2008 - 31 JULY 2008



1 st Quarter \* Sales totalled SEK 1,114 M (1,032), up 8%

\* Operating profit amounted to SEK 108 M (142), down 24%

\* Profit after tax was SEK 79 M (104), down 24%

\* Earnings per share amounted to SEK 1.20 (1.58), down 24%

### Events after the end of the period

\* Sales in August totalled SEK 407 M (362), up 12%

\* Decision taken to launch a new concept for the opening of smaller stores of between 500 and 800 square metres of retail space. Initial contracts for the Swedish market have already been signed, with opening scheduled for the fourth quarter of the 2008/09 financial year.

*"Clas Ohlson continues to grow but the general slowdown in retail spending shows when the sales figures are compared with the exceptionally strong year-earlier period", says Klas Balkow, President and CEO of Clas Ohlson.*

*"The operating margin for the quarter of nearly 10 per cent was affected by lower sales in comparable stores and also, to a considerable extent, by future-oriented market investments. These efforts are primarily related to an increase in marketing activities in countries including Finland, preparations for establishment in the UK and the expansion of the purchasing operations in China," adds Klas Balkow.*

*"We have decided to launch a new concept for the establishment of Clas Ohlson stores with retail space of between 500 and 800 square metres. Two leases for such purposes have already been signed and the stores are scheduled to be opened in spring 2009. The new concept is considered to offer major potential by enabling the opening of smaller stores that generate healthy profitability through increased densification and establishment in smaller towns," concludes Klas Balkow.*

## 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 and Finland. The number of stores at the end of the period was 88, including 45 in Sweden, 31 in Norway and 12 in Finland.

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

## Sales and profits

Sales in the first quarter amounted to SEK 1,114.3 M, up 8 per cent compared with SEK 1,031.9 M in the year-earlier period.

Sales in the most recent 12 months amounted to

SEK 4,744.0 M (4,254.4).

Clas Ohlson continues to grow and to capture market shares. The trend in Norway remains strong. The trend in Finland was also positive, with significantly higher year-on-year sales compared. The increased sales in Finland were due to a combination of increased marketing efforts and more stores compared with a year earlier. The Swedish operations were negatively impacted by the slowdown in retail sales. In Sweden, competition is intensifying as a result of the opening of new stores and shopping centres, while Clas Ohlson's gradually increasing market penetration entails certain internal competition. As a result, sales in comparable stores were lower than in the year-earlier period.

Sales were distributed as follows:

	2008/09	2007/08	Percentage change
<u>Sales channels</u>			
Stores	1,091.2	1,008.6	+ 8
Mail order/Internet	23.1	23.3	- 1
	<u>1,114.3</u>	<u>1,031.9</u>	+ 8
<u>Country</u>			
Sweden	602.6	594.0	+ 1
Norway	420.4	366.8	+ 15
Finland	91.3	71.1	+ 28
	<u>1,114.3</u>	<u>1,031.9</u>	+ 8

The 8 per cent increase in store sales was distributed as follows:

Comparable stores in local currencies	- 5 per cent
New stores	+ 12 per cent
Exchange-rate effects	+ 1 per cent
Total	+ 8 per cent

The gross margin was 39.9 per cent, compared with 39.4 per cent a year earlier. The margin was affected positively by exchange-rate effects, while a number of factors had a negative impact, such as an increase in freight and distribution costs, as well as start-up costs for establishing a purchasing organisation in Shanghai, China.

The share of selling expenses rose by 4.5 percentage points to 28.0 per cent (23.5). The increase was due primarily to future-oriented investments, such as increased development and marketing costs and higher start-up costs for new stores, totalling SEK 10.5 M (3.3). In addition, sales in comparable stores declined which, in combination with increased leasing costs, had an adverse impact on this key figure. Personnel costs

in stores were partly offset by measures to increase productivity. Nonrecurring costs of SEK 6.7 M were also charged against earnings pertaining to the personnel conference in conjunction with the company's 90th anniversary.

Operating profit amounted to SEK 107.5 M, down 24 per cent from the year-earlier period (141.8). Operating profit was SEK 104.8 M (139.0) for stores and SEK 2.7 M (2.8) for mail order/Internet sales. The drop in profits was primarily due to reduced sales in comparable stores combined with increased costs. Furthermore, new smaller stores show lower profitability than the existing stores. In addition, start-up costs were incurred for establishing operations in the UK and China.

The operating margin was 9.6 per cent (13.7). The operating margin for stores was 9.6 per cent (13.8), while that for mail order/Internet channels was 11.7 per cent (12.0).

Profit after financial items amounted to SEK 109.3 M, down 24 per cent compared with the year-earlier period (SEK 144.3 M).

Depreciation for the period totalled SEK 22.1 M, compared with SEK 20.2 M for the year-earlier period.

Exchange rates for key currencies averaged SEK 1.17 for NOK and SEK 6.00 for USD, compared with SEK 1.15 and SEK 6.85, respectively, in the year-earlier period. Currency hedging was undertaken in USD, HKD and NOK. These hedges impacted earnings by SEK 0.6 M, compared with the outcome had the Group only traded at current exchange rates (year-earlier period: SEK 0.3 M). The company's policy is to hedge 50 per cent of expected flows during the catalogue period.

## Investments

During the period, new investments totalled SEK 71.4 M (27.9). Of this, SEK 8.6 M (6.4) related to investments in new and planned stores. An additional SEK 50.3 M (12.2) pertained to investment in the expansion of the distribution centre at Insjön. Other investments were mainly replacement investments.

## Financing and liquidity

Cash flow from operating activities was SEK 104.5 M (199.3). After deductions for investments, cash flow was a negative SEK 23.6 M (positive: 171.8). The lower cash flow was primarily due to the low operating profit compared with the year-earlier period and increased investments.

Inventories during the quarter decreased by SEK 13.6 M to SEK 939.0 M (down 1 per cent) compared to the fourth quarter of 2007/08. Of this, inventories in the two new stores opened during the quarter accounted for SEK 8.6 M. On 31 July 2007, inventories amounted to SEK 853.9 M. Compared with the same month a year earlier, 16 new stores have been added.

Repurchase of own shares amounted to SEK 56.7 M (0).

Cash and cash equivalents totalled SEK 257.2 M (518.8). There were no interest-bearing liabilities. The equity/assets ratio was 69.2 per cent (69.3).

## Number of shares

The number of registered shares is 65,600,000, unchanged compared with the year-earlier period. As of 31 July 2008,

the company's holding amounted to 645,000, corresponding to 1 per cent of the total number of registered shares (o). The number of shares outstanding, net after repurchase, amounted to 64,955,000 at the end of the period.

To secure the company's commitment regarding conditional matching shares and employee warrants in connection with the long-term share-related incentive plan adopted at the Extraordinary General Meeting on 10 April 2008, Clas Ohlson repurchased own shares. During the quarter, Clas Ohlson repurchased 645,000 shares for a total of SEK 56.7 M at an average price of approximately SEK 90.00 per share.

## Employees

The number of employees in the Group averaged 1,820 (1,664), of whom 740 (665) were women. The distribution by country was 1,270 (1,148) in Sweden, 395 (370) in Norway and 155 (146) in Finland.

## Parent Company

Parent Company sales amounted to SEK 933.8 M (866.8) and profit after financial items was SEK 109.7 M (280.6). Profit was negatively affected by reduced dividends from subsidiaries.

Liquidity remained favourable. Investments for the year totalled SEK 55.9 M (23.1). Contingent liabilities for the Parent Company amounted to SEK 90.4 M (81.9).

## Implementation of long-term incentive plan LTI 2008

In May 2008, the incentive plan adopted at the Extraordinary General Meeting on 10 April 2008 was implemented. Up to 40 persons are included in the plan. All participants in the plan have chosen to make an initial investment in Clas Ohlson shares corresponding to between 5 and 10 per cent of their gross earnings and have thus qualified for participation. Participants have purchased a total of 34,725 Clas Ohlson 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 distributed. The exercise price for the conditional employee stock options has been established at SEK 107.60 per share, with exercise possible, following the three-year qualification period, between June 2011 and April 2015.

## First store in the UK

In June, Clas Ohlson signed its first contract for a store in the UK. The new store will be located in the Whitgift Shopping Centre in Croydon in southeast London and will have retail space of 1,900 square metres. The catchment area for the store is approximately 512,000 inhabitants. The shopping centre has a total of 140 stores, 7,000 parking spaces and 25 million visitors per year. The new Clas Ohlson store is expected to be opened in the third quarter 2008/09.

## Managing director for Clas Ohlson UK appointed

In July, Clas Ohlson appointed Mark Gregory as Managing director of the company's operations in the UK. Mark Gregory has extensive experience of consumer-related operations from

companies including Argos, Ingram Micro, British Telecom and Seaboard. Mark will assume his position in July.

## Events after the end of the period

Sales during August amounted to SEK 406.6 M, up 12 per cent compared with SEK 362.1 M in August 2007. Compared with the year-earlier period, 16 new stores were added. Sales were distributed as follows:

	2008	2007	Percentage change
<u>Sales channels</u>			
Stores	399.9	354.5	+ 13
Mail order/Internet	6.7	7.6	- 12
	<u>406.6</u>	<u>362.1</u>	+ 12
<u>Countries</u>			
Sweden	218.4	202.9	+ 8
Norway	156.1	134.0	+ 16
Finland	32.1	25.2	+ 27
	<u>406.6</u>	<u>362.1</u>	+ 12

## New Business Area Manager, Sweden

In August, Lars Andréason was appointed the new Business Area Manager, Sweden. Lars joins us from a position as Nordic Sales Manager for the Siba electronic chain, and will assume his position no later than 1 December.

## Decision concerning establishment of new concept for smaller stores

Clas Ohlson has decided to launch a new concept for the establishment of smaller stores. Leases have already been signed for the first two stores under this concept, which will be located in Motala and Hudiksvall. The concept focuses on stores with retail space of between 500 and 800 square metres, compared with ordinary Clas Ohlson stores with retail space of between 800 and 2,000 square metres. The product range available in the store will be somewhat reduced and focus on the articles in greatest demand among customers. Other parts of the range, primarily certain bulky products, will have to be ordered first. The initial stores will be opened during the fourth quarter of the 2008/09 financial year.

The new concept is considered to offer major potential by enabling the opening of smaller stores that generate healthy profitability through increased densification and establishment in smaller towns.

## Outlook

An extensive range of future oriented activities are taking place in Clas Ohlson. By strengthening and developing its organization, brand, market concept, warehousing and distribution capacity and processes, Clas Ohlson plans to create conditions for maintaining its strong competitiveness, combined with high growth and healthy profit margins. In addition, the company intends to adapt its product range to facilitate more rapid international expansion.

Clas Ohlson has commenced the establishment of a purchasing organization in Shanghai, China, whose operations will increase successively in coming years. The objective is to further strengthen the company's competitiveness during its

continued expansion. To facilitate closer cooperation with suppliers and improve opportunities for affecting the suppliers' work environment programmes, the number of suppliers will be reduced. In addition, an in-house CSR organization will gradually be established in China which, jointly with Clas Ohlson's purchasers, will control and support the Group's suppliers in the further development of their working conditions, work environment and environmental impact.

Clas Ohlson has an ongoing investment in a distribution centre in Insjön, totalling SEK 615 M in two phases. The first phase entails the extension of the delivery and handling facility, which is expected to be fully operational in the spring of 2009. Phase two, which is now being planned, pertains to expansion of the high-stack warehouse at Insjön in order to increase warehouse capacity and efficiency. Following this investment, the storage and distribution centre at Insjön will be fully built, with a capacity to distribute and store goods for at least 150 stores and offer high efficiency.

Clas Ohlson intends to continue to establish new stores in the Nordic region. In addition, the forthcoming establishment in the UK will be of major importance to growth in the years ahead. Moreover, the decision to launch a new concept for the establishment of smaller stores represents new opportunities for Clas Ohlson to generate growth through the establishment of stores in smaller locations and as a complement to stores in larger towns.

### 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.

For the 2008/09 financial year, the opening of 20 – 25 new stores is planned, including two to four in the UK. To date, leases have been signed for 19 new stores, comprising six in Sweden, eight in Norway, four in Finland and one in the UK.

### Risks and uncertainties

There are a number of factors that can 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 on these issues.

Clas Ohlson's business is subject to financial and operational risks. Financial risks comprise primarily wage inflation, raw-material prices and exchange-rate exposure, while operational risks relate to establishment in the UK, purchasing in China, competition, logistics, key employees, social responsibilities, product range and loss. With regard to the description and quantification of the financial risks, these are stated in the 2007/08 Annual Report in Note 2 and on pages 35 – 36. Operational risks are stated on page 34. In addition to the risks described in the Annual Report, no other significant risks were reported.

### 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 1.1 Supplementary accounting rules for Groups. New or revised IFRS standards or IFRIC interpretations that have come

into force since 1 January 2008 have not had any significant impact on the consolidated income statement or balance sheet. Accounting policies in accordance with IFRS are described in the annual report for 2007/08 financial, pages 52-54.

The Parent Company's accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation, RFR 2.1. 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 annual report for 2007/08, page 54.

In respect of segment reporting, the operation consists entirely of the sale of products for house and home, hobby and technology, which is therefore considered the primary segment.

### Financial information and the Annual General Meeting

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

The Annual General Meeting will be held on Saturday, 13 September 2008 in Insjön. The invitation to the Meeting was issued on 12 August 2008. Information regarding the Nomination Committee and notification of attendance at the Meeting is available at Clas Ohlson's website, address: [www.clasohlson.se](http://www.clasohlson.se) under Financial Information.

The interim report for the second quarter of 2008/09 will be published on 5 December, 2008.

The interim report for the third quarter of 2008/09 will be published on 11 March 2009.

The year-end report for 2008/09 will be published on 11 June 2009.

The Annual Report for 2008/09 will be published in August 2009.

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

Insjön, 9 September 2008

Klas Balkow  
Chief Executive Officer

## Consolidated Income Statement

SEKm	3 months 01/05/08- 31/07/08	3 months 01/05/07- 31/07/07	Rolling 12 months 12 months 01/07/07- 31/07/08	Latest annual accounts 12 months 01/05/07- 31/04/08	12 months 01/05/06- 30/04/07
Sales	1,114.3	1,031.9	4,744.0	4,661.6	4,101.2
Cost of goods sold	-669.6	-624.9	-2,833.4	-2,788.7	-2,474.1
Gross profit	444.7	407.0	1,910.6	1,872.9	1,627.1
Selling expenses	-312.4	-242.5	-1,253.0	-1,183.1	-996.4
Administrative expenses	-24.7	-22.8	-112.8	-110.9	-100.0
Other operating income/expense	-0.1	0.1	-1.6	-1.4	0.2
Operating profit	107.5	141.8	543.2	577.5	530.9
Net financial income/expense	1.8	2.5	9.6	10.3	6.9
Profit after financial items	109.3	144.3	552.8	587.8	537.8
Tax	-30.6	-40.4	-156.2	-166.0	-152.0
Profit for the period	78.7	103.9	396.6	421.8	385.8
Gross margin (%)	39.9	39.4	40.3	40.2	39.7
Operating margin (%)	9.6	13.7	11.5	12.4	12.9
Operating margin stores (%)	9.6	13.8	11.5	12.5	13.2
Operating margin mail order/Internet (%)	11.7	12.0	9.4	9.5	5.1
Return on capital employed (%)	-	-	37.0	41.0	40.9
Return on equity (%)	-	-	26.6	29.4	29.4
Equity/assets ratio (%)	69.2	69.3	69.2	68.4	70.6
Sales per sq.m in stores, SEK thousand	-	-	42	44	45
Data per share:					
Number of shares before dilution	65,391,447	65,600,000	65,547,433	65,600,000	65,600,000
Number of shares after dilution	65,396,472	65,600,000	65,550,560	65,600,000	65,600,000
Earnings per share before dilution (SEK)	1.20	1.58	6.05	6.43	5.88
Earnings per share after dilution (SEK)	1.20	1.58	6.05	6.43	5.88
Equity per share before dilution (SEK)	23.24	22.37	23.19	22.86	20.84
Equity per share after dilution (SEK)	23.24	22.37	23.19	22.86	20.84

## Consolidated Balance Sheet

SEKm	31/07/08	31/07/07	30/04/08
<b>Assets</b>			
Tangible assets	904.0	688.6	848.7
Financial assets	3.0	4.8	3.3
Inventories	939.0	853.9	952.6
Other receivables	93.0	52.6	107.1
Liquid assets, current investments	257.2	518.8	280.3
Total assets	2,196.2	2,118.7	2,192.0
<b>Equity and liabilities</b>			
Equity	1,519.8	1,467.6	1,499.5
Long-term liabilities, Non-interest-bearing	28.1	24.4	26.9
Current liabilities, Non-interest-bearing	648.3	626.7	665.6
Total equity and liabilities	2,196.2	2,118.7	2,192.0

## Specification of change i results

(After financial items, in SEKm)	3 months 01/05/08- 31/07/08
Profit from sales	-21.6
Change in gross profit margin	5.2
Change in administrative expenses	-1.9
Change in expansion costs new stores	-7.2
Costs for 90 years anniversary	-6.7
Increased depreciation	-1.9
Change in financial income/expense	-0.7
Other	-0.2
<b>Total</b>	<b>-35.0</b>

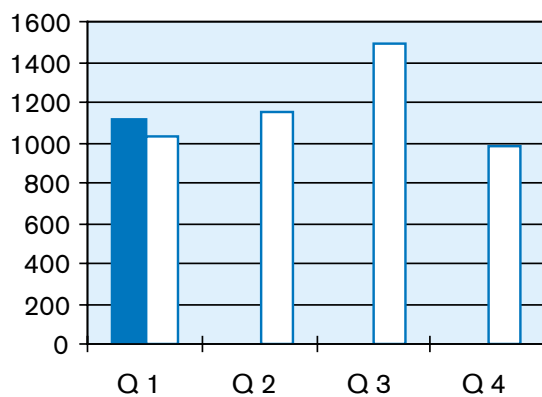
## Change in equity

SEKm	3 months 01/05/08- 31/07/08	3 months 01/05/07- 31/07/07
Equity brought forward	1,499.5	1,367.3
Change in translation difference	0.0	2.8
Cash flow hedging recognised in equity, after tax	-2.5	-6.4
Cash flow hedging recognised in income statement, after tax	0.0	0.0
Repurchase of own shares	-56.7	0.0
Paid-in option premiums	0.8	0.0
Net profit for the period	78.7	103.9
Equity carried forward	1,519.8	1,467.6

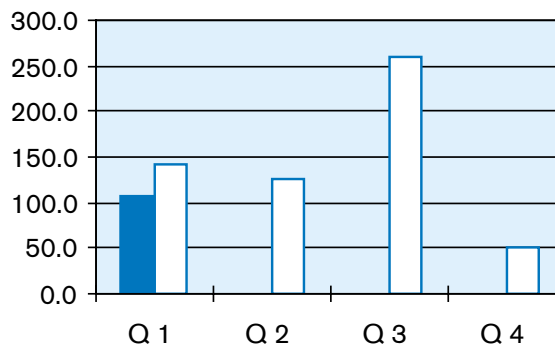
## Results per quarter

	Q 1 06/07	Q 2 06/07	Q 3 06/07	Q 4 06/07	Q 1 07/08	Q 2 07/08	Q 3 07/08	Q 4 07/08	Q 1 08/09
SEKm									
Sales	878.7	1,020.4	1,331.2	870.9	1,031.9	1,146.1	1,496.2	987.4	1,114.3
Cost of goods sold	-540.1	-616.0	-788.7	-529.3	-624.9	-676.8	-875.7	-611.3	-669.6
Other operating expenses	-230.5	-293.1	-292.5	-280.1	-265.2	-344.3	-359.6	-326.3	-337.2
Operating profit	108.1	111.3	250.0	61.5	141.8	125.0	260.9	49.8	107.5
Operating margin	12.3%	10.9%	18.8%	7.1%	13.7%	10.9%	17.4%	5.0%	9.6%

### Sales (SEKm)



### Operating profit (SEKm)



Shaded bar = Financial year 01/05/08 – 30/04/09  
White bar = Financial year 01/05/07 – 30/04/08

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

## Parent company Income Statement

SEKm	Note	3 months 01/05/08- 31/07/08	3 months 01/05/07- 31/07/07	Rolling 12 months 12 months 01/08/07- 31/07/08	Latest annual accounts 12 months 01/05/07- 31/04/08
Sales		933.8	866.8	4,129.8	4,062.8
Cost of goods sold	1	-635.1	-589.9	-2,796.0	-2,750.8
Gross profit		298.7	276.9	1,333.8	1,312.0
Selling expenses	1	-168.7	-143.5	-690.6	-665.4
Administrative expenses	1	-21.6	-20.1	-99.1	-97.6
Other operating income/expenses		0.0	0.1	0.2	0.3
Operating profit		108.4	113.4	544.3	549.3
Dividend from Group companies		-	165.8	0.0	165.8
Net financial items		1.3	1.4	5.8	5.9
Profit after financial items		109.7	280.6	550.1	721.0
Appropriations		-	-	-16.0	-16.0
Profit before tax		109.7	280.6	534.1	705.0
Income tax		-30.8	-32.2	-151.0	-152.4
Net profit for the year		78.9	248.4	383.1	552.6

## Parent company Balance Sheet

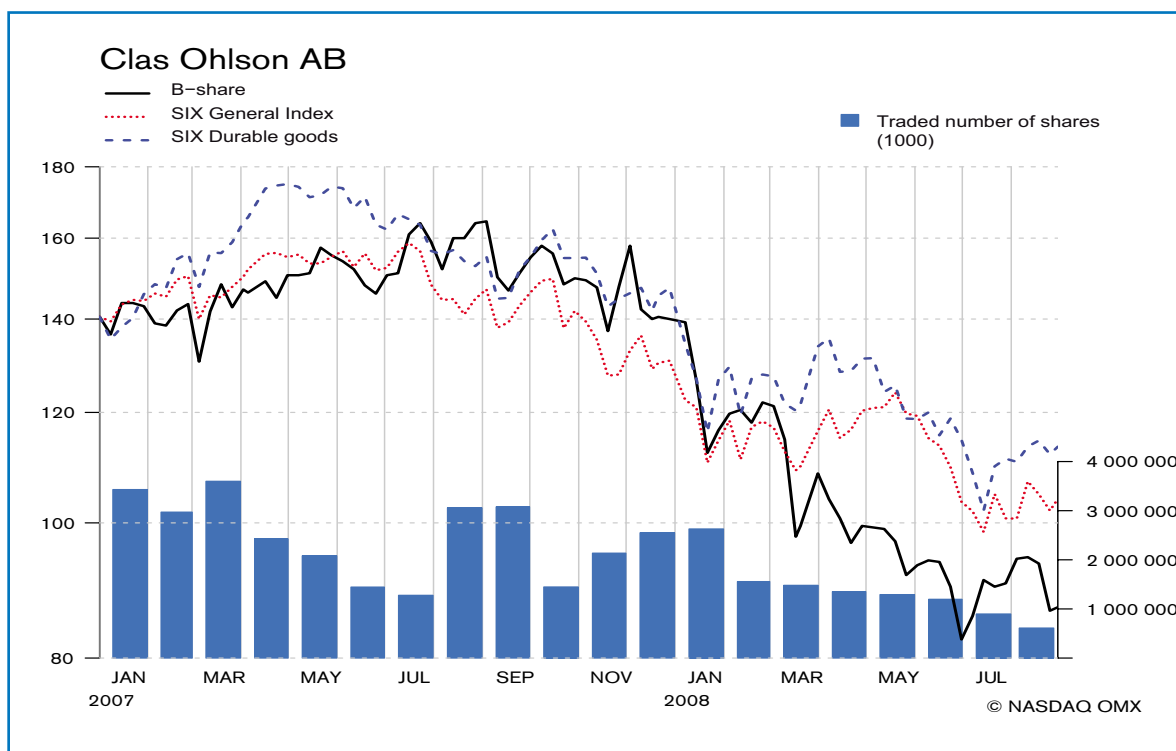
SEKm	31/07/08	31/07/07	31/04/08
<b>Assets</b>			
Tangible assets	745.8	575.8	704.7
Financial assets	36.4	30.6	34.5
Inventories	704.1	677.8	703.9
Other receivables	395.6	207.9	317.4
Liquid assets	112.2	366.5	194.8
Total assets	1,994.1	1,858.6	1,955.3
<b>Equity and liabilities</b>			
Equity	1,301.6	1,269.6	1,278.6
Untaxed reserves	152.6	136.5	152.6
Provisions	14.8	14.2	11.5
Current liabilities, Non-interest-bearing	525.1	438.3	512.6
Total equity and liabilities	1,994.1	1,858.6	1,955.3
Pledged assets	67.0	67.0	67.0
Contingent liabilities	90.4	81.9	90.4

### Note 1 Depreciation

Depreciation for the first quarter amounts to 15.2 SEKm (14.8 SEKm).

## Consolidated Cash Flow

SEKm	3 months 01/05/08- 31/07/08	3 months 01/05/07- 31/07/07	12 months 01/05/07- 30/04/08
Operating profit	107.6	141.8	577.5
Adjustment for items not included in cash flow	26.2	20.0	86.0
Interest received	1.3	0.4	9.2
Interest paid	0.0	0.0	-0.6
Tax paid	-34.1	-20.8	-150.3
<b>Cash flow from operating activities before changes in working capital</b>	<b>101.0</b>	<b>141.4</b>	<b>521.8</b>
Change in working capital	3.5	57.9	-41.8
<b>Cash flow from operating activities</b>	<b>104.5</b>	<b>199.3</b>	<b>480.0</b>
Investments	-71.4	-27.9	-251.6
Change in current investments	0.0	0.4	1.0
Change in financial assets	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-71.4</b>	<b>-27.5</b>	<b>-250.6</b>
Repurchase of own shares	-56.7	0.0	0.0
Dividend to shareholders	-	-	-295.2
<b>Cash flow from financing activities</b>	<b>-56.7</b>	<b>0.0</b>	<b>-295.2</b>
<b>Cash flow for the period</b>	<b>-23.6</b>	<b>171.8</b>	<b>-65.8</b>
Liquid assets at the start of the period	280.3	347.9	347.9
Exchange rate difference for liquid assets	0.5	-0.9	-1.8
Liquid assets at the end of the period	257.2	518.8	280.3



# 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)

Corp. id. 556035-8672