

Interim report

1 May 2006 – 31 July 2006

- Prepared in accordance with IFRS

- * Sales totalled SEK 878.7m (SEK 759.4m)
- * Profit after tax was SEK 79.1m (SEK 86.5m)
- * Earnings per share after tax is SEK 1.21 (SEK 1.32)
- * Strong cash flow during the period



CLAS OHLSON

Sweden - Norway - Finland

Interim report 1 May 2006 – 31 July 2006

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 60, 30 of which were located in Sweden, 21 in Norway and 9 in Finland.

Another new store was opened during our first quarter. This was in Sarpsborg in Norway, where the store opened on 8 June 2006.

The market for our products has been weak. A very sunny summer meant that fewer people visited our stores.

Sales during the first quarter totalled SEK 878.7m, compared with SEK 759.4m in the previous year, a rise of 16 per cent. Compared with the same period in the previous year, twelve stores have been added. Sales for the last twelve months total SEK 3,686.9m.

Sales are broken down as follows:

| Sales channels | 2006/07 | 2005/06 | Percentage change |
|---------------------|--------------|--------------|-------------------|
| Stores | 855.6 | 736.4 | +16 |
| Mail order/Internet | 23.1 | 23.0 | +0 |
| | <u>878.7</u> | <u>759.4</u> | +16 |
| Countries | | | |
| Sweden | 504.4 | 469.4 | +7 |
| Norway | 310.8 | 250.1 | +24 |
| Finland | 63.5 | 39.9 | +59 |
| | <u>878.7</u> | <u>759.4</u> | +16 |

The 16 per cent increase in sales by the stores is broken down as follows:

| | |
|---|--------------|
| Like-for-like stores, in local currency | +2 per cent |
| New stores | +14 per cent |
| Total | +16 per cent |

The share of Internet orders was 62 per cent of all mail order/Internet orders during the first quarter of the financial year (58 per cent).

Profit

Profit after financial items during the first quarter totalled SEK 110.0m, down 9 per cent on the previous year (SEK 120.3m).

Operating profit over the same period totalled SEK 108.1m, down 9 per cent on the previous year (SEK 118.7m). Operating profit was SEK 106.8m (SEK 115.8m) for the stores and SEK 1.3m (SEK 2.9m) for mail order/Internet. Operating profit for the last twelve months totals SEK 473.9m.

Operating margin during the first quarter was 12.3 per cent (15.6 per cent). Operating margin was 12.5 per cent (15.7 per cent) for the stores, while it was 5.6 per cent (12.6 per cent) for mail order/Internet.

Gross margin is 1.8 percentage points lower than in the corresponding period of the previous year, due to changes in the product mix and changes in prices. Another factor that has had

an adverse impact on gross margin is the increased share of logistic expenses due to delivery volumes having been lower than expected.

In addition, the share of selling expenses has increased by 1.6 percentage points. The principal reason is that sales during the summer were lower than expected. Profit has additionally declined by SEK 3.9m as a result of the start-up costs for new stores. These total SEK 4.4m over the period.

Administrative expenses rose by SEK 2.5m to SEK 20.2m and depreciation by SEK 3.0m to SEK 17.9m.

With regard to our most important foreign currencies, the average exchange rates during the first quarter was 1.17 for the Norwegian krone and 7.30 for the US dollar, compared with 1.17 and 7.50 respectively in the previous year.

Hedging has been carried out in USD, HKD and NOK. This had a positive impact on earnings of SEK 1.9m compared with if trading had only been conducted at current rates (previous year SEK 0.6m).

Investments

Net investments of SEK 51.3m (SEK 35.1m) were made during the first quarter. Of this sum, SEK 15.3m (SEK 4.7m) relates to investments in new and future stores. A further SEK 21.3m (SEK 20.8m) 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 171.4m (SEK 107.2m). Cash flow after deducting investing activities was SEK 120.2m (SEK 27.2m).

Inventories during the first quarter fell by SEK 25.1m to SEK 723.9m.

Liquid assets totalled SEK 452.7m (SEK 489.6m), while there are no interest-bearing liabilities at all. The equity/assets ratio was 70.1 per cent (66.7 per cent).

Accounting policies

This interim report has been prepared in accordance with IAS 34. The accounting policies applied are unchanged in the comparison with the previous year.

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 1,449 (1,233), of whom 551 (457) were women. Of these employees, 1,016 (920) are in Sweden, 308 (226) in Norway and 125 (87) in Finland.

Events after the end of the period

Sales during August totalled SEK 320.1m, compared with SEK 280.3m in the previous year, an increase of 14 per cent. Sales are broken down as follows:

| Sales channels | 2006/07 | 2005/06 | Percentage change |
|---------------------|---------|---------|-------------------|
| Stores | 312.2 | 271.8 | +15 |
| Mail order/Internet | 7.9 | 8.5 | -7 |
| | 320.1 | 280.3 | +14 |
| Countries | | | |
| Sweden | 184.1 | 171.0 | +8 |
| Norway | 114.4 | 94.8 | +21 |
| Finland | 21.6 | 14.5 | +49 |
| | 320.1 | 280.3 | +14 |

The main catalogue for 2007 and a new catalogue for computer accessories were issued on 21 August. All the products in the catalogues are also available from our Internet store. The catalogues contain around 1,650 new products, and the main catalogue has a print run of 4 million copies. The new catalogues have so far been well received by our customers.

The Board has taken decisions relating to the contractual retirement pension of Björn Haid (aged 61), who has been employed by Clas Ohlson since 1965 in purchasing and product range development. The pension totals SEK 9.4m and will be entirely provided for and carried as an expense during the second quarter of the financial year.

Future prospects

Future store openings contracted to date are Karlstad in Sweden and Alna in Norway in September 2006, Moss in Norway in October 2006, Uddevalla and Nyköping in Sweden in October 2006, Løreskog in Norway in November 2006, Väsby and Nacka outside Stockholm in March 2007, Örnsköldsvik and Kristianstad in Sweden in April 2007, Sollentuna outside Stockholm in May 2007, Kilden and Madla in Stavanger in Norway in the autumn of 2007, Piteå in Sweden in October 2007 and Skien in Norway in the autumn of 2007. Our target is to open 12-15 new stores during the 2006/07 financial year and 15-20 new stores in 2007/08. In addition, we intend to establish a presence in the United Kingdom by opening 2-4 stores in city-centre locations in a concentrated geographical area during the 2008/09 financial year.

Stage 3 of the expansion of our central warehouse in Insjön is in progress, and the first part of our new sorting facility successfully entered service in January 2006. The facility now has capacity to supply 67 stores and will be expanded during 2006 so that it has capacity for 90 stores. Up to the end of July 2006, SEK 320.1m had been invested in stage 3 of the expansion of our central warehouse out of a total planned investment of SEK 340m.

In addition, the Board has today taken a decision regarding detailed planning for further enlargement of the central warehouse to create capacity for our future expansion. The focus in continued work is on obtaining capacity to supply around 150 stores.

The Board has also decided to begin the process for the impending generational change of CEO and Group President. The reason for this is that Gert Karnberger is now 63 years old and the retirement age is 65.

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.

The interim report for the second quarter of 2006/07 will be issued on 8 December 2006. The interim report for the third quarter of 2006/07 will be issued on 14 March 2007. The intended publication date for the press release containing unaudited annual earnings figures for 2006/07 is 14 June 2007.

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

Insjön, 8 September 2006

Gert Karnberger
Chief Executive Officer



Digital receiver
No 38-2183



Clock radio
No 31-4176



Two-way radio
No 36-2426

Consolidated income statement (SEKm)

Rolling 12 Latest annual
months accounts

| | 3 months 1 May 06- 31 July 06 | 3 months 1 May 05- 31 July 05 | 12 months 1 Aug 05- 31 July 06 | 12 months 1 May 05- 30 April 06 | 12 months 1 May 04- 30 April 05 |
|--|-------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|---------------------------------------|
| Sales | 878,7 | 759,4 | 3 686,9 | 3 567,6 | 2 954,8 |
| Cost of goods sold | <u>-540,1</u> | <u>-453,3</u> | <u>-2 231,3</u> | <u>-2 144,5</u> | <u>-1 761,9</u> |
| Gross profit | 338,6 | 306,1 | 1 455,6 | 1 423,1 | 1 192,9 |
| Selling expenses | -210,3 | -169,1 | -896,8 | -855,6 | -704,2 |
| Administrative expenses | -20,2 | -17,7 | -83,1 | -80,6 | -68,0 |
| Other operating income/expense | <u>0,0</u> | <u>-0,6</u> | <u>-1,8</u> | <u>-2,4</u> | <u>-0,2</u> |
| Operating profit | 108,1 | 118,7 | 473,9 | 484,5 | 420,5 |
| Net financial income/expense | <u>1,9</u> | <u>1,6</u> | <u>6,8</u> | <u>6,5</u> | <u>5,4</u> |
| Profit after financial items | 110,0 | 120,3 | 480,7 | 491,0 | 425,9 |
| Tax | <u>-30,9</u> | <u>-33,8</u> | <u>-136,0</u> | <u>-138,9</u> | <u>-120,6</u> |
| Profit for the period | 79,1 | 86,5 | 344,7 | 352,1 | 305,3 |
| Gross margin (%) | 38,5 | 40,3 | 39,5 | 39,9 | 40,4 |
| Operating margin (%) | 12,3 | 15,6 | 12,9 | 13,6 | 14,2 |
| Operating margin stores (%) | 12,5 | 15,7 | 13,0 | 13,8 | 14,5 |
| Operating margin mail order/Internet (%) | 5,6 | 12,6 | 7,3 | 8,6 | 8,6 |
| Net margin (%) | 12,5 | 15,8 | 13,0 | 13,8 | 14,4 |
| Return on capital employed (%) | - | - | 38,7 | 42,4 | 43,9 |
| Return on equity (%) | - | - | 27,7 | 30,4 | 31,4 |
| Equity/assets ratio (%) | 70,1 | 66,7 | 70,1 | 70,4 | 66,2 |
| Sales per sq.m in stores, SEK thousand | - | - | 47 | 48 | 48 |
| Data per share | | | | | |
| 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) | 1,21 | 1,32 | 5,25 | 5,37 | 4,65 |
| Equity per share (SEK) | 20,29 | 17,61 | 20,29 | 19,16 | 16,14 |

* Data per share has been adjusted to reflect the split

Consolidated balance sheet (SEKm)

31 July 06 31 July 05 30 April 06

| | | | |
|---|--------------|--------------|--------------|
| Assets | | | |
| Tangible assets | 665,2 | 580,9 | 637,2 |
| Financial assets | 6,2 | 6,5 | 5,4 |
| Inventories | 723,9 | 567,8 | 749,0 |
| Other receivables | 51,6 | 41,2 | 55,3 |
| Current investments | 0,0 | 44,9 | 0,0 |
| Liquid assets | <u>452,7</u> | <u>489,6</u> | <u>338,4</u> |
| Total assets | 1 899,6 | 1 730,9 | 1 785,3 |
| Equity and liabilities | | | |
| Equity | 1 330,9 | 1 155,1 | 1 256,9 |
| Long-term liabilities, Non-interest-bearing | 23,8 | 19,3 | 22,8 |
| Current liabilities, Non-interest-bearing | <u>544,9</u> | <u>556,5</u> | <u>505,6</u> |
| Total equity and liabilities | 1 899,6 | 1 730,9 | 1 785,3 |



**Cordless
Drill/screwdriver Co/Tech
No 30-8763**

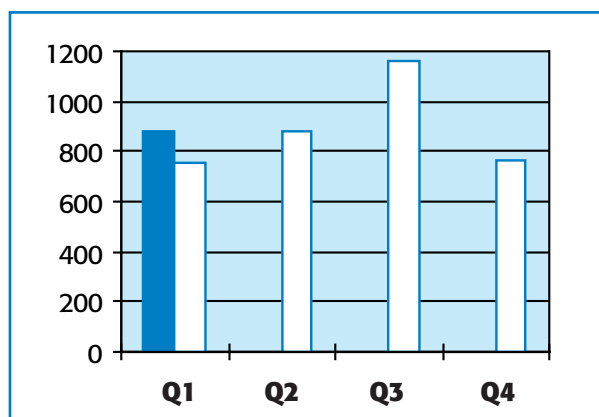


**Vacuum cleaner Coline
No 34-4562**

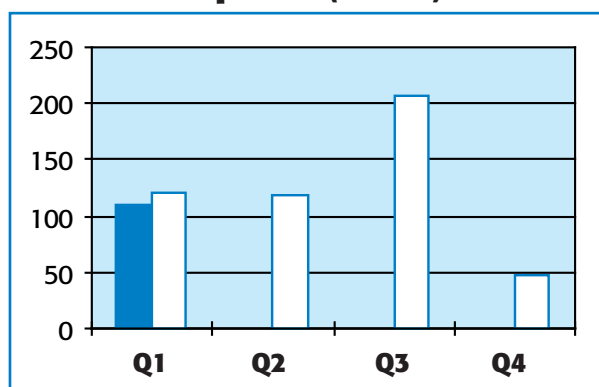
Specification of change in results (After financial items, in SEKm)

| | 3 months 1 May 06- 31 July 06 |
|--------------------------------------|-------------------------------------|
| Profit from sales | 13,6 |
| Change in gross profit margin | -15,6 |
| Increased administrative expenses | -2,5 |
| Increased expansion costs new stores | -3,9 |
| Increased depreciation | -3,0 |
| Improved financial income/expense | 0,3 |
| Other | 0,8 |
| Total | -10,3 |

Sales (SEKm)



Profit after net financial income/ expense (SEKm)



Shaded bar = Financial year 1 May 06 – 30 Apr 07
White bar = Financial year 1 May 05 – 30 Apr 06

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 06- 31 July 06 | 3 months 1 May 05- 31 July 05 |
|---|-------------------------------------|-------------------------------------|
| Equity brought forward | 1 256,9 | 1 058,6 |
| Change in translation difference | -6,5 | 15,8 |
| Change in hedging reserve according to IAS 39 | 1,4 | -5,8 |
| Change in hedging reserve according to IAS 39 | 0,0 | 0,0 |
| Net profit for the period | 79,1 | 86,5 |
| Equity carried forward | 1 330,9 | 1 155,1 |

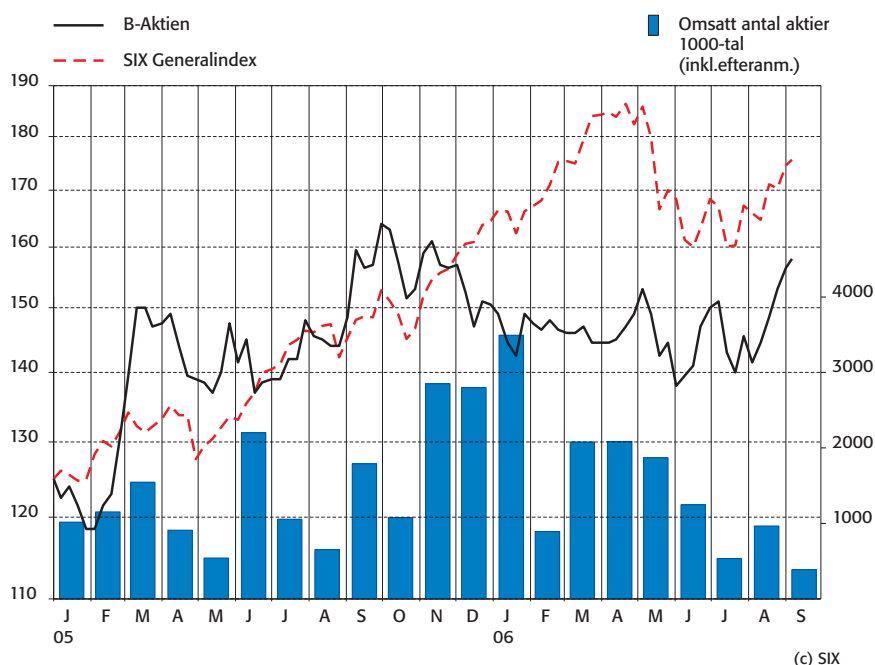
Results per quarter (SEKm)

| | Q 1 04/05 | Q 2 04/05 | Q 3 04/05 | Q 4 04/05 | Q 1 05/06 | Q 2 05/06 | Q 3 05/06 | Q 4 05/06 | Q 1 06/07 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 635,3 | 737,4 | 955,3 | 626,8 | 759,4 | 880,4 | 1164,8 | 763,0 | 878,7 |
| Cost of goods sold | -378,8 | -436,3 | -561,1 | -385,7 | -453,3 | -524,5 | -700,8 | -465,9 | -540,1 |
| Other operating expenses | -160,2 | -195,5 | -212,5 | -204,2 | -187,4 | -239,7 | -259,5 | -252,0 | -230,5 |
| Net financial income/expense | 1,5 | 1,2 | 1,2 | 1,5 | 1,6 | 1,5 | 1,5 | 1,9 | 1,9 |
| Profit after financial items | 97,8 | 106,8 | 182,9 | 38,4 | 120,3 | 117,7 | 206,0 | 47,0 | 110,0 |
| Net margin | 15,4% | 14,5% | 19,1% | 6,1% | 15,8% | 13,4% | 17,7% | 6,2% | 12,5% |

Consolidated cash flow (SEKm)

| | 3 months 1 May 06- 31 July 06 | 3 months 1 May 05- 31 July 05 | 12 months 1 May 05- 30 April 06 |
|--|-------------------------------------|-------------------------------------|---------------------------------------|
| Profit after financial items | 108,1 | 118,7 | 484,5 |
| Adjustment for items not included in cash flow | 17,3 | 16,3 | 64,2 |
| Interest received | 0,0 | 0,5 | 7,1 |
| Interest paid | 0,0 | 0,0 | -0,4 |
| Tax paid | -13,2 | -9,1 | -177,6 |
| Cash flow from operating activities before changes in working capital | 112,2 | 126,4 | 377,8 |
| Change in working capital | 59,2 | -19,2 | -190,0 |
| Cash flow from operating activities | 171,4 | 107,2 | 187,8 |
| Investments | -51,3 | -35,1 | -139,6 |
| Change in current investments | 0,0 | -44,9 | 0,0 |
| Change in financial assets | 0,1 | 0,0 | 0,0 |
| Cash flow from investing activities | -51,2 | -80,0 | -139,6 |
| Divided to shareholders | - | - | -164,0 |
| Cash flow from financing activities | 0,0 | 0,0 | -164,0 |
| Cash flow for the period | 120,2 | 27,2 | -115,8 |
| Liquid assets at the start of the period | 338,4 | 445,2 | 445,2 |
| Exchange rate difference for liquid assets | -5,9 | 17,2 | 9,0 |
| Interest paid during the period | 452,7 | 489,6 | 338,4 |

Clas Ohlson



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