

Interim report

1 May 2006 – 31 October 2006

6 months

- * Sales totalled SEK 1,899.1m (SEK 1,639.8m)
- * Profit after tax totalled SEK 160.4m (SEK 171.0m)
- * Earnings per share was SEK 2.45 (SEK 2.61)

2nd Quarter

- * Sales totalled SEK 1,020.4m (SEK 880.4m)
- * Profit after tax totalled SEK 81.3m (SEK 84.5m)
- * Earnings per share was SEK 1.24 (SEK 1.29)



CLAS OHLSON

Sweden - Norway - Finland

Interim report 1 May 2006 - 31 October 2006

Market

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 65, 33 of which were located in Sweden, 23 in Norway and 9 in Finland.

The market for our products developed well during the period. All parts of our range are showing good increases in sales in Sweden, Norway and Finland. The main catalogue for 2007 and a new catalogue for computer accessories were issued in August. The catalogues contain around 1,650 new products and an equal number have been removed from the range. The main catalogue has a print run of 4.1 million copies. The new catalogues have been well received by our customers.

Another five new stores were opened during the second quarter. These were in Karlstad in Sweden and Alna (Oslo, Norway) in September 2006, Moss in Norway in October 2006 and Uddevalla and Nyköping in Sweden in October 2006. This means that to date during the financial year we have opened six new stores, as we also opened one during the first quarter.

Sales and profits

The second quarter (August-October)

Sales totalled SEK 1,020.4m, compared with SEK 880.4m in the previous year, a rise of 16 per cent. Compared with the same period in the previous year, thirteen stores have been added.

Sales are broken down as follows:

| Sales channels | 2006/07 | 2005/06 | Percentage change |
|---------------------|----------------|--------------|-------------------|
| Stores | 987.2 | 844.3 | +17 |
| Mail order/Internet | 33.2 | 36.1 | -8 |
| | <u>1 020.4</u> | <u>880.4</u> | +16 |
| <u>Countries</u> | | | |
| Sweden | 583.9 | 527.9 | +11 |
| Norway | 365.7 | 296.8 | +23 |
| Finland | 70.8 | 55.7 | +27 |
| | <u>1 020.4</u> | <u>880.4</u> | +16 |

The 17 per cent increase in sales by the stores is broken down as follows:

| | |
|---|--------------|
| Like-for-like stores, in local currency | +1 per cent |
| New stores | +18 per cent |
| Exchange-rate effects | -2 per cent |
| Total | +17 per cent |

Operating profit totalled SEK 111.3m, an increase of 4 per cent compared with the previous year (SEK 116.2m). Operating profit was SEK 112.3m (SEK 115.2m) for the stores and SEK -1.0m (SEK 1.0m) for mail order/Internet.

Operating margin amounted to 10.9 per cent (13.2 per cent). Operating margin was 11.4 per cent (13.6 per cent) for the stores, while it was -3.0 per cent (2.8 per cent) for mail order/Internet.

The contractual retirement has taken place of Björn Haid (aged 61), who had been employed at Clas Ohlson since 1965. The total sum paid out is SEK 9.4m, which has been wholly

provided for and carried as an expense among administrative expenses. This expense is of a non-recurring nature.

The share of Internet orders was 62 per cent of all mail order/Internet orders during the second quarter (59 per cent).

The first six months (May-October)

Sales totalled SEK 1,899.1m, compared with SEK 1,639.8m in the corresponding period of the previous year, a rise of 16 per cent. Compared with the same period in the previous year, thirteen stores have been added. Sales for the last twelve months total SEK 3,826.9m.

Sales are broken down as follows:

| Sales channels | 2006/07 | 2005/06 | Percentage change |
|---------------------|----------------|----------------|-------------------|
| Stores | 1 842.8 | 1 580.8 | +17 |
| Mail order/Internet | 56.3 | 59.0 | -5 |
| | <u>1 899.1</u> | <u>1 639.8</u> | +16 |
| <u>Countries</u> | | | |
| Sweden | 1 088.3 | 997.3 | +9 |
| Norway | 676.5 | 546.9 | +24 |
| Finland | 134.3 | 95.6 | +40 |
| | <u>1 899.1</u> | <u>1 639.8</u> | +16 |

The 17 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 | +16 per cent |
| Exchange-rate effects | -1 per cent |
| Total | +17 per cent |

Operating profit totalled SEK 219.4m, an increase of 7 per cent compared with the previous year (SEK 234.9m).

Operating profit was SEK 219.1m (SEK 231.0m) for the stores and SEK 0.3m (SEK 3.9m) for mail order/Internet.

Operating profit for the last twelve months totals SEK 469.0m.

Operating margin amounts to 11.6 per cent (14.3 per cent).

Operating margin was 11.9 per cent (14.6 per cent) for the stores, while it was 0.5 per cent (6.6 per cent) for mail order/Internet.

The contractual retirement has taken place of Björn Haid (aged 61), who had been employed at Clas Ohlson since 1965. The total sum is SEK 9.4m, which has been wholly provided for and carried as an expense among administrative expenses. This expense is of a non-recurring nature.

Gross margin is 1.3 percentage points lower than in the corresponding period of the previous year, due to changes in exchange rates, changes in the product mix and changes in prices.

In addition, the share of selling expenses has increased by 1.2 percentage points. The principal reason is that sales have been lower than expected. Profit has also deteriorated by SEK 7.9m as a result of increased start-up costs for new stores. These total SEK 19.6m over the period.

Depreciation for the period totals SEK 36.3m, compared with SEK 30.1m in the previous year.

With regard to our most important foreign currencies, the average exchange rates during the first half were 1.15 for the Norwegian krone and 7.30 for the US dollar, compared with 1.18 and 7.60 respectively in the previous year.

Hedging has been carried out in USD, HKD and NOK. This had a favourable impact on earnings of SEK 11.2m compared with if trading had been conducted solely at current rates (previous year SEK -1.4m).

Investments

Net investments of SEK 87.3m (SEK 67.0m) were made during the first six months. Of this sum, SEK 28.6m (SEK 19.4m) relates to investments in new stores. A further SEK 35.0m (SEK 29.1m) relates to investments in the enlargement of the central warehouse in Insjön. Other investments are mainly replacement investments.

Enlargement of our central warehouse in Insjön, stage 3, has been completed. The facility now has capacity to supply 90 stores. Up to the end of October 2006, SEK 334.8m had been invested in stage 3 of the enlargement of our central warehouse out of a total planned investment of SEK 340m.

Financing and liquidity

There was a positive cash flow from operating activities during the second quarter of SEK 35.2m (-37.8 Mkr). Cash flow after deducting investing activities was SEK -0.8m (SEK -24.8m).

There was a positive cash flow from operating activities during the first six months of SEK 206.6m (SEK 69.4m). Cash flow after deducting investing activities was SEK 119.4m (SEK 2.4m).

Inventories during the first six months increased by SEK 114.8m to SEK 863.8m. Of this sum, SEK 32.4m relates to new stores.

The remainder largely consists of build-up of stocks ahead of Christmas trading.

Cash and cash equivalents totalled SEK 185.6m (SEK 304.6m), while there are no interest-bearing liabilities at all. The equity/assets ratio was 62.8 per cent (63.2 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.

In relation to segment reporting, the operation fully comprises the sale of do-it-yourself products, and this is therefore regarded as a primary segment.

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 1,560 (1,306), of whom 593 (483) were women. Of the employees, 1,092 (970) are in Sweden, 341 (240) in Norway and 127 in Finland (96).

Parent Company

Parent Company sales during our first six months totalled SEK 1,575.4m (SEK 1,361.2), and profit after financial items totalled SEK 265.4m (SEK 253.3m).

Liquidity has been good. Investments have totalled SEK 64.4m (SEK 48.2m).

Events after the end of the period

Sales during November totalled SEK 401.4m, compared with SEK 365.9m in the previous year, an increase of 10 per cent. Sales are broken down as follows:

| <u>Sales channels</u> | 2006/07 | 2005/06 | Percentage change |
|-----------------------|--------------|--------------|-------------------|
| Stores | 388.8 | 352.3 | +10 |
| Mail order/Internet | 12.6 | 13.6 | -7 |
| | <u>401.4</u> | <u>365.9</u> | +10 |
| <u>Countries</u> | | | |
| Sweden | 231.9 | 216.7 | +7 |
| Norway | 140.5 | 120.2 | +17 |
| Finland | 29.0 | 29.0 | 0 |
| | <u>401.4</u> | <u>365.9</u> | +10 |



Interim report 1 May 2006 - 31 October 2006

Sales for the first seven months of the financial year thus total SEK 2300.5m, an increase of 15 per cent (SEK 2005.7m).

One further new store has been opened. This was on 30 November, when a store was opened in Lørenskog outside Oslo in Norway. Three stores have re-opened following refurbishment. These stores are Tønsberg in Norway and Örebro and Umeå in Sweden.

Future prospects

Future store openings contracted to date are Nacka outside Stockholm in March 2007, Örnköldsvik, Kristianstad, Trelleborg and Väsby (Stockholm) in April 2007, Sollentuna outside Stockholm in May 2007, Kilden and Madla in Stavanger in Norway in the autumn of 2007, Skien in Norway in the autumn of 2007, Piteå in Sweden in October 2007 and Vällingby (Stockholm) in November 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 inner-city locations in a concentrated geographical area during the 2008/09 financial year.

The Board has 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.

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

Insjön 8 December 2006

Gert Karnberger
Chief Executive Officer

Review report

We have reviewed the interim report for the period 1 May to 31 October 2006 for Clas Ohlson (publ). The Board of Directors and Chief Executive Officer are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Reports Act. Our responsibility is to express a conclusion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by FAR. A review consists in making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit. Based on our review, nothing has come to our attention that causes us to believe that the interim report has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Reports Act.

Falun, 8 December 2006

PricewaterhouseCoopers AB

Göran Melin
Authorised Public
Accountant

Annika Wedin
Authorised Public
Accountant



Clock radio
No 31-4176

Consolidated income statement (SEKm)

| | 3 months | | 6 months | | Rolling 12 months | Latest annual accounts |
|--|------------------------|------------------------------------|------------------------|------------------------------------|-------------------------------------|---------------------------------------|
| | 1 Aug 06- 31 Oct 06 | 3 months 1 Aug 05- 31 Oct 05 | 1 May 06- 31 Oct 06 | 6 months 1 May 05- 31 Oct 05 | 12 months 1 Nov 05- 31 Oct 06 | 12 months 1 May 05- 30 April 06 |
| Sales | 1 020,4 | 880,4 | 1 899,1 | 1 639,8 | 3 826,9 | 3 567,6 |
| Cost of goods sold | -616,0 | -524,5 | -1 156,1 | -977,8 | -2 322,8 | -2 144,5 |
| Gross profit | 404,4 | 355,9 | 743,0 | 662,0 | 1 504,1 | 1 423,1 |
| Selling expenses | -261,9 | -220,0 | -472,2 | -389,1 | -938,7 | -855,6 |
| Administrative expenses | -30,7 | -19,8 | -50,9 | -37,5 | -94,0 | -80,6 |
| Other operating income/expense | -0,5 | 0,1 | -0,5 | -0,5 | -2,4 | -2,4 |
| Operating profit | 111,3 | 116,2 | 219,4 | 234,9 | 469,0 | 484,5 |
| Net financial income/expense | 1,6 | 1,5 | 3,5 | 3,1 | 6,9 | 6,5 |
| Profit after financial items | 112,9 | 117,7 | 222,9 | 238,0 | 475,9 | 491,0 |
| Tax | -31,6 | -33,2 | -62,5 | -67,0 | -134,4 | -138,9 |
| Profit for the period | 81,3 | 84,5 | 160,4 | 171,0 | 341,5 | 352,1 |
| Gross margin (%) | 39,6 | 40,4 | 39,1 | 40,4 | 39,3 | 39,9 |
| Operating margin (%) | 10,9 | 13,2 | 11,6 | 14,3 | 12,3 | 13,6 |
| Operating margin stores (%) | 11,4 | 13,6 | 11,9 | 14,6 | 12,5 | 13,8 |
| Operating margin mail order/Internet (%) | -3,0 | 2,8 | 0,5 | 6,6 | 5,8 | 8,6 |
| Net margin (%) | 11,1 | 13,4 | 11,7 | 14,5 | 12,4 | 13,8 |
| Return on capital employed (%) | - | - | - | - | 42,8 | 42,4 |
| Return on equity (%) | - | - | - | - | 30,7 | 30,4 |
| Equity/assets ratio (%) | 62,8 | 63,2 | 62,8 | 63,2 | 62,8 | 70,4 |
| Sales per sq.m in stores, SEK thousand | - | - | - | - | 47 | 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 | 65,6 milj |
| Earnings per share (SEK) | 1,24 | 1,29 | 2,45 | 2,61 | 5,21 | 5,37 |
| Equity per share (SEK) | 17,46 | 16,42 | 17,46 | 16,42 | 17,46 | 19,16 |

Consolidated balance sheet (SEKm)

| | 31 Oct 06 | 31 Oct 05 | 30 April 06 |
|---|-----------|-----------|-------------|
| Assets | | | |
| Tangible assets | 678,0 | 600,6 | 637,2 |
| Financial assets | 6,3 | 7,3 | 5,4 |
| Inventories | 863,8 | 730,1 | 749,0 |
| Other receivables | 89,2 | 62,5 | 55,3 |
| Liquid assets | 185,6 | 304,6 | 338,4 |
| Total assets | 1 822,9 | 1 705,1 | 1 785,3 |
| Equity and liabilities | | | |
| Equity | 1 145,4 | 1 077,2 | 1 256,9 |
| Long-term liabilities, Non-interest-bearing | 21,0 | 18,1 | 22,8 |
| Current liability, Non-interest-bearing | 656,5 | 609,8 | 505,6 |
| Total equity and liabilities | 1 822,9 | 1 705,1 | 1 785,3 |



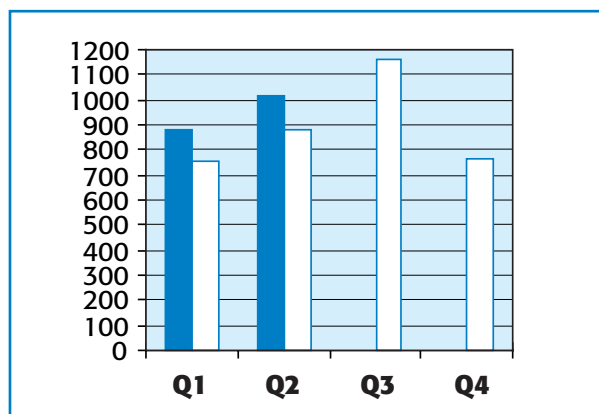
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Interim report 1 May 2006 - 31 October 2006

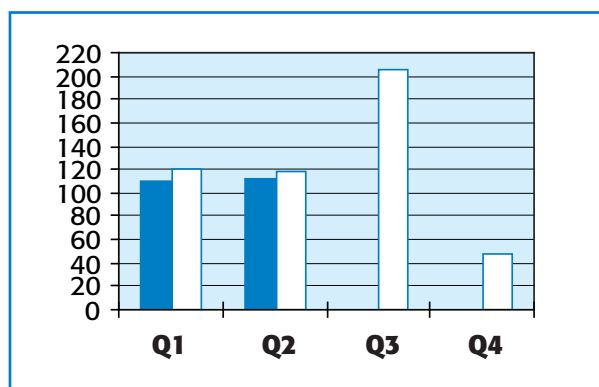
Specification of change in results (After financial items, in SEKm)

| | 3 months 1 Aug 06- 31 Oct 06 | 6 months 1 May 06- 31 Oct 06 |
|--------------------------------------|------------------------------------|------------------------------------|
| Profit from sales | 22,0 | 35,6 |
| Change in gross profit margin | -8,0 | -23,6 |
| Non-recurring cost | -9,4 | -9,4 |
| Increased expansion costs new stores | -4,0 | -7,9 |
| Increased administrative expenses | -1,5 | -4,0 |
| Increased depreciation | -3,2 | -6,2 |
| Improved financial income/expense | 0,1 | 0,4 |
| Other | -0,8 | 0,0 |
| Total | -4,8 | -15,1 |

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)

| | 6 months 1 May 06- 31 Oct 06 | 6 months 1 May 05- 31 Oct 05 |
|---|------------------------------------|------------------------------------|
| Equity brought forward | 1 256,9 | 1058,6 |
| Divided to shareholders | -262,4 | -164,0 |
| Change in hedging reserve according to IAS 39 | 9,1 | -3,1 |
| Change in hedging reserve according to IAS 39 | -1,4 | 0,0 |
| Change in translation difference | -17,2 | 14,7 |
| Net profit for the period | 160,4 | 171,0 |
| Equity carried forward | 1 145,4 | 1077,2 |

Results per quarter (SEKm)

| | 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 | Q 2 06/07 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 737,4 | 955,3 | 626,8 | 759,4 | 880,4 | 1164,8 | 763,0 | 878,7 | 1020,4 |
| Cost of goods sold | -436,3 | -561,1 | -385,7 | -453,3 | -524,5 | -700,8 | -465,9 | -540,1 | -616,0 |
| Other operating expenses | -195,5 | -212,5 | -204,2 | -187,4 | -239,7 | -259,5 | -252,0 | -230,5 | -293,1 |
| Net financial income/expense | 1,2 | 1,2 | 1,5 | 1,6 | 1,5 | 1,5 | 1,9 | 1,9 | 1,6 |
| Profit after financial items | 106,8 | 182,9 | 38,4 | 120,3 | 117,7 | 206,0 | 47,0 | 110,0 | 112,9 |
| Net margin | 14,5% | 19,1% | 6,1% | 15,8% | 13,4% | 17,7% | 6,2% | 12,5% | 11,1% |

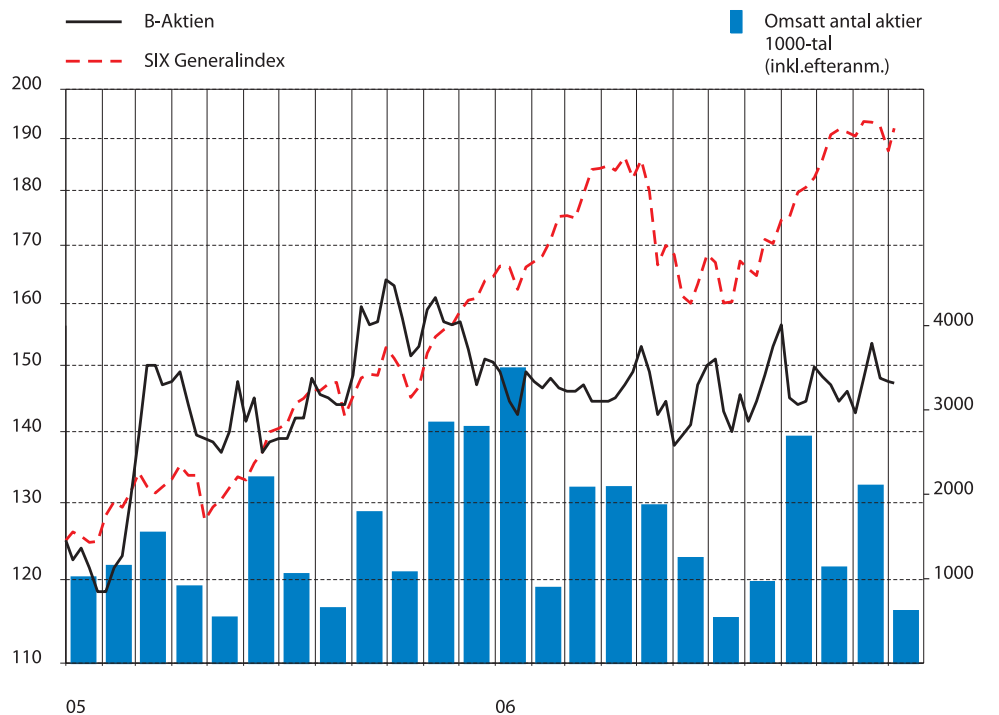
Consolidated cash flow (SEKm)

| | 3 months 1 Aug 06- 31 Oct 06 | 3 months 1 Aug 05- 31 Oct 05 | 6 months 1 May 06- 31 Oct 06 | 6 months 1 May 05- 31 Oct 05 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Profit after financial items | 111,3 | 116,2 | 219,4 | 234,9 |
| Adjustment for items not included in cash flow | 18,2 | 15,8 | 35,5 | 32,1 |
| Interest received | 0,0 | 0,3 | 0,0 | 0,8 |
| Interest paid | 0,0 | 0,0 | 0,0 | 0,0 |
| Tax paid | -13,6 | -9,8 | -26,8 | -18,9 |
| Cash flow from operating activities before changes in working capital | 115,9 | 122,5 | 228,1 | 248,9 |
| Change in working capital | -80,7 | -160,3 | -21,5 | -179,5 |
| Cash flow from operating activities | 35,2 | -37,8 | 206,6 | 69,4 |
| Investments | -36,0 | -31,9 | -87,3 | -67,0 |
| Change in current investments | 0,0 | 44,9 | 0,0 | 0,0 |
| Change in financial assets | 0,0 | 0,0 | 0,1 | 0,0 |
| Cash flow from investing activities | -36,0 | 13,0 | -87,2 | -67,0 |
| Divided to shareholders | -262,4 | -164,0 | -262,4 | -164,0 |
| Cash flow from financing activities | -262,4 | -164,0 | -262,4 | -164,0 |
| Cash flow for the period | -263,2 | -188,8 | -143,0 | -161,6 |
| Liquid assets at the start of the period | 452,7 | 489,6 | 338,4 | 445,2 |
| Exchange rate difference for liquid assets | -3,9 | 3,8 | -9,8 | 21,0 |
| Interest paid during the period | 185,6 | 304,6 | 185,6 | 304,6 |



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