



**clas
ohlson**

Q2 Report 2017/18

6 December 2017

Lotta Lyrå
President & CEO

Göran Melin
CFO

A collection of lit candles in various styles and colors (white, gold, black) on a wooden surface against a dark wood background. The candles are arranged in a cluster, with some in decorative holders and others as plain tapers. The scene is warmly lit by the candle flames.

Agenda

- Business update
- Financial development
- Update strategic review
- Q&A



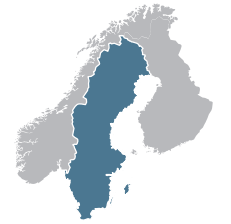
Business update

A challenging Q2

- Fast changing retail landscape
- Slow sales and slow traffic
- Here and now commercial focus
 - Extra commercial activities
 - Focus on securing Christmas
- High energy in strategic review to assess future opportunities



Sweden Q2



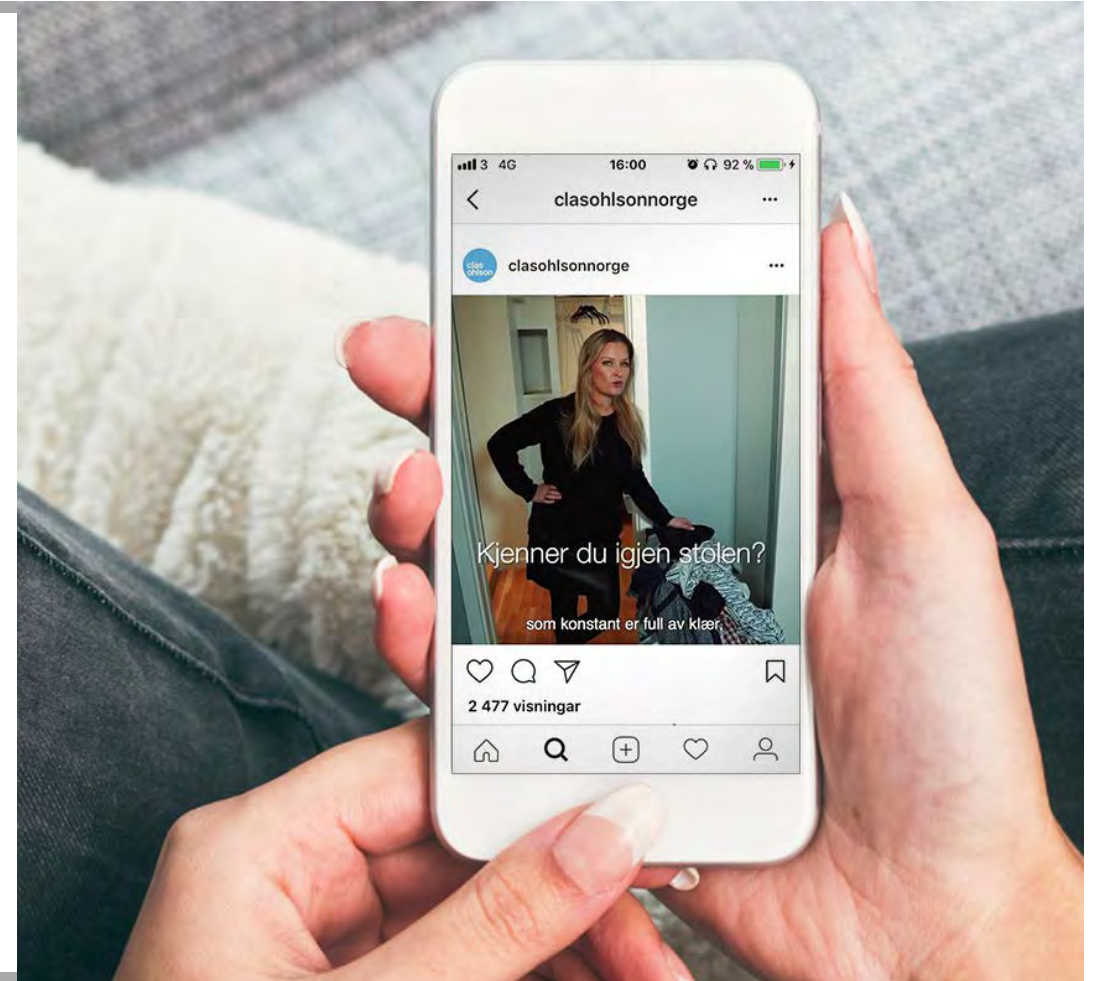
- Slowdown in retail in our segments
- Stable sales development in the quarter with sales growth of 2%
- Intense growth in online traffic
- Slow development in store traffic
- Continued focus on broadening our service offer
- Total 88 stores (86)
 - 1 new store in Varberg during Q2



Norway Q2



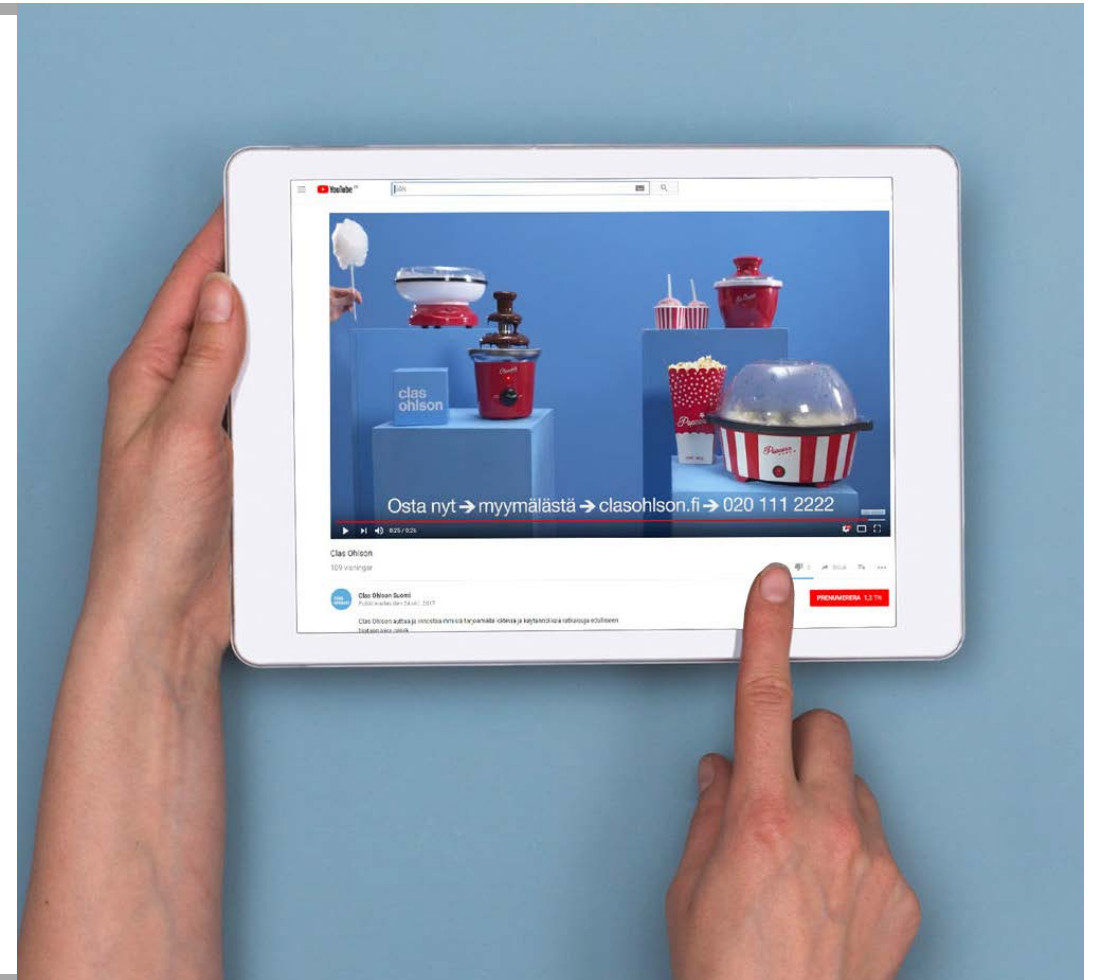
- Increased consumer confidence but drop in retail index in our segments
- Solid sales development in the quarter with sales growth of 4% in local currency
- Intense growth in online traffic
- Slow development in store traffic
- Total 84 stores (76)
 - 3 new stores during Q2



Finland Q2



- Strengthened consumer confidence over time but flat retail index
- Strong sales growth of 9% in local currency in a challenging market
- Intense growth in online traffic
- Solid development in store traffic
- Total 39 stores (34)
 - 1 new store in Kempele during Q2



Outside Nordic countries Q2



- Optimising Hamburg stores
- UK store optimisation ongoing
 - Continued focus on London cluster
 - Positive trend in new format stores
 - High traffic online
- Terminating franchise agreement
 - Closing two franchise stores in Dubai
- Total 12 stores (12)
 - No new stores during Q2

A new store in the Hamburg city centre opened in November



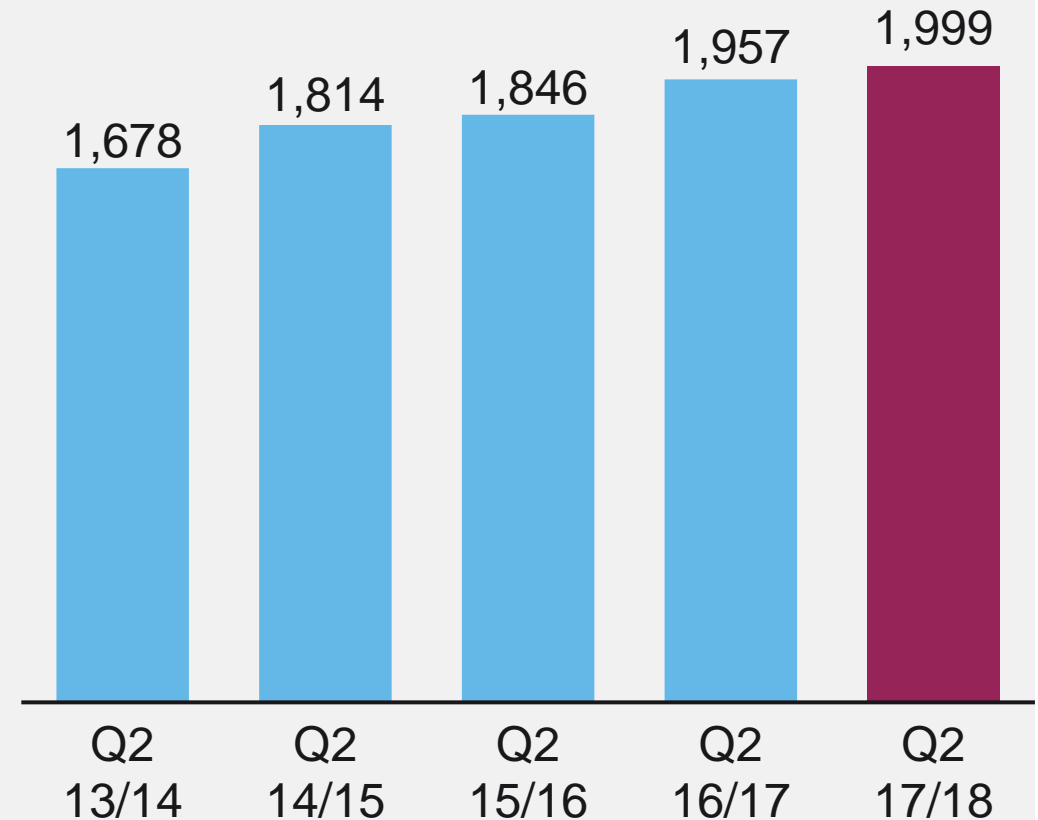


Financial development
Q2 2017/18
August – October

Sales Q2

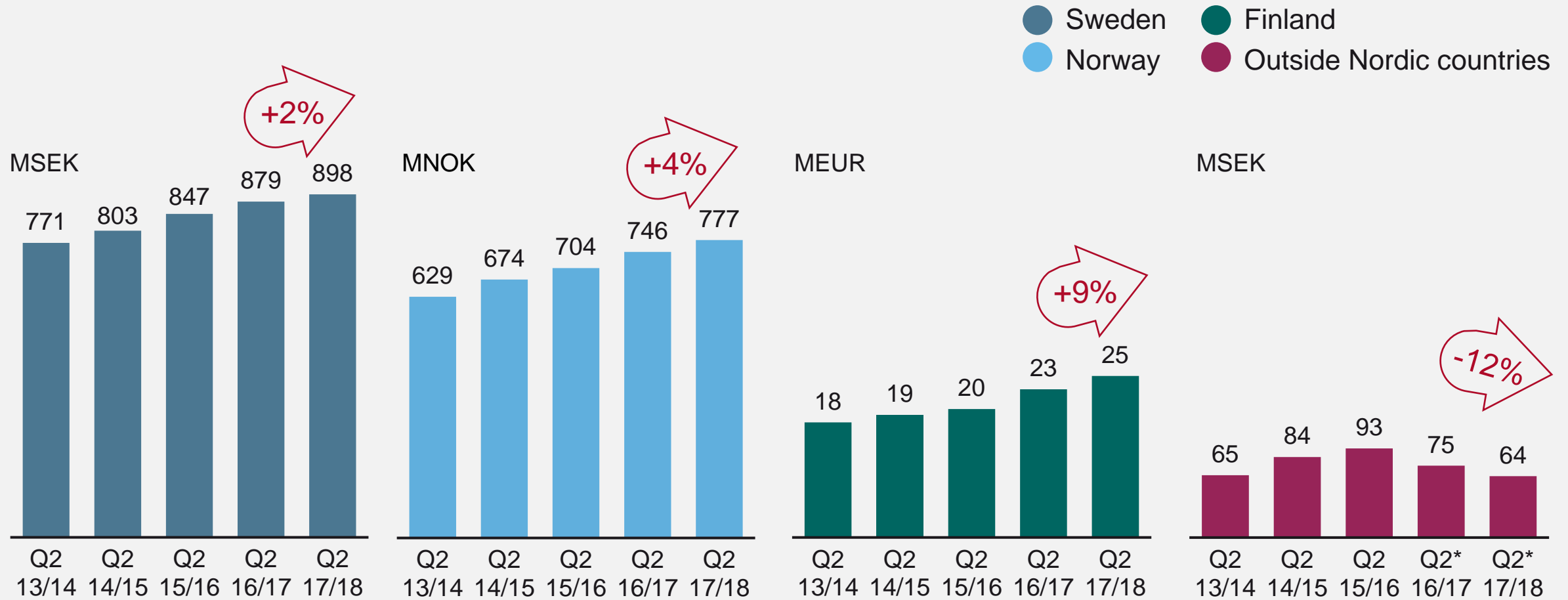
- Sales 1,999 MSEK, up 2%
 - Sweden +2%
 - Norway +2%
 - Finland +9%
 - Outside Nordic countries -14%*
- Sales up 3% in local currencies
 - Flat LFL sales growth
- 15 additional stores net compared to end of period last year (6)

MSEK



*Effected by store optimisation in the UK

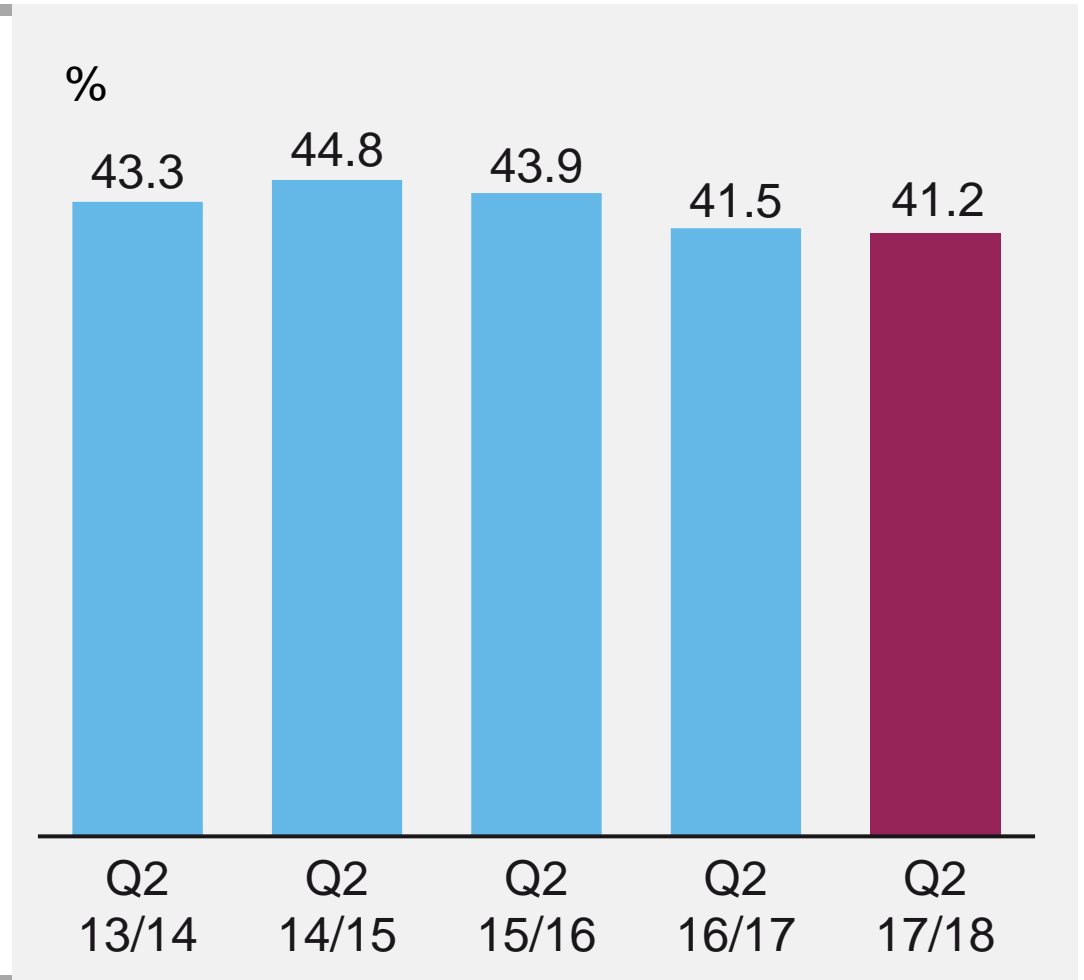
Sales development per market



*Effected by store optimisation in UK

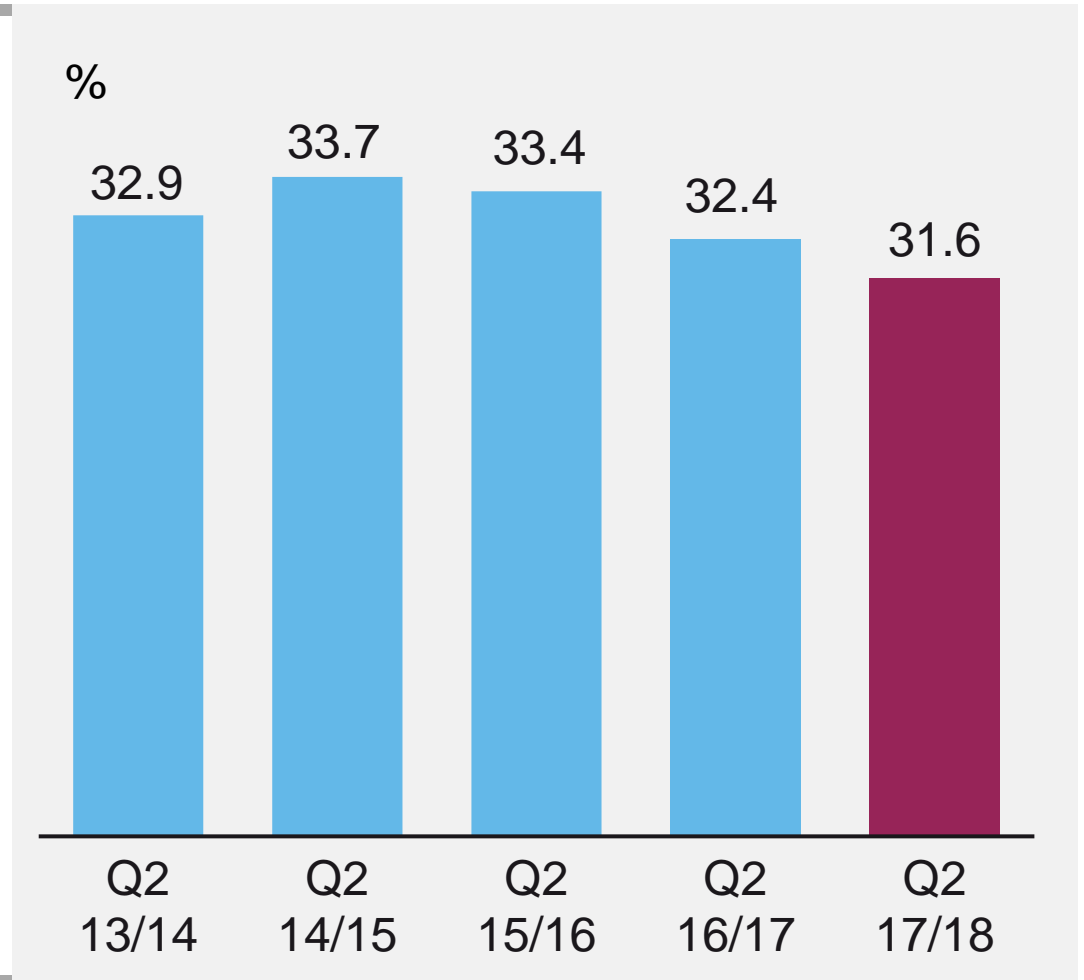
Gross margin Q2

- Gross down 0.3 percentage points to 41.2%
- Negatively affected by the the stronger USD, increased commercial investments and the weaker NOK
- Largely offset by currency hedges (NOK) and exchange-rate effects related to the delay in inventory



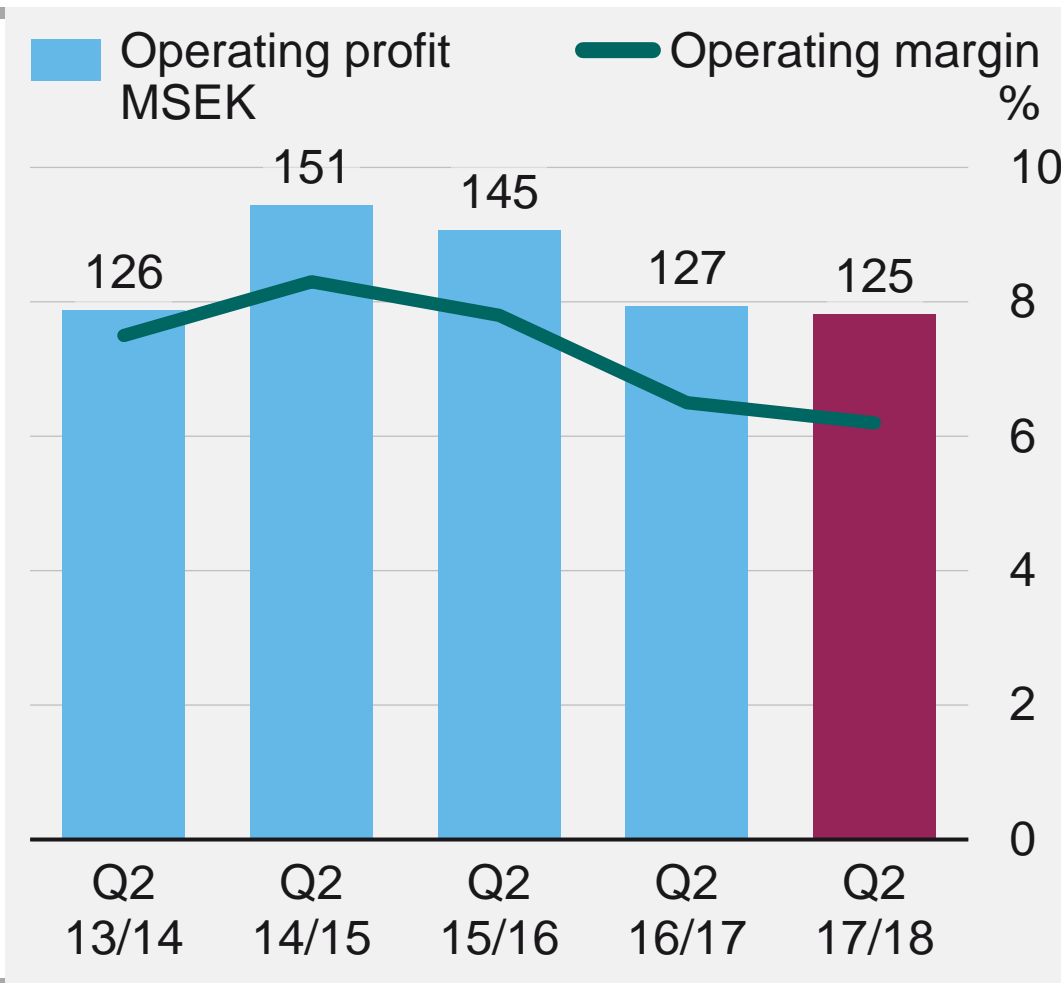
Share of selling expenses

- Share of selling expenses 31.6%, down 0.8 percentage points
 - Positively effected by lower costs in UK
- Administrative expenses increased
 - 5 MSEK donation to the Clas Ohlson Foundation decided by the 2017 AGM
 - Approximately 10 MSEK as a result of the “100 more years” strategic review



Profit Q2

- Operating profit amounted to 125 MSEK
- Operating margin amounted to 6.2%
- Earnings per share 1.52 SEK (1.53)



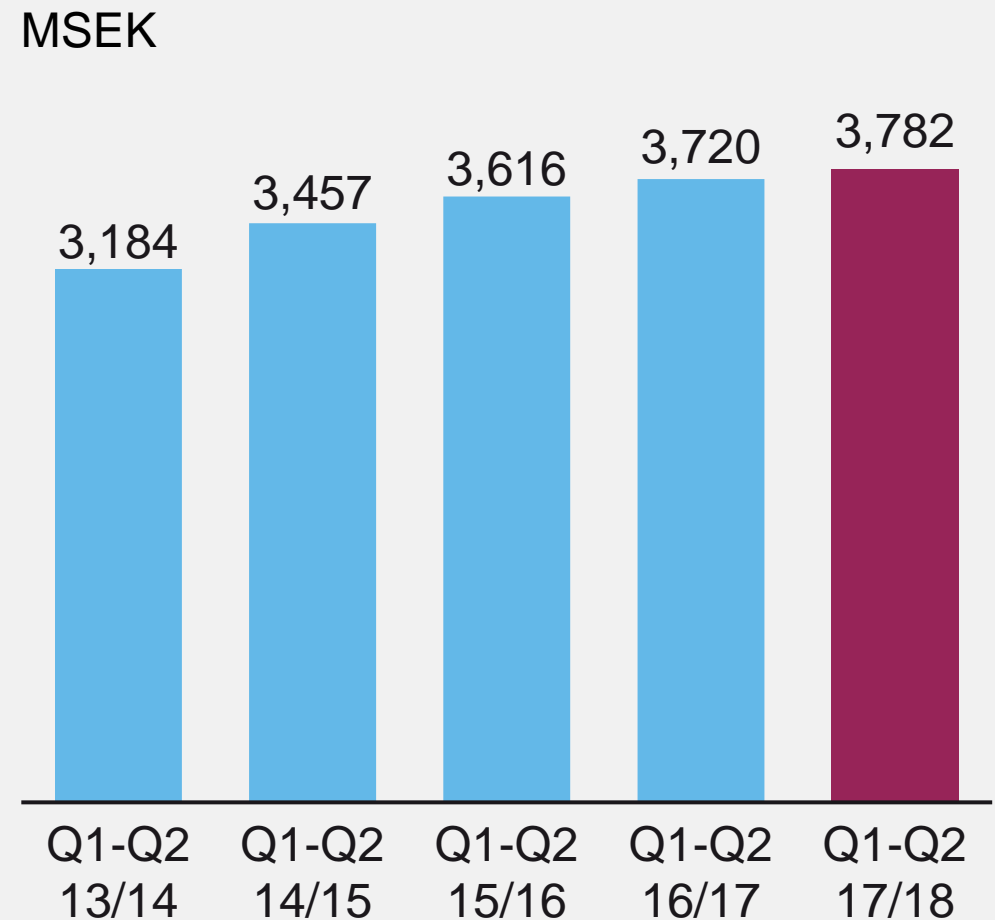


Financial development
Q1-Q2 2017/18
May – October

Sales Q1-Q2

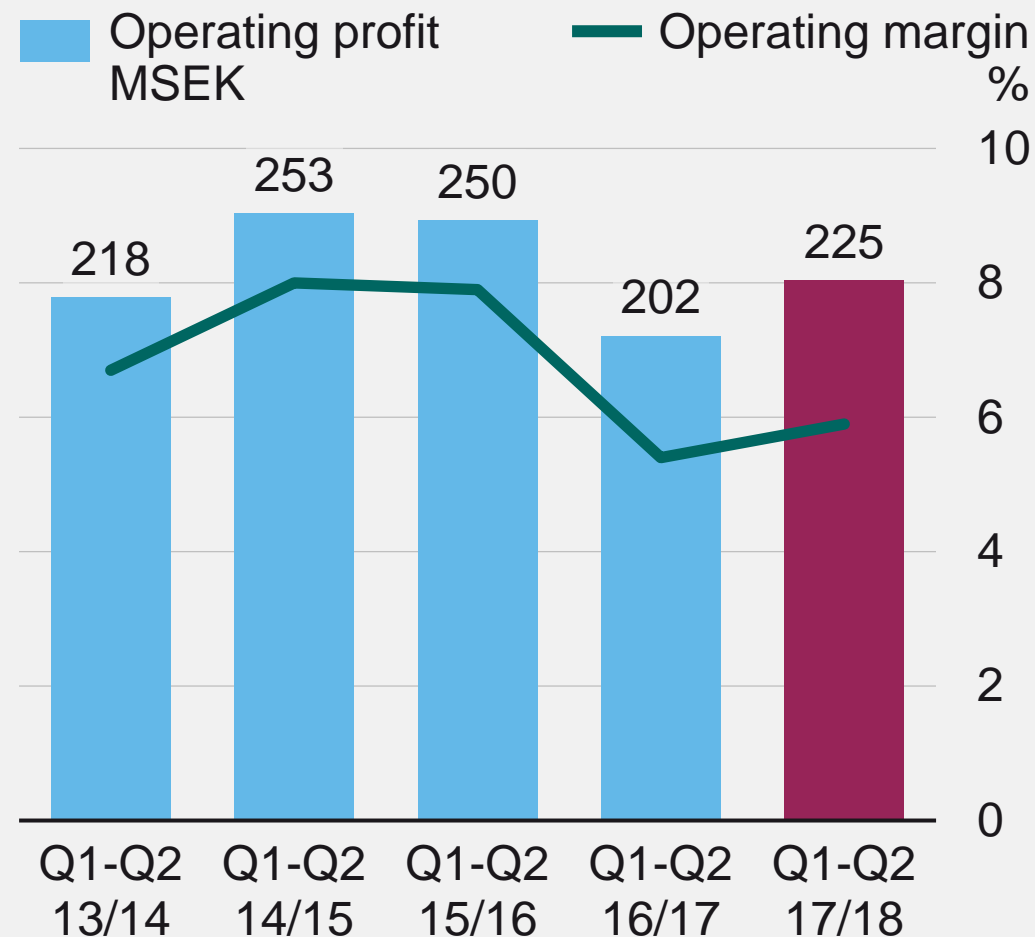
- Sales 3,782 MSEK, up 2%
 - Sweden +1%
 - Norway +3%
 - Finland +8%
 - Outside Nordic countries -19%*
- Sales up 2% in local currencies
 - LFL down 1%
- 7 additional stores net compared to end of period last year (3)

*Effected by store optimization in the UK



Profit Q1-Q2

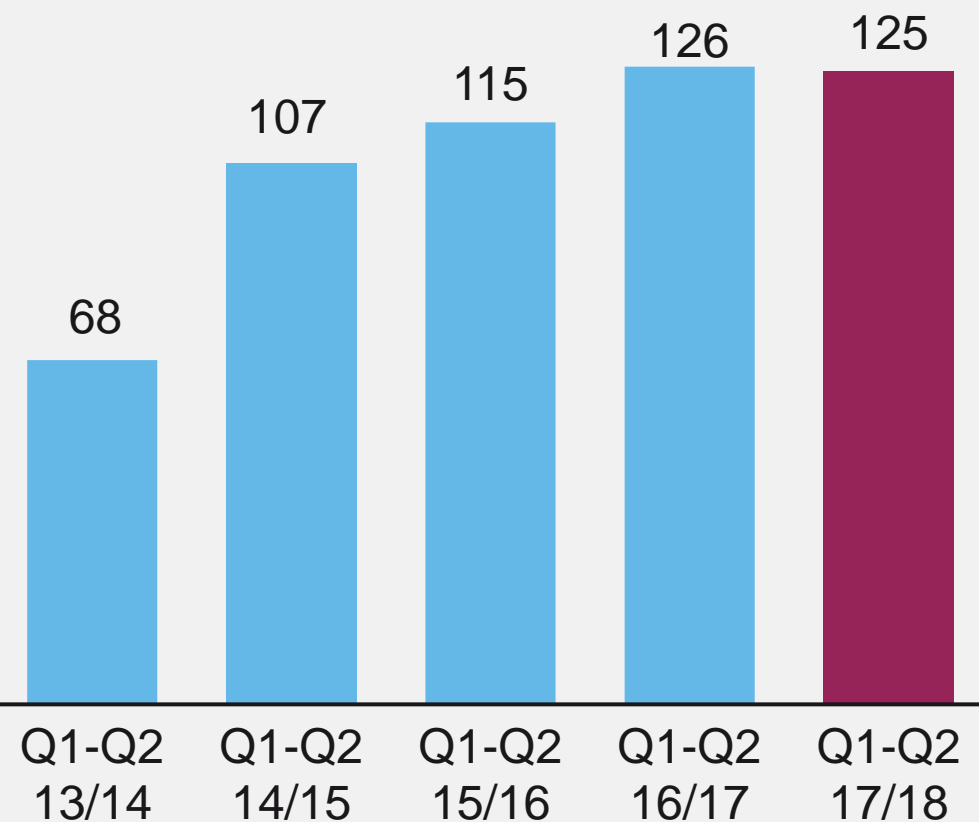
- Operating profit increased by 11% to 225 MSEK
- Operating margin increased by 0.5 percentage points to 5.9%
- Earnings per share increased by 12% to 2.74 SEK (2.44)



Investments

- Total investments 125 MSEK (126)
- New stores and refurbishments 50 MSEK (64)
- IT-systems 54 MSEK (44)
 - Implementation of new IT-platform
 - Other IT developments

MSEK



Strong financial position

- Cash flow from operating activities was 187 MSEK (44)
 - Inventory 2,068 MSEK (1,989)
 - Inventory turnover rate DC 6.8 (6.4)
- Cash flow after investments and financing activities of -329 MSEK (-389)
- Net cash holdings of 296 MSEK (100)
 - Dividend payout in September



Events after period-end

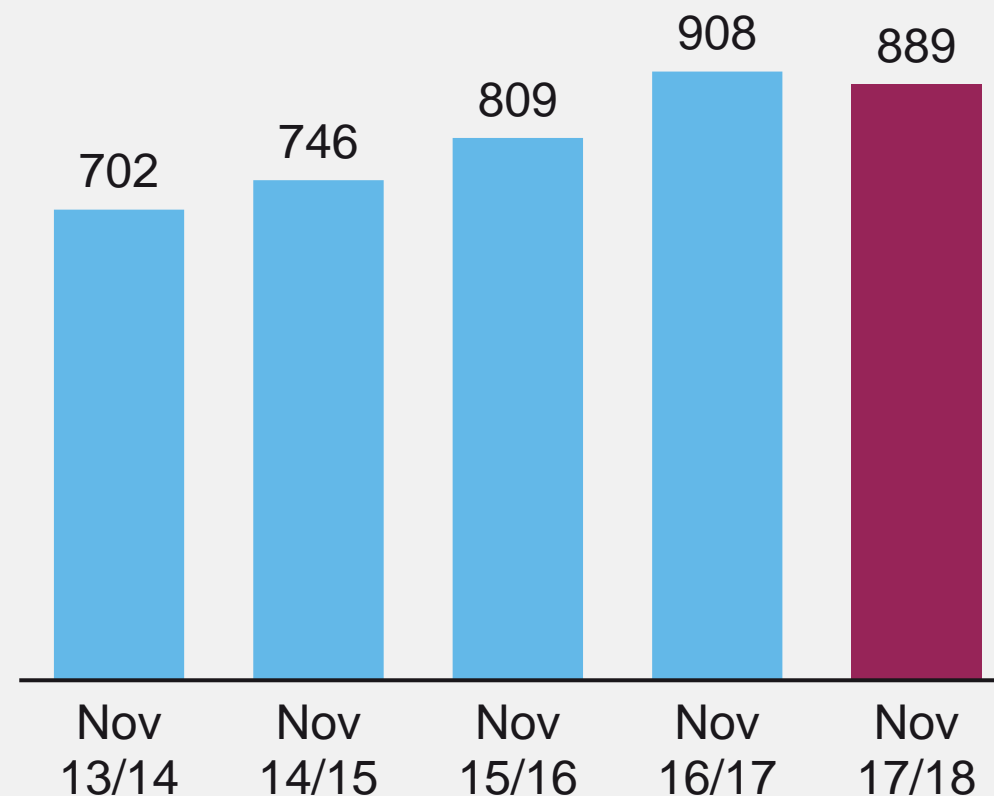


November sales

- Sales 889 MSEK
 - Sweden -4%
 - Norway -1%
 - Finland +3%
 - Outside Nordic countries -5%*
- Sales flat in local currencies
- LFL sales down 3%
- 15 additional stores net compared to end of November last year (7)

*Effected by store optimisation in the UK

MSEK





Update
strategic review

Strategic review time plan



A fantastic foundation
to build on, and
a mission that could
be relevant also for a

100 *more*
YEARS



Our mission

is to help and inspire people to improve their everyday life by offering clever and convenient practical solutions at great value

MEGA TRENDS



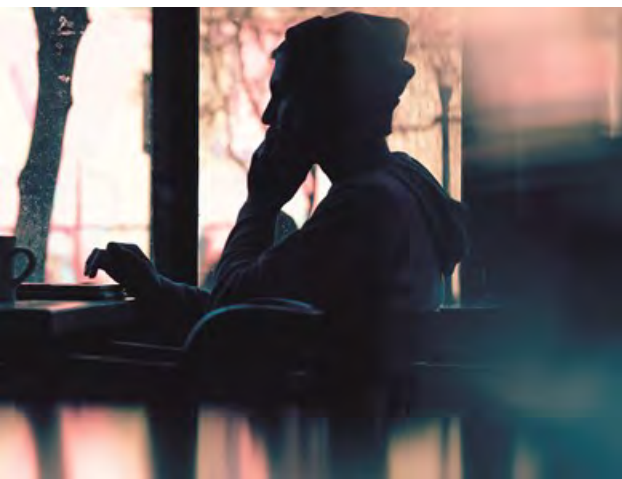
1 Businesses are redefined



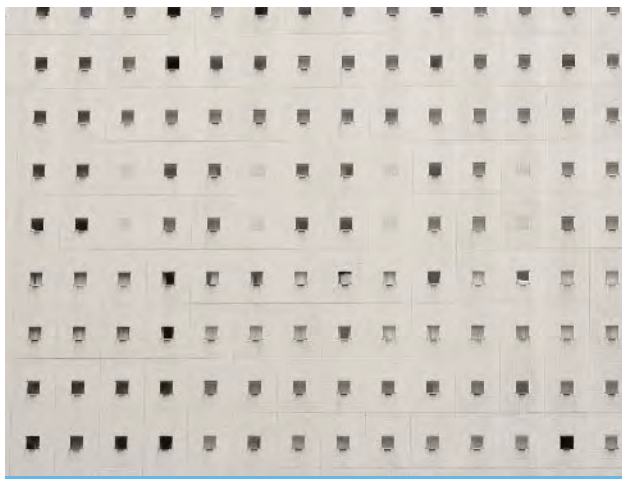
2 Transformative business



3 The technological breakthroughs



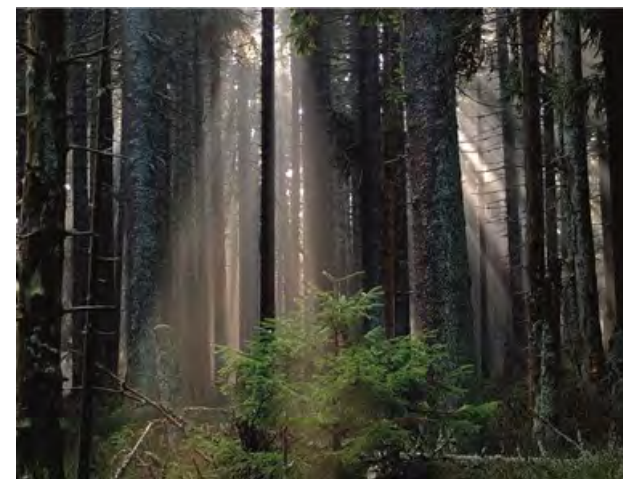
4 The empowered consumer



5 The new urban world



6 The future of work



7 Climate change and resource scarcity

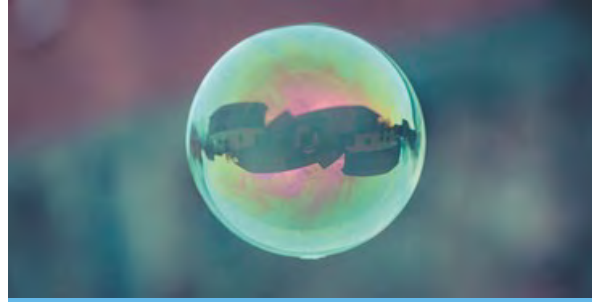
MICRO TRENDS



1 Ageing customers with a bigger consumer voice



2 Younger consumers' independence



3 The technological breakthroughs



4 A sustainable and minimalistic lifestyle



5 Wellness and healthy living



6 Creating meaningful experience is crucial



7 Faster shopping and rapid convenience



8 Get real!



9 Demand for personalization and co-creation



10 The importance of the post-purchase experience



11 Privacy and security



12 Future households

Broad involvement and a solid array of data sources



Scope of strategic review

- ➔ Need to evaluate new business segments
- ➔ Need to consider what segments to remove
- ➔ Need to evaluate potential strategic cooperations and partnerships

*Potential for growth
in every aspect, including
capitalising on strong brand
in Nordic countries using
new business models*

Termination of franchise agreement

- The franchise partnership with SYH Retail has been ended
- The evaluation period showed below expectations sales growth
- The two franchise stores in Dubai are closing in December 2017



Refocus store expansion in Nordic markets

- Store expansion of regular Clas Ohlson stores in the Nordic markets being paused
 - 11 stores already contracted being an exception
- Focus on tests of new store formats and concepts
- Review and optimisation of store locations being intensified



Focus going forward

- Secure Christmas offering and best possible customer meeting
- Prepare for 100 years celebration with all stakeholders
- Keep high speed in strategic overview
 - Focus on growth in every aspect
 - Assessing potential in Nordic markets
 - New business models being evaluated



100 *more*
YEARS

clas
ohlson

The image shows a graphic for Clas Ohlson's 100th anniversary. It features the text '100 more YEARS' in purple, with 'more' in a cursive font. To the right is the Clas Ohlson logo, which consists of a blue square containing the words 'clas' and 'ohlson' in white, stacked vertically.



Merry Christmas
and
Happy New Year

Q&A

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www.clasohlson.com