Q4 and Year-end Report 2018/19

5 June 2019

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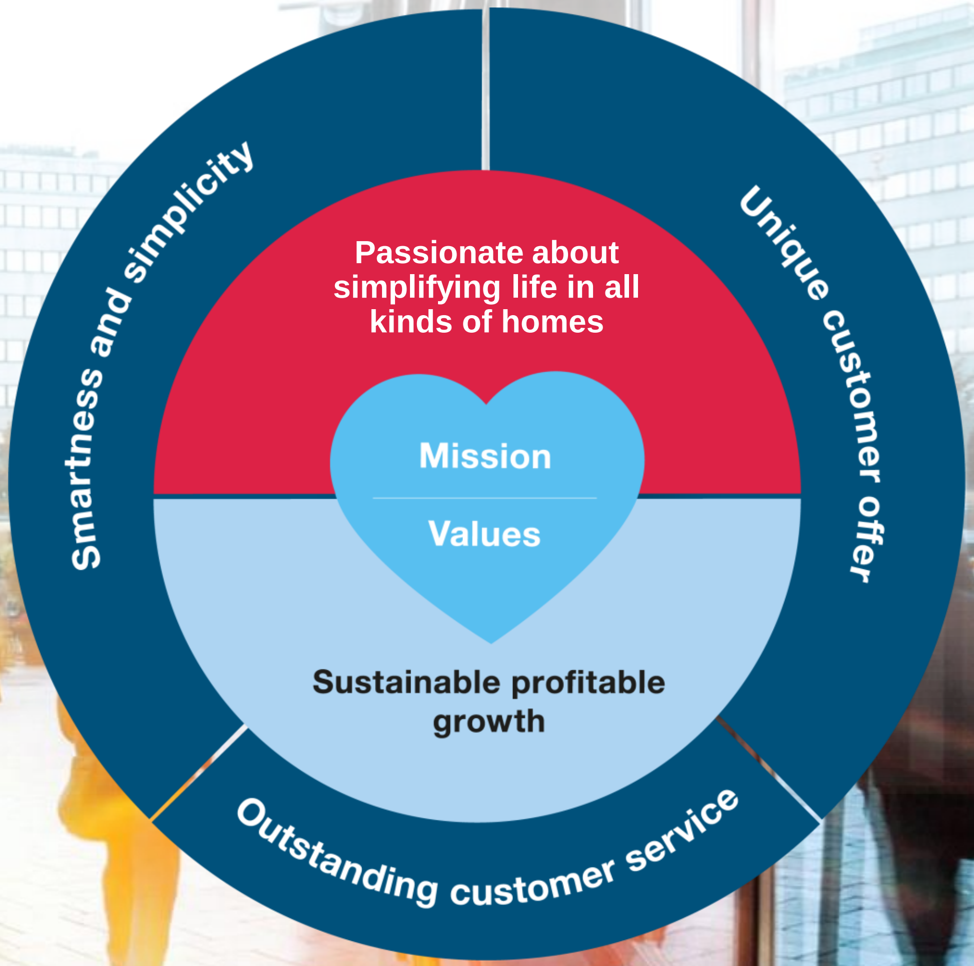
First half of CO100+ accomplished

- CO100+ implementation on track
  - High speed in both growth and cost savings initiatives
  - 2 per cent of underlying operating margin invested in sales growth and cost savings initiatives FY18/19, equivalent to approx. MSEK 180
- Closure of stores in UK and Germany proceeding according to plan
- Delivering in line with guidance on margins for FY 2018/19 – and long-term financial targets
  - Operating margin at 3.5 per cent* vs. guidance approximately 3 per cent
  - Underlying operating margin at 5.7 per cent



* Excl. costs for closure of store network in UK and Germany

Agenda

- Business update
- Financial development
- Events after reporting period
- Summary and Q&A

Q4 2018/19 in brief

- Sales +4 per cent, organic +2 per cent and unchanged LFL
- Online sales +33 per cent
- Improved gross margin at 38.2 per cent (36.7)
- Improved operating result, both reported and underlying
- Full focus on lower costs when implementing CO100+

CO100+ UPDATE

Strategy defined in CO100+ action programme

An action programme…

1-2% of the underlying operating margin invested in sales growth and cost savings initiatives during FY18/19 and FY19/20

…focusing on strategic initiatives…

Cost savings initiatives 200-250 MSEK

- ✓ More efficient organisation
- ✓ More optimised assortment
- ✓ Indirect purchasing, sourcing and logistics more systemised

Growth initiatives

- ✓ Sales per customer increases
- ✓ Sales per square meter increases
- ✓ Sales online to double every other year

…to achieve Clas Ohlson's financial targets

Average annual organic sales growth of 5% during the current five year period

Operating margin of 6-8% from FY20/21 and onward

Focus on implementation –
Cost savings initiatives totalling 200-250 MSEK

More efficient organisation

- Organisational review to reduce costs and create a more efficient organisation
- sCORE - an enabler for significant efficiency measures

More optimised assortment

- More optimised assortment
- Efforts to reduce COGS

More systemisation

- Significant cost savings within indirect purchasing
- Implement supply chain optimised for all channels

Focus on implementation –
Growth initiatives for continued 5% organic growth

Increase sales per sqm

- Store optimisation within existing contractual framework
- New store formats being tested
- More optimised assortment
- Increase own brands’ share of sales
- sCORE enables customer centric operations

Increase sales per customer

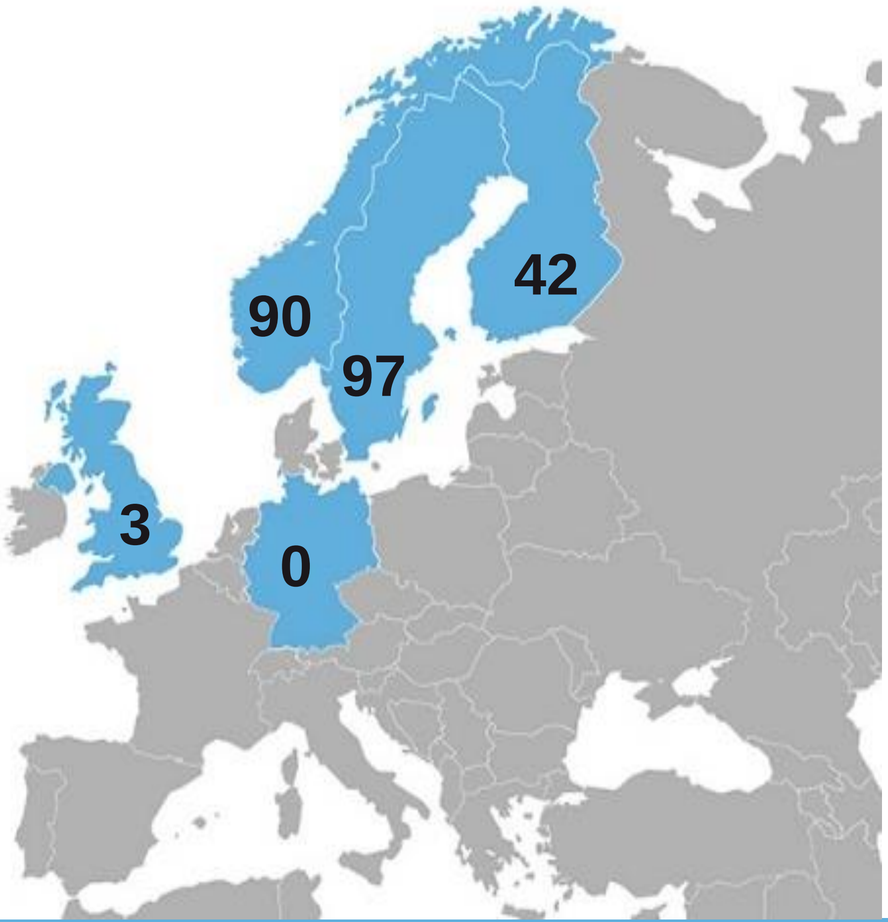
- Moving up the value chain
- Increase cross-selling
- In-store solutions for guidance
- Offer online guidance
- Clas Fixare – launched in Stockholm 26 November

Double sales online every other year

- Broadened online offering
- Increased capacity and improved capabilities – digital and delivery
- Click & Collect break through in December
- Strategic cooperation with MatHem expanded

Our store network

- Closing of store network in the UK and Germany according to plan
  - All stores in Germany closed
  - Three UK stores closed – last store planned to close by end of September
  - Total cost for closure 210 MSEK in FY 2018/19
  - Positive contribution to P&L of approximately 75 MSEK with full effect after Q2 2019/20
- Store network comprised of 232 stores at year-end
  - Net addition of 3 stores in FY 2018/19
  - 4 contracted upcoming store establishments in FY 2019/20

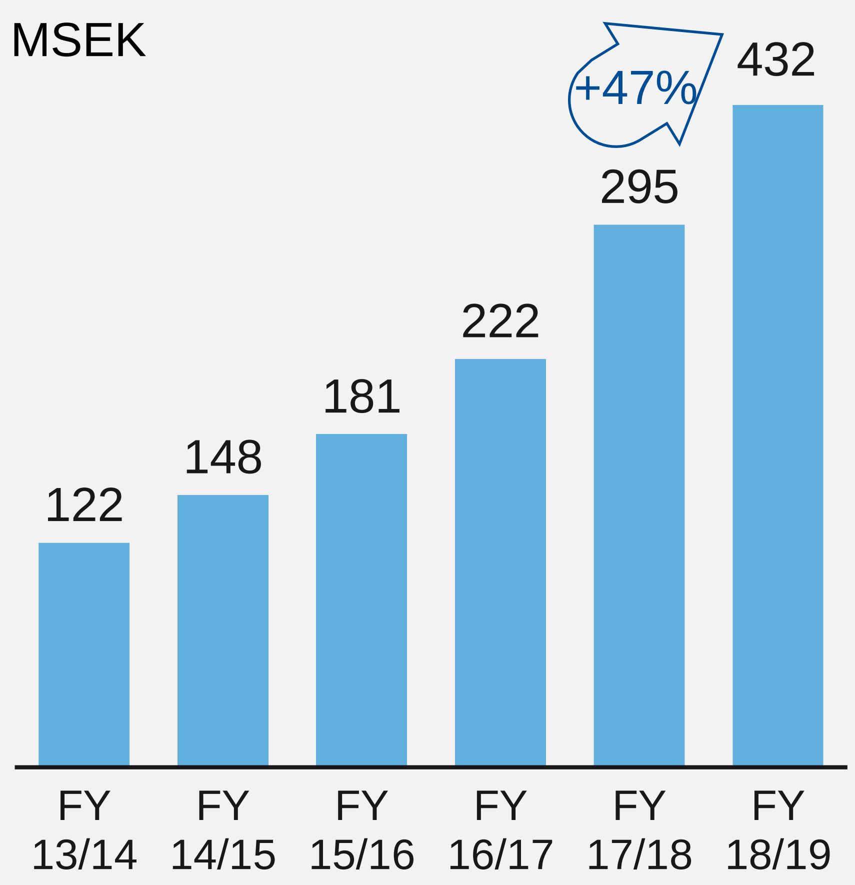


Vitalizing the role of the Clas Ohlson store

- Most sales still in physical stores
- Changed preconditions for retail in store
- Important role in an increasingly digitalized customer experience
  - Hub for distribution
  - Service and convenience
- Successful initiatives to increase sales per sqm
- Major review of all leases in the Nordics, addressing a structural problem for the sector

Online growth initiatives produce results

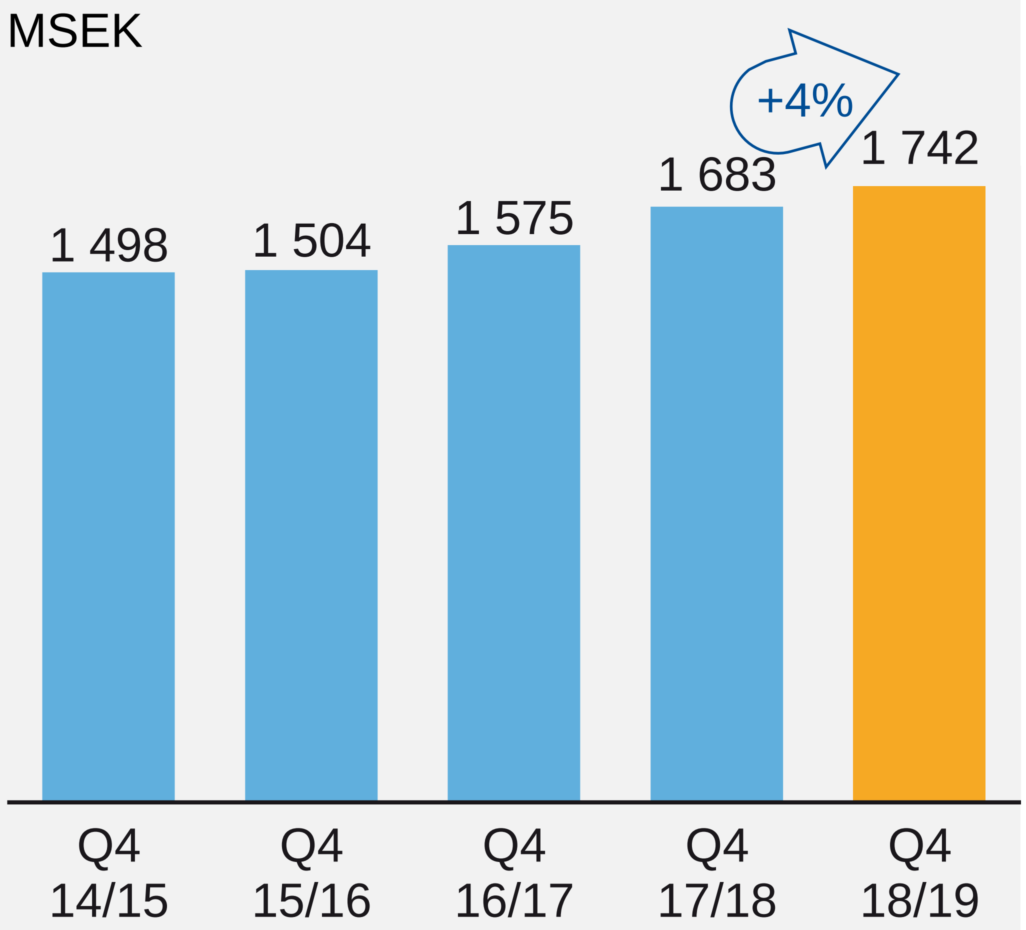
- Significant upgrade of front-end and delivery functions in 2018/19
- Next step major upgrade of back-end to enable further online growth



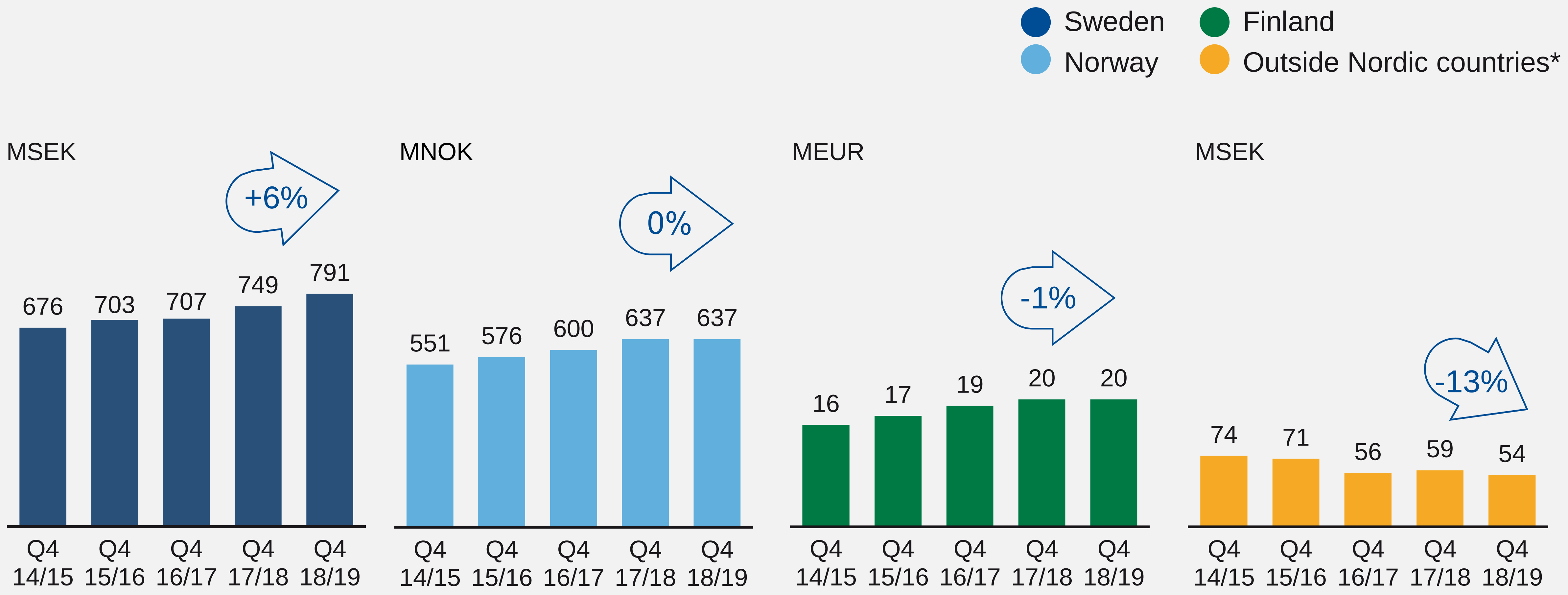
FINANCIAL DEVELOPMENT Q4

Sales Q4

- Q4 sales 1,742 MSEK, up 4 per cent
- Organic sales up 2 per cent, LFL sales unchanged
- Online sales increased by 33 per cent
- Reduction of 6 stores (net) in Q4



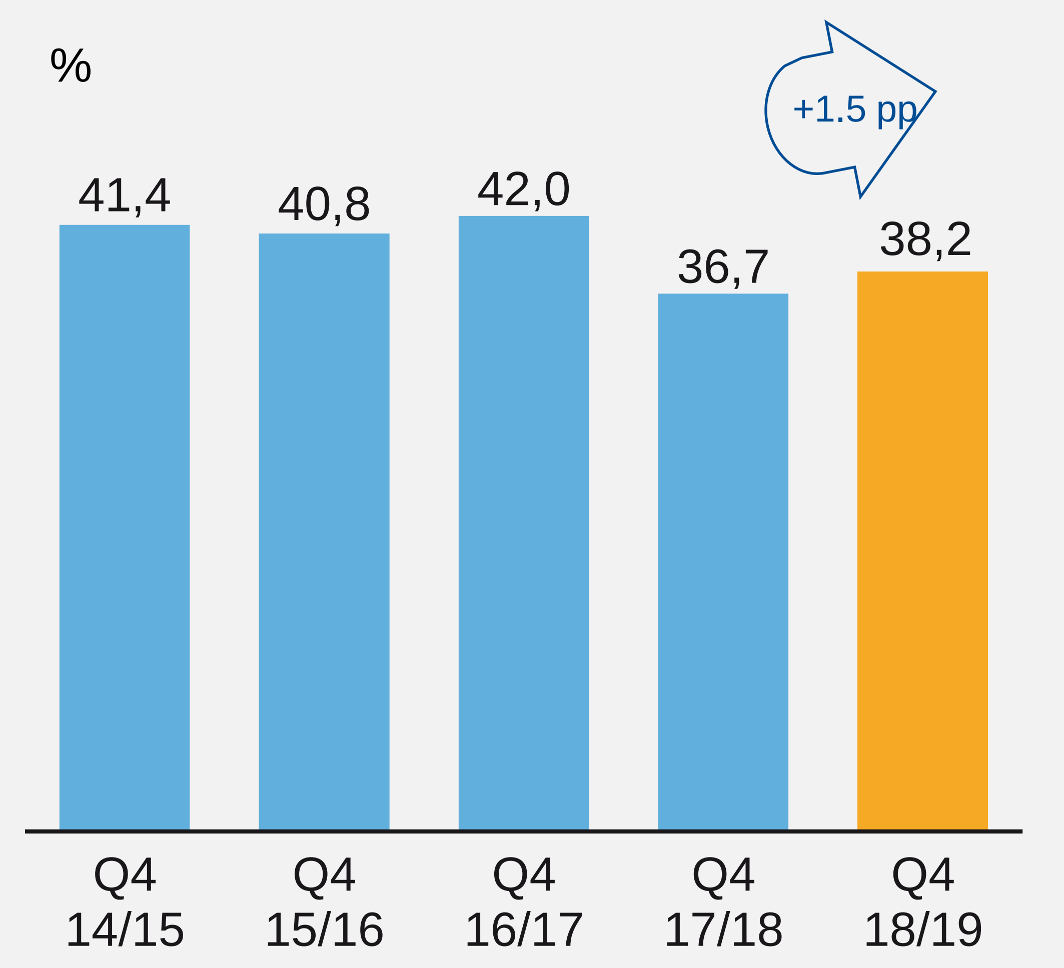
Sales trend per market



*Effected by store optimisation in UK

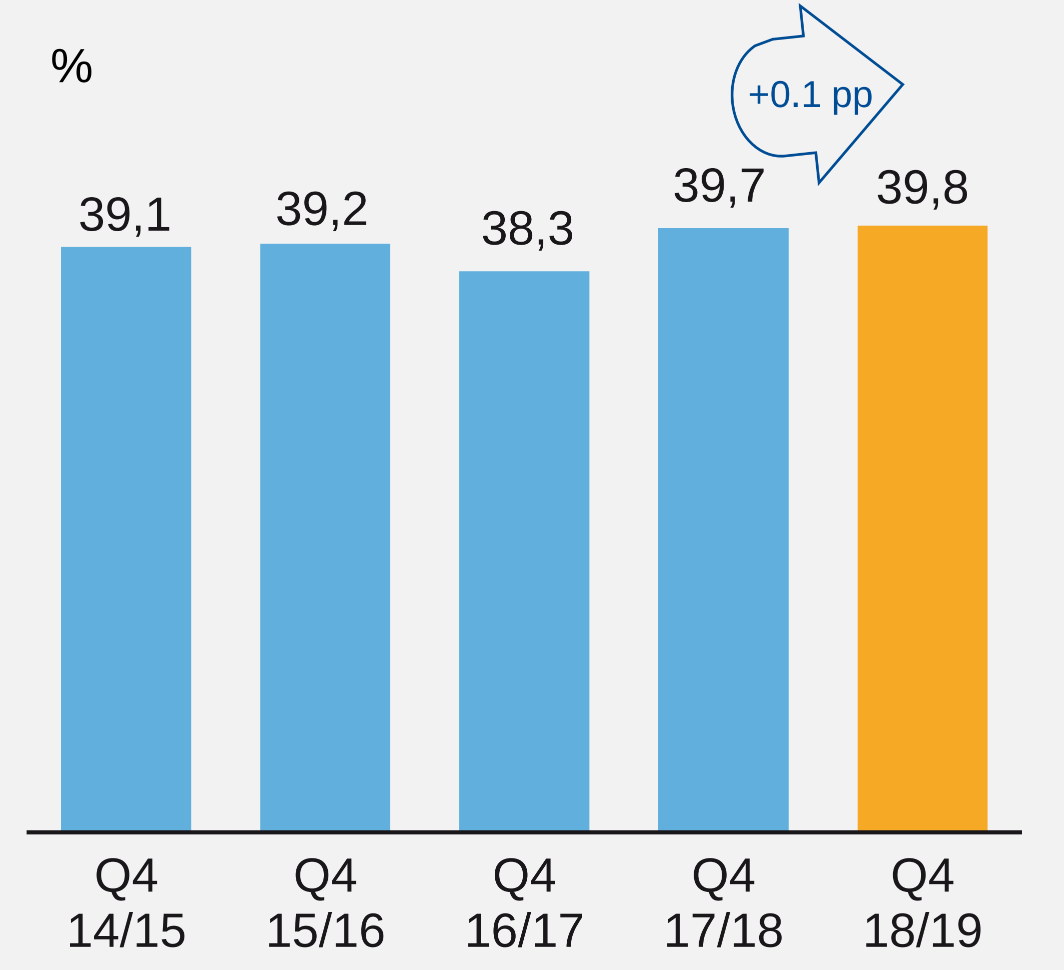
Gross margin Q4

- Improved gross margin with 1.5 percentage points to 38.2 per cent (36.7)
- Positive effects from improved campaign profitability, strong NOK, FX-hedges
- Negatively impacted by stronger purchasing currency (USD) and increased sourcing costs



Share of selling expenses Q4

- Share of selling expenses 39.8 per cent up 0.1 pp.
- Impacted by CO100+ programme



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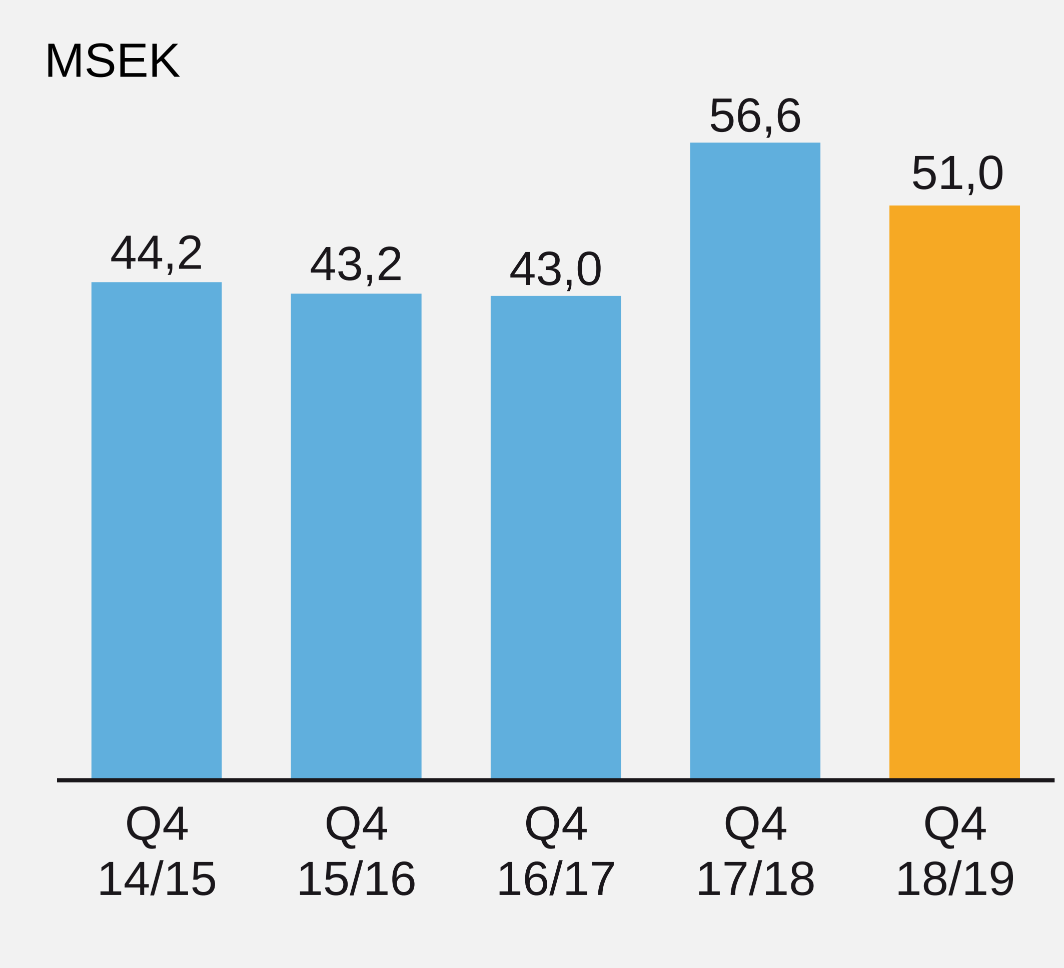
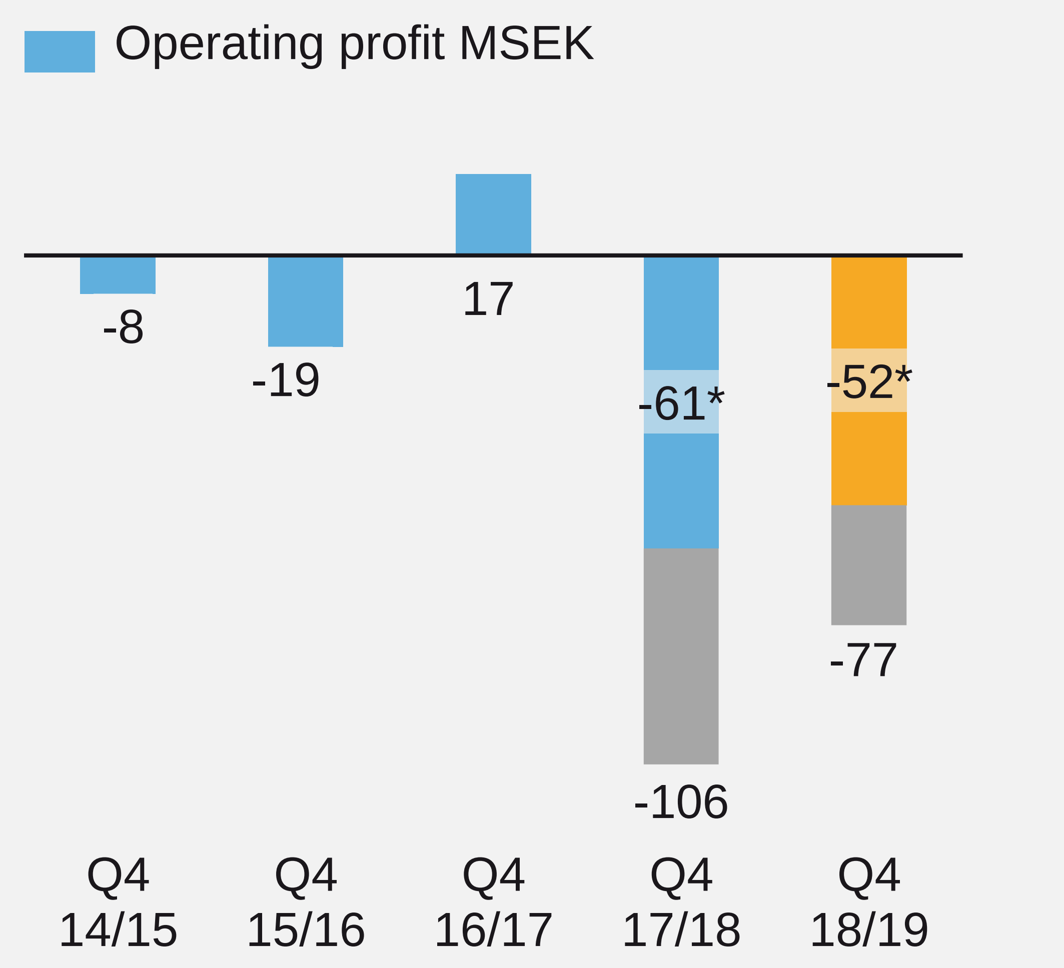
Administrative expenses Q4

- Administrative expenses decreased compared to previous year
- Amounted to 51.0 MSEK (56.6)



Profit Q4

- Operating profit improved to -77 MSEK (-106)
- Non-recurring costs and costs for action programme CO100+ totalling 25 MSEK (45)
- Underlying EBIT* improved to -52 MSEK (-61)
- Operating margin -4.4 per cent (-6.3)
- Earnings per share -0.98 SEK (-1.36)



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FINANCIAL DEVELOPMENT 2018/19

Sales 2018/19

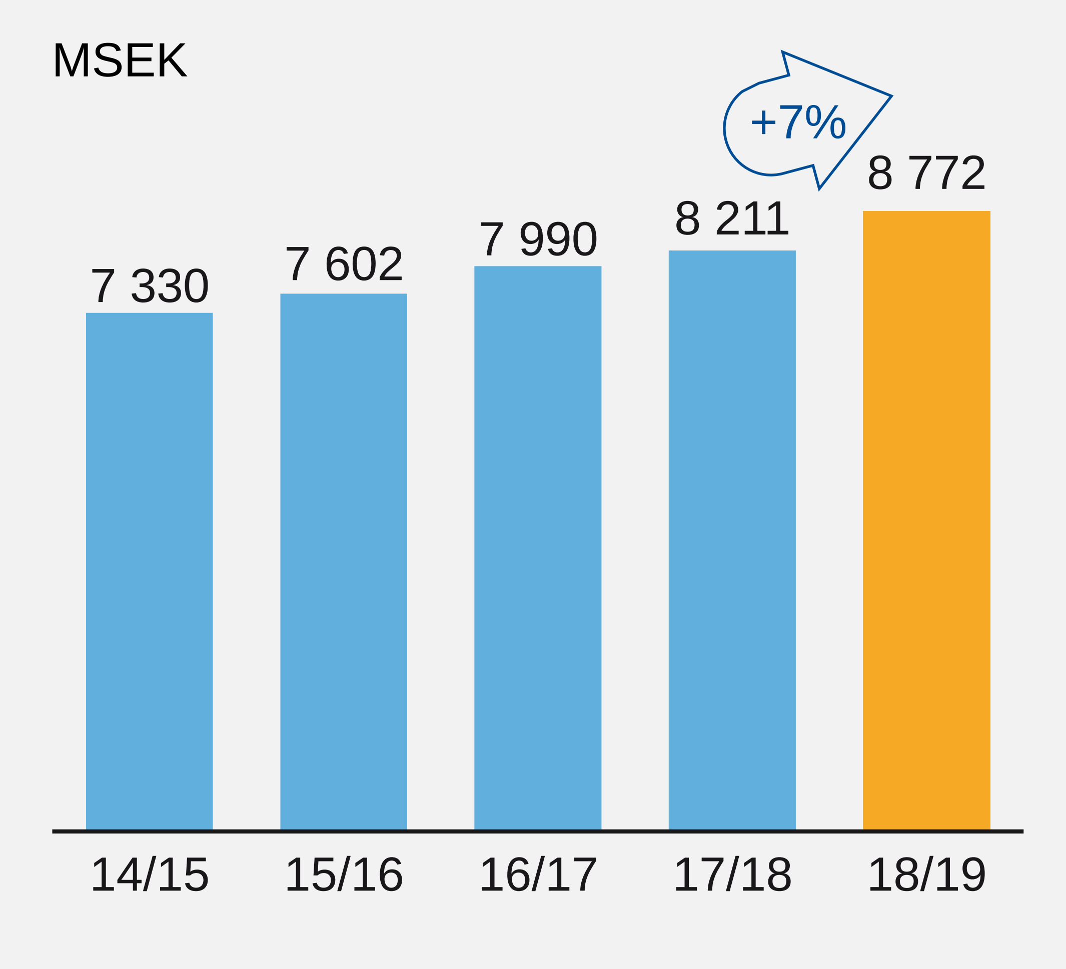
- Sales 8,772 MSEK, up 7 per cent
  - Sweden +5 per cent
  - Norway +9 per cent
  - Finland +7 per cent
  - Outside Nordic countries +6 per cent*

- Organic sales up 4 per cent

- LFL sales up 1 per cent

- Online sales up 47 per cent

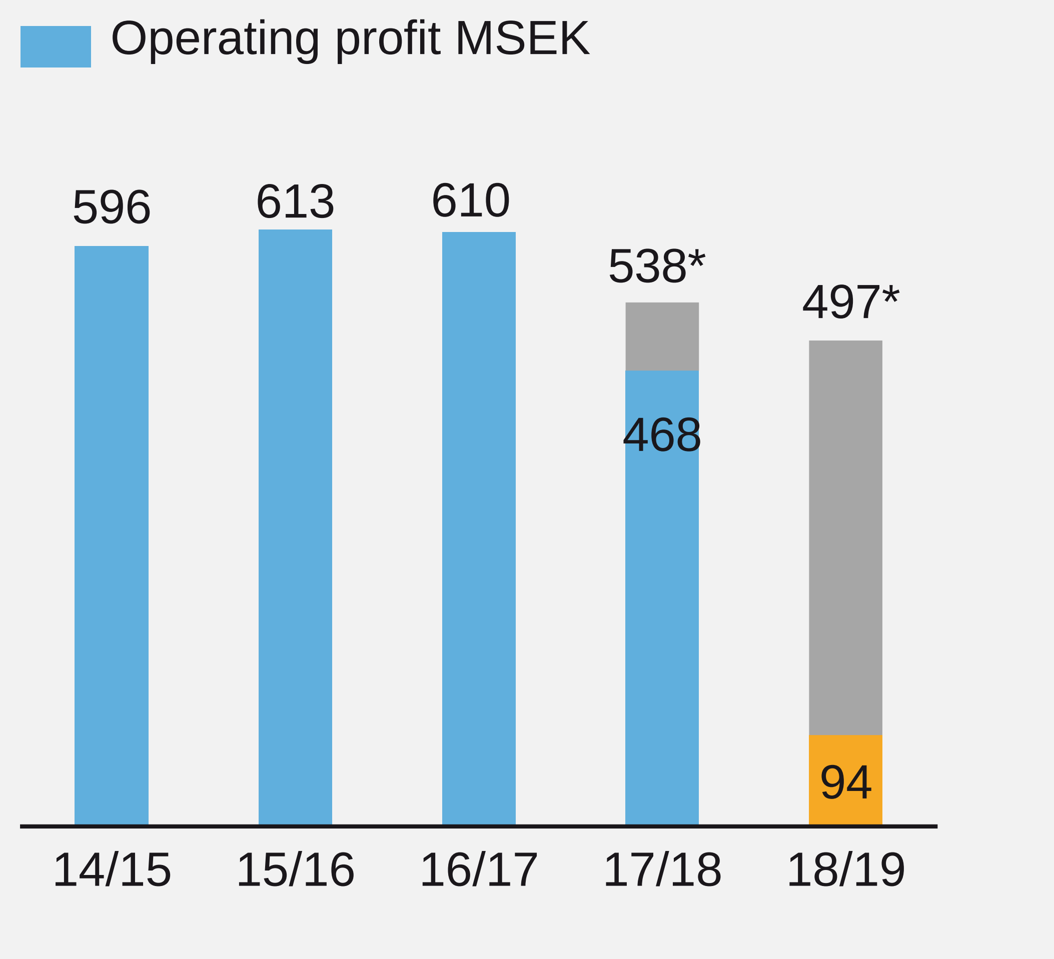
- 3 additional stores net compared to end of period last year (13)



*Effected by closure of stores in the UK and Germany.

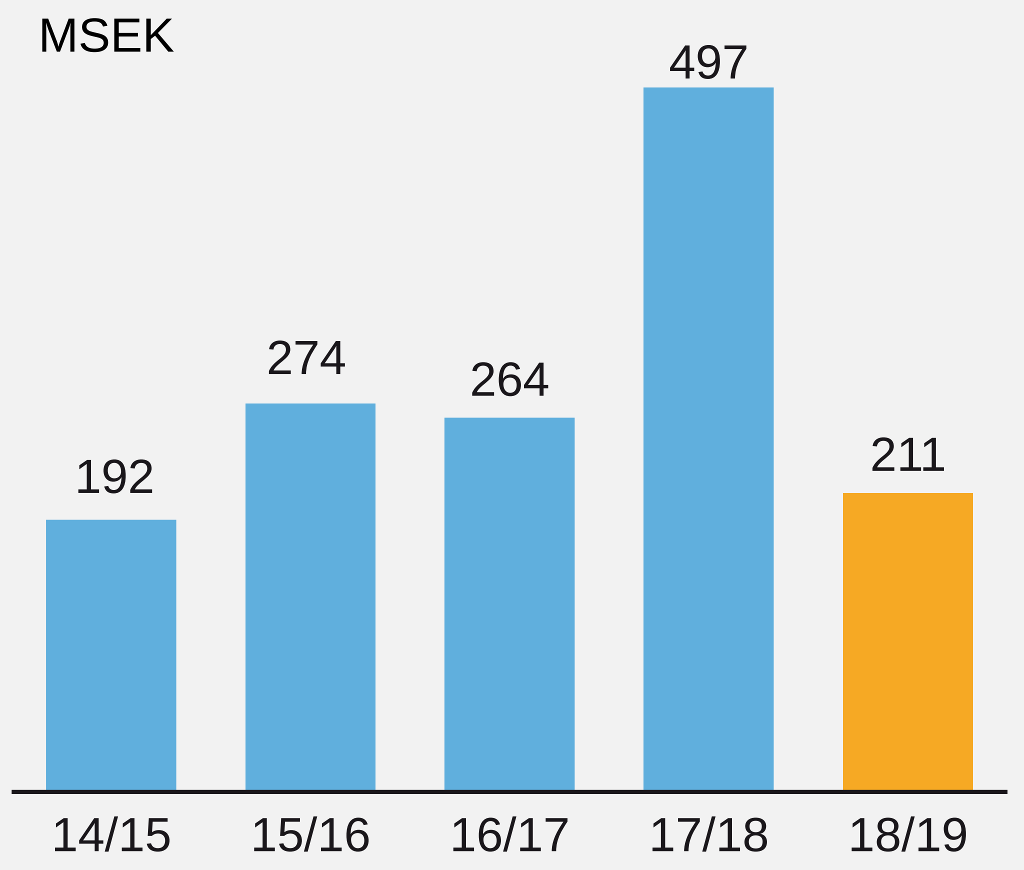
Profit 2018/19

- Operating profit 94 MSEK (468)
  - Operating margin 1.1 per cent
- Costs totalling 405 MSEK (70) relating to non-recurring costs, action programme CO100+, sCORE and closing of stores in UK/Germany
- Underlying EBIT* 497 MSEK (538)
  - Underlying operating margin 5.7 per cent
- Underlying operating margin excluding costs for closure of store network in UK and Germany 3.5 per cent
- Earnings per share was 1.13 SEK (5.66)



Investments

- Total investments 211 MSEK (497*)
- New stores and refurbishments 51 MSEK (82)
- IT systems 105 MSEK (124)



*Including the acquisition of MatHem of 224 MSEK.

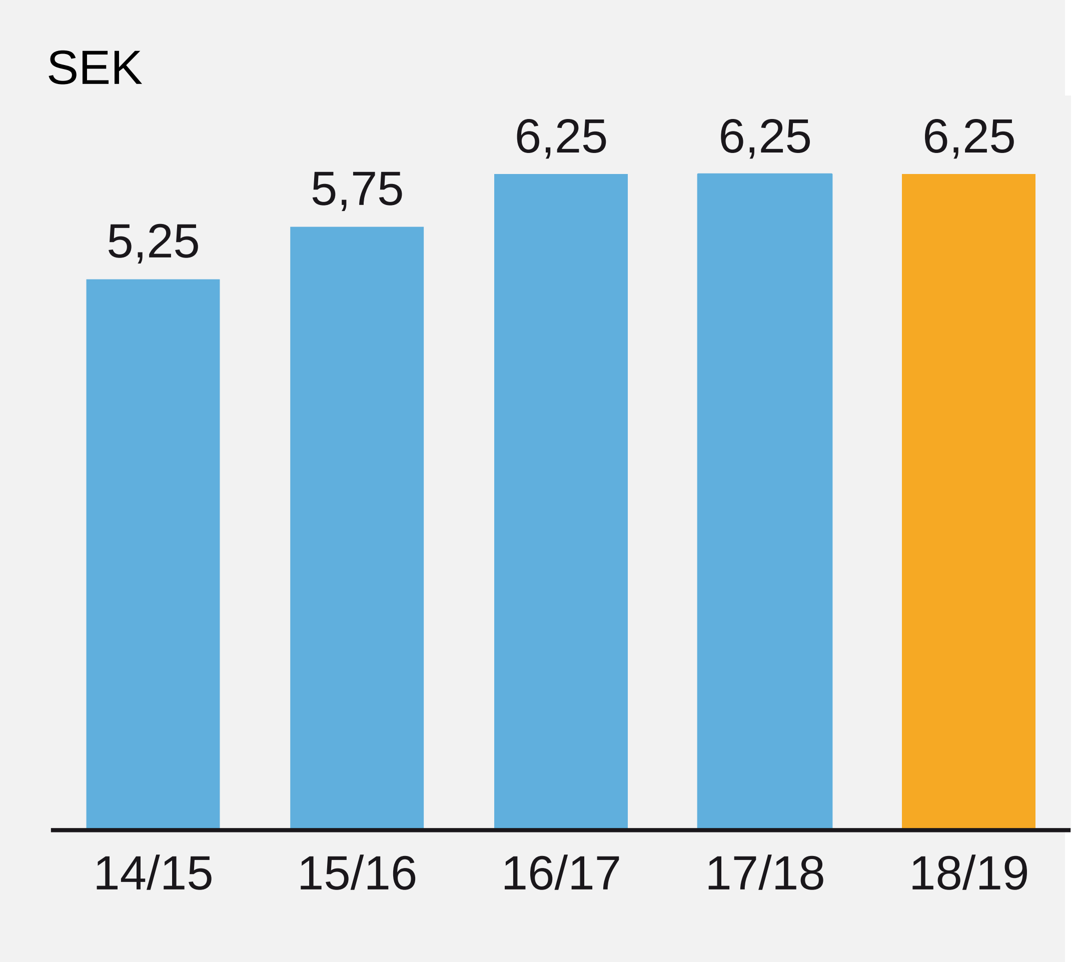
Financial position

- Positive cash flow from operating activities of 312 MSEK (373)
- Inventory 1,987 MSEK (2,038)
- Cash flow after investments and financing activities of -11 MSEK (-514)
- Net debt of 178 MSEK (116, net cash)
- Approved credit facilities of 750 MSEK, of which SEK 283 million was utilized at the end of the period

Proposed dividend

- Proposed dividend 6.25 SEK per share (6.25), to be distributed as two separate payments in September and January
- In line with dividend policy and guidance

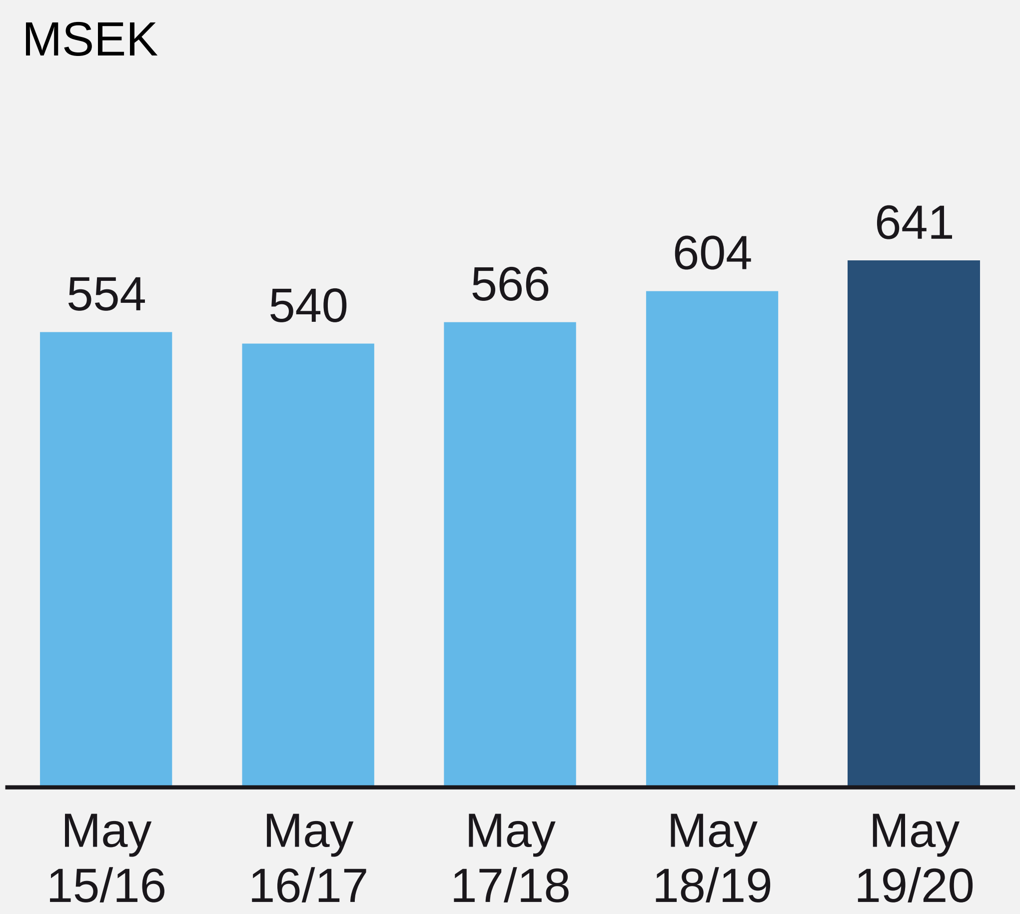
  At least 50 per cent of earnings per share after tax, with consideration for the financial position



Events after reporting period

May sales

- Sales 641 MSEK, up 6 per cent
- Organic sales up 5 per cent
- LFL sales up 5 per cent
- Online sales up 26 per cent
- 1 additional store net compared to end of May last year (14)



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SUMMARY

Summary

- Full-year growth both in stores and online in a challenging market climate
- Delivering in line with guidance on margin for FY 2018/19 (approx. 3 per cent)
- First half of CO100+ accomplished and on track

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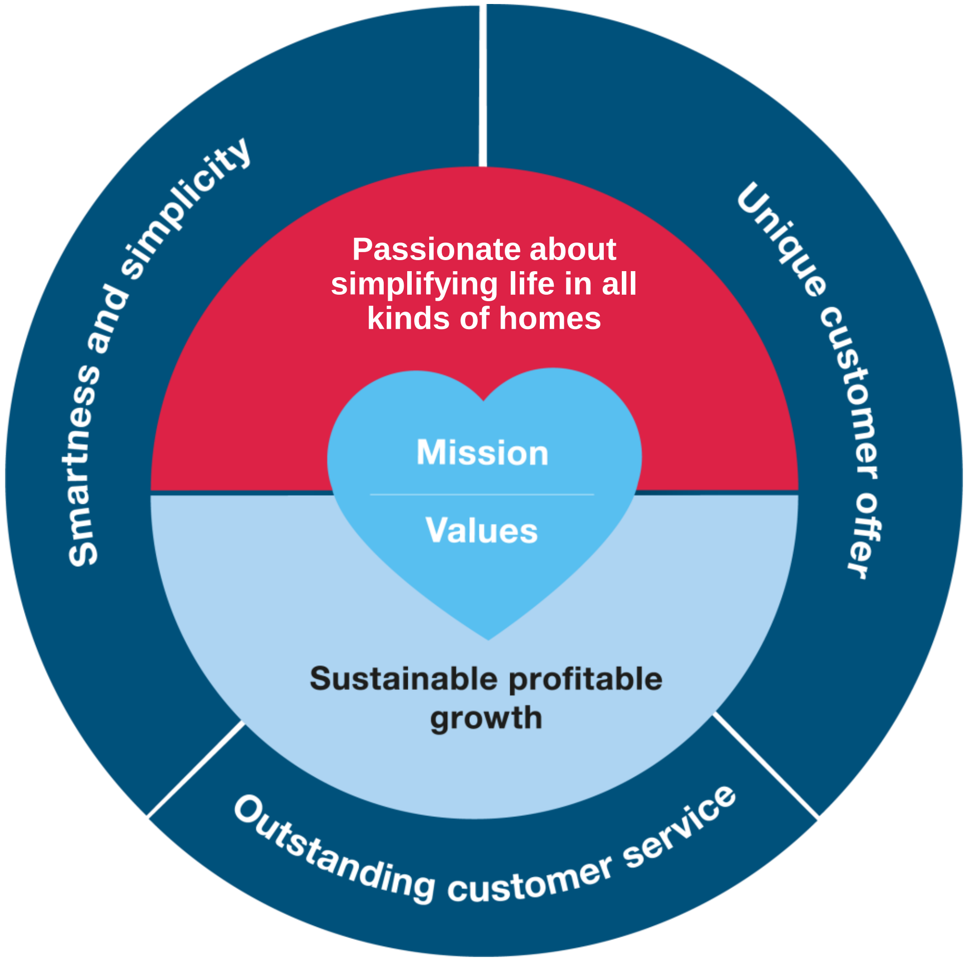
Going forward

- CO100+ action program designed to meet the changes in the market
  - A more unique customer offer
  - Grow online business & optimise store network
  - Full focus on lower costs in 2019/20
  - Investing 1-2 per cent of the underlying operating margin in 2019/20
- We take, and will take, the actions needed to deliver long-term profitable growth



Delivering on an operating margin of 6-8% from 2020/21

Q&A

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