

2004-06-22

Lindex Interim Report for the third quarter

1 March–31 May 2004

Result charged with one-off costs of SEK 71M

September–May 2003/2004

- Sales increased by 2.2 (4.0) per cent to SEK 4,034M (3,947). The Lindex Group's same-stores sales, excluding the currency effect, rose by 5.1 per cent.
- The result after tax amounted to SEK 0M (120), equivalent to SEK 0.00 (8.70) per share.
- Operating profit fell to SEK 33M (177). Profit after financial items fell to SEK 33M (176). Excluding the one-off costs the operating profit amounted SEK 104M.
- The operating margin decreased to 0.8 per cent (4.5) and the gross margin amounted to 53.9 per cent (57.3). Excluding the one-off costs the operating margin fell to 2.6 per cent (4.5) and the gross margin amounted to 56.5 per cent (57.3).
- Cash flow from current operations amounted to SEK 179M (447) for the first nine months.

Third quarter of the 2003/2004 financial year

- Sales increased by 2.4 per cent (1.0) to SEK 1,282 M (1,252).
- Profit after financial items fell to SEK 1M (76). The operating profit amounted to SEK 1M (76). Operating profit was charged with one-off write-downs of ladies' wear inventories, structural and closure costs of SEK 71M (10).
- Profit after financial items in the Nordic operations fell to SEK 35M (98). Excluding the one-off costs the profit after financial items amounted to SEK 97M in the Nordic operations.
- The gross margin decreased to 53.8 per cent (60.4). Excluding the one-off write-down of ladies' wear inventories the gross margin amounted to 57.3 per cent.
- Costs in the current operations decreased.

The Lindex Group consists of two retail chains: Lindex, which has 316 stores in the Nordic market and 30 stores in Germany, and Twilfit, which has 59 stores in Sweden of which ten are operated as franchise stores. The Group's business areas are Lingerie, Ladies' Wear and Children's Clothing.

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Market and demand

The weak growth in the retail clothing markets continued during the third quarter. The retail clothing and outfit market in Sweden grew by 0.3 per cent during the quarter. The German market continued to decline and fell by 5.9 per cent.

Sales and gross margin

During the period March to May 2004, the Lindex Group's sales rose by 2.4 per cent (1.0) to SEK 1,282M (1,252). The Lindex Group's same-stores sales increased by 2.4 per cent. Excluding the currency effect, sales increased by 3.4 per cent. New stores contributed an increase of 1.0 per cent. Closed stores affect the comparison with the previous year by the equivalent of 1.0 per cent.

During the quarter, same-stores sales increased in all markets. The positive sales trend in Finland continued during the third quarter and same-stores sales increased by 12.1 per cent compared with the previous year.

Lindex maintains its strong position and is the market leader in lingerie in Sweden and Norway and among the leaders in children's clothing and ladies' wear.

The gross margin for the quarter fell significantly and amounted to 53.8 per cent (60.4). The gross margin was affected by one-off write-downs of ladies' wear inventories amounting to SEK 45M due to too large purchasing volumes, in particular of the spring trouser range. The gross margin was also affected by larger than normal price reductions for the period. Excluding the one-off write-downs the gross margin amounted to 57.3 per cent for the quarter.

The gross margin for the first nine months fell to 53.9 per cent (57.3).

As a significant proportion of the Group's purchases are made in USD or USD-linked currencies, Lindex is exposed to fluctuations in the USD rate. Lindex's hedging policy, with contracts for a maximum period of three to six months from the date of order, reduces the currency risk. The lower USD rate had a positive effect on Lindex's purchasing costs during the period.

Profit after financial items fell to SEK 1M

Profit after financial items for the third quarter fell to SEK 1M (76). Operating profit amounted to SEK 1M (76) and was charged with one-off costs totalling SEK 71M (10). Of these costs, SEK 45M are for one-off write-downs of the ladies' wear inventories, SEK 17M in structural costs relating to staff redundancies and SEK 9M relating to costs for store closures in Germany.

The structural costs relate to terminating the employment of the Presidents of both AB Lindex and Twilfit as well as senior executives within business area Ladies' Wear.

During the third quarter, Lindex continued to reduce the costs of the current operations. A changed marketing mix has led to reduced marketing costs with a maintained visitor trend. Lower personnel costs (excluding structural costs) and a continued focus on procurement of external services and other consumable supplies also contributed to an improved cost development.

Profit after financial items in the Nordic operations for the third quarter fell to SEK 35M (98). Excluding one-off costs of SEK 62M for one-off write-downs of inventories and structural costs relating to staff redundancies, profit after financial items in the Nordic operations amounted to SEK 97M.

Financial income and expenses amounted to SEK 0M (0) for the quarter. Interest expenses on interest-bearing liabilities, which averaged SEK 102M (48) during the third quarter, amounted to SEK 1M (1).

Operating profit for the first nine months of the financial year fell and amounted to SEK 33M (177). Profit after financial items fell to SEK 33M (176).

Financial income and expenses for the first nine months amounted to SEK 0M (-1) and interest-bearing liabilities averaged SEK 46M (100). Interest expenses amounted to SEK 1M (4).

Developments in Germany

During the third quarter, sales in the retail clothing and outfit sector in Germany remained lower than in the previous year and fell by 5.9 per cent. In the third quarter, Lindex continued to do better than the market and same-stores sales rose by 1.2 per cent.

The result after financial items of the German operation for the third quarter amounted to SEK -34M (-22) in total. The result in Germany was charged with costs of SEK 14M for three store closures (the Group's result is charged with SEK 9M due to differences in methods used to calculate depreciation between the countries).

Lindex intends to close an additional five to seven stores in Germany as soon as possible.

Lindex expects that the German operation will be generating a continual contribution to the Group's cash flow by October 2004.

The result after financial items amounted to SEK -86M (-78) for the first nine months of the financial year.

Store network

During the third quarter of the financial year, the Lindex Group opened two (2) new stores, including one store in Tallinn in Estonia. The store is operated as a part of Lindex's Finnish operation. During the quarter, no stores were closed (3). One Twilfit store was relocated.

During the first nine months of the financial year, Lindex opened a total of seven (4) new stores and closed three (5) stores.

Twilfit chain

Twilfit supplements the Lindex chain in the Swedish lingerie market. Work is underway to develop the concept of the Twilfit chain and to make its offering clearer.

As a concluding part of the integration of Twilfit, the purchasing and marketing functions were co-ordinated with the corresponding departments at the Group's head office in Göteborg.

Taxes

Deferred and paid taxes amounted to SEK 8M (33) for the third quarter of the financial year. The tax rate was 28 per cent in Sweden, Norway and Finland, 38 per cent in Germany and 16 per cent in Hong Kong.

Deferred taxes recoverable on accumulated losses in the German company are reported at SEK 101M.

Inventories

Inventories on 31 May 2004 amounted to SEK 725M compared with SEK 766M on 31 May 2003. This is equivalent to 13.4 per cent of 12 months' average sales compared with 14.8 per cent on 31 August 2003. Inventories were affected by one-off write-down of SEK 45M.

The turnover rate amounted to 2.6 times per annum.

Product supply

The implementation of the new business system started in the previous financial year. During the 2004 calendar year, it is expected that all the components will be completed and that the new product supply system will handle the majority of core fashion and fashion products.

Investment

The Group's net investment in fixed assets amounted to SEK 50M (33) for the third quarter of the financial year. Most of this is related to investment in existing stores and in the new business system.

Cash flow

The cash flow from the current operations amounted to SEK 179M (447) for the first nine months. The cash flow after investment amounted to SEK 44M (366).

The total cash flow was mainly affected by the dividend to the shareholders. The comparison with the previous year is affected by the sale of the customer portfolio for the Lindex credit card and the sale of the property in Alingsås, which was made during the first half of the 2002/2003 financial year.

Financing and liquidity

On 31 May 2004, liquid funds amounted to SEK 123M compared with SEK 248M on 31 August 2003. On 31 May 2004, net borrowing was SEK -104M compared with SEK -225M on 31 August 2003.

During the period, the net debt/equity ratio increased from -19.5 per cent to -10.6 per cent and the equity ratio fell to 53.8 per cent compared with 57.2 per cent on 31 May 2003.

Staff

The number of full-time employees during the latest 12-month period (June 2003-May 2004) amounted to 3,201 compared with 3,120 during the 2002/2003 financial year.

Parent company

Sales for the third quarter increased by SEK 17M to SEK 681M (664), equivalent to 2.4 per cent. The result after financial items decreased to SEK 3M (61). The net investment in fixed assets was SEK 62M (35). The result after tax decreased to SEK -14M (28). Net borrowing by the parent company amounted to SEK -66M (-109) on 31 May 2004.

Future information dates

Lindex's Year-End Report will be published on **23 September 2004** (Please note the new publication date).

Accounting principles

This Interim Report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20 Interim Reporting. The same accounting principles and calculation methods have been applied in this Interim Report as in the latest Annual Report with the addition of the Swedish Financial Accounting Standards Council's recommendations RR 2:02, 22, 25, 26 and 27.

Göteborg, 22 June 2004
AB Lindex (publ)
Board of Directors

**Review report relating to AB Lindex's Interim Report
1 March–31 May 2004**

In our capacity as Auditors of AB Lindex, we have carried out a review of this Interim Report and in so doing followed the recommendations issued by the Swedish Institute of Authorised Public Accountants, FAR.

A review is considerably restricted compared to an audit.

Nothing has emerged which indicates that the Interim Report does not comply with the requirements stipulated in the Stock Market and Annual Accounts Acts.

22 June 2004

Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Authorised Public Accountant

The Lindex Group's development

Number of stores

	31 August					31 May	
	1999	2000	2001	2002	2003	2003	2004
AB Lindex, Sweden	170	178	179	179	179	179	181
Lindex AS, Norway	74	81	87	88	87	88	87
Lindex Oy, Finland	43	43	47	48	47	49	48
Lindex GmbH, Germany	11	27	33	33	30	31	30
AB Twilfit, Sweden	-	-	-	58	58	58	59
Total	298	329	346	406	401	405	405
Closures	-	3	2	14	9	5	3

Sales by market

	9 months 1 September–31 May			Latest 12 months Jun-May	12 months Sep-Aug
	2001/02	2002/03	2003/04	2003/04	2002/03
Sweden, SEK M	2 059	2 060	2 162	2 856	3 105
Norway, NOK M	817	787	830	1 118	1 075
Finland, EUR M	40	42	47	65	59
Germany, EUR M	31	31	31	43	43
Currency effect	108	0	-102	-137	-33
Total Nordic countries, SEK M	2 160	2 327	2 415	5 009	4 920
Total, SEK M	3 794	3 947	4 034	5 400	5 312

Profit and loss accounts

SEK M	9 months 1 September–31 May			Latest 12 months Jun-May 2003/04	12 months Sep-Aug 2002/2003
	2001/02	2002/03	2003/04		
Net sales					
Sales, net	3 794	3 947	4 034	5 400	5 312
Other operating income	28	47	56	76	67
Total operating income	3 822	3 994	4 090	5 476	5 379
Operating expenses					
Goods for resale	-1 679	-1 687	-1 860	-2 495	-2 322
Gross profit²⁾	2 143	2 307	2 230	2 981	3 057
Other external costs	-941	-1 038	-1 050	-1 365	-1 353
Personnel costs	-848	-933	-985	-1 273	-1 220
Depreciation of tangible and intangible fixed assets	-148	-159	-162	-214	-211
Operating profit¹⁾	206	177	33	129	273
Result of financial investments					
Other interest income and similar profit items	46	3	1	4	5
Interest expenses and similar loss items	-20	-4	-1	-1	-3
Profit after financial items	232	176	33	132	274
Taxes					
Tax on the period's profit	-95 ³⁾	-56	-33	-74	-97
Net profit for the period	137	120	0	58	177
Profit per share	10.00	8.70	0.00	4.20	12.90
Number of shares	13 750 000	13 750 000	13 750 000	13 750 000	13 750 000

¹⁾ Operating profit has been charged with one-off structural costs of

²⁾ Gross profit has been charged with one-off write-downs of inventories of

³⁾ Deferred taxes recoverable on accumulated losses in the German company are reported at SEK 10M for September 2001-August 2002, which has reduced 'tax on the year's profit' by a similar amount.

Quarterly profit and loss accounts

SEK M

2001/02
2002/03
2003/04

	Sep- Nov	Dec- Feb	Mar- May	Jun- Aug	Sep- Nov	Dec- Feb	Mar- May	Jun- Aug	Sep- Nov	Dec- Feb	Mar- May
Net sales											
Sales, net	1 288	1 267	1 239	1 237	1 365	1 330	1 252	1 365	1 385	1 368	1 282
Other operating income	8	10	10	7	13	16	18	20	18	17	21
Total operating income	1 296	1 277	1 249	1 244	1 378	1 346	1 270	1 385	1 403	1 385	1 303
Operating expenses											
Goods for resale	-562	-597	-520	-576	-551	-640	-496	-635	-561	-707	-592
Gross profit²⁾	734	680	729	668	827	706	774	750	842	678	711
Other external costs	-313	-292	-336	-295	-375	-324	-339	-315	-315	-343	-333
Personnel costs	-278	-278	-292	-285	-317	-310	-306	-287	-287	-335	-323
Depreciation of tangible and intangible fixed assets	-46	-48	-54	-54	-53	-53	-53	-52	-52	-56	-54
Operating profit¹⁾	97	62	47	34	82	19	76	96	88	-56	1
Result of financial investments											
Other interest income and similar profit items	15	16	15	14	0	2	1	2	0	1	1
Interest expenses and similar loss items	-11	-3	-6	-4	-2	-1	-1	0	0	0	-1
Profit after financial items	101	75	56	44	80	20	76	98	88	-55	1
Taxes											
Tax on the period's profit	-35 ³⁾	-31	-29	-27	-20	-3	-33	-41	-31	7	-9
Net result for the period	66	44	27	17	60	17	43	57	57	-48	-8
Result per share	4.80	3.20	2.00	1.20	4.40	1.20	3.10	4.20	4.10	-3.50	-0.60

- 1) Operating profit has been charged with one-off structural costs of - - - - - - - -10 - - - -26
- 2) Gross profit has been charged with one-off write-downs of inventories of - - - - - - - - -45
- 3) Deferred taxes recoverable on accumulated losses in the German company are reported at SEK 10M for September-November 2001, which has reduced 'tax on the period's profit by a similar amount.

Items which have affected the quarterly results

SEK M

Cost charges

Influence on profit by Lindex GmbH, Germany
Adjusted result in the Nordic countries, i.e. the total profit after adjustment for the influence on profit by Lindex GmbH, Germany

2001/02				2002/03				2003/04		
Sep-Nov	Dec-Feb	Mar-May	Jun-Aug	Sep-Nov	Dec-Feb	Mar-May	Jun-Aug	Sep-Nov	Dec-Feb	Mar-May
37	36	33	32	27	29	22	25	19	33	34
138	111	89	76	107	49	98	123	107	-23	35

Balance sheets

		31 May		31 August
SEK M	2002	2003	2004	2003
Fixed assets ¹⁾	1 003	872	875	909
Inventories	665	766	725	880
Trade debtors	376	25	14	13
Other current receivables	76	74	91	81
Liquid funds	75	194	123	248
Total assets	2 195	1 931	1 828	2 131
Shareholders' equity	1 062	1 105	983	1 153
Interest-bearing liabilities	362	19	19	23
Operating liabilities and provisions	771	807	826	955
Total equity, provisions and liabilities²⁾	2 195	1 931	1 828	2 131
¹⁾ Of which brand names and goodwill which arose in connection with the acquisition by Industri Kapital 1989 and other operators of AB Lindex in September 1993 and the acquisition of AB Twilfit in 2002	326	299	272	293
²⁾ Current liabilities	741	603	619	733
Long-term provisions and liabilities	362	207	196	224

Changes in consolidated equity

	2001/02	2002/03	2003/04	2002/03
SEK M	Sep-May	Sep-May	Sep-May	Sep-Aug
Equity brought forward as per balance sheet on 31 August	971	1 083	1 153	1 008
Net profit for the period	137	120	2	177
Dividend	-41	-83	-165	-83
Translation difference	-5	-15	-7	-24
Amount at the period end	1 062	1 105	983	1 153

Cash flow statements²⁾

SEK M	9 months 1 September–31 May			Latest 12 months Jun–May	12 months Sep–Aug
	2001/02	2002/03	2003/04	2003/04	2002/03
Cash flow from current operations	539	447	179	321	589
Cash flow from investment operations	-195	-81	-135	-226	-172
Cash flow after investment	344	366	44	95	417
Cash flow from financial operations	-455	-384	-169	-166	-381
The period's cash flow¹⁾	-111	-18	-125	-71	36
Change in interest-bearing net liability	-253	-362	120	71	-413

- ¹⁾ Change in liquid funds:
Liquid funds at the start of the period
- | | | | | | |
|--------------------------------|-----|-----|-----|-----|-----|
| | 186 | 212 | 248 | 194 | 212 |
| Liquid funds at the period end | 75 | 194 | 123 | 123 | 248 |

- ²⁾ The cash flow statements have been prepared in line with the direct method in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 7.

Key figures

		9 months			Latest 12 months Jun-May 2003/2004	12 months Sep-Aug 2002/2003
		1 September–31 May 2001/0 2	2002/0 3	2003/0 4		
Sales growth, total	%	8.3	4.0	2.2	4.2	5.6
Same-stores sales growth ¹⁾	%	1.3	0.1	2.5	5.9	2.3
Same-stores sales growth ²⁾	%	-2.0	0.1	5.1	6.7	3.0
Sales by square metre	SEK	-	-	-	20 766	19 947
Gross profit by square metre	SEK	-	-	-	11 136	10 998
Gross margin	%	55.7	57.3	53.9	53.8	56.3
Operating margin	%	5.4	4.5	0.8	2.4	5.1
Profit margin	%	6.1	4.5	0.8	2.4	5.2
Return on equity	%	-	-	-	5.5	15.9
Return on capital employed	%	-	-	-	12.5	20.9
Return on capital employed in operations	%	-	-	-	14.2	24.8
Return on total capital	%	-	-	-	7.1	12.3
Equity ratio	%	48.3	57.2	53.8	53.8	54.1
Net debt/equity ratio	%	27.1	-15.8	-10.6	-10.6	-19.3
Interest coverage ratio	times	12.8	47.2	25.6	161.1	84.6
Capital turnover rate	times	-	-	-	6.0	5.7
Inventory turnover rate	times	-	-	-	2.6	2.7
Investments, net	SEK M	219	135	132	220	223
Cash flow after investments	SEK M	344	366	44	91	417
Number of full-time employees		2 813	3 120	3 201	3 201	3 120
Profit per share	SEK	10.00	8.70	0.10	4.20	12.90
Cash flow per share	SEK	25.00	26.60	3.20	-12.10	30.40
Equity per share	SEK	77.20	80.30	71.50	71.50	83.90

¹⁾ Including currency fluctuations.

²⁾ Excluding currency fluctuations.

The Lindex Share

Lindex's largest shareholders

Shareholders	Per cent of capital and votes	
	Number of shares	
Amaranth Capital	1 886 600	13.72
Goldman Sachs	1 180 938	8.59
JP Morgan Chase	827 800	6.02
Robur	699 732	5.09
AMF Pension	657 400	4.78
Deutsche Bank	424 000	3.08
BNY GCM Client Accounts	398 736	2.90
Tredje AP-Fonden	371 700	2.70
Euroclear Bank	254 865	1.85
Myrberg Finansanalys	245 400	1.78
Total	6 947 171	50.51

Source: VPC AB Share Register 28 May 2004.

Ten of the largest owners account for 50.51 per cent of Lindex shares. The total number of shares in the company amounts to 13,750,000.

Ownership distribution

	Per cent of shares and votes	
	2003-08-31	2004-05-28
Swedish owners	81.5	50.78
Owners resident outside Sweden excluding the USA	17.2	40.34
USA	1.3	8.88
Total	100	100
Total number of shareholders	12 104	11 818

Source: VPC AB Share Register 31 August 2003 and 28 May 2004.

Definitions

Average equity. Total shareholders' equity at start and end of the financial year divided by two.

Average interest-bearing liabilities. Interest-bearing liabilities at the end of each month during the financial year divided by number of months.

Average number of full-time employees. Total number of hours worked during the latest 12-month period divided by normal annual working hours in the respective country.

Break-even. Income exceeds expenditure with regard to operating profit before depreciation.

Capital employed. Total assets less non-interest-bearing liabilities.

Capital employed in operations. Total assets less liquid funds, other interest-bearing assets and non-interest-bearing liabilities.

Capital turnover rate. Total sales divided by average capital employed in operations.

Cash flow after investments. Payments received and payments made.

Cash flow per share. Cash flow after investments divided by number of shares.

Dividend portion. Dividend as a percentage of profit per share.

EBIT-multiple. Market value plus net liabilities divided by operating profit before financial items and taxes.

Equity per share. Equity divided by number of shares.

Equity ratio. Shareholders' equity expressed as a percentage of total assets.

Gross margin. Sales during the period less expenditure for sold products as a percentage of sales.

Interest coverage ratio. Profit after financial items plus financial expenses divided by financial expenses.

Inventory turnover rate. Costs for sold products divided by average inventory (12 months average).

Net borrowing. Interest-bearing liabilities less liquid funds.

Net debt/equity ratio. Interest-bearing liabilities less liquid funds expressed as a percentage of equity.

Operating margin. Operating profit expressed as a percentage of sales during the period.

P/E-ratio. Share price on balance sheet date divided by profit per share.

Price/equity ratio. Share price per share divided by equity per share, both at balance sheet date.

Profit margin. Profit after financial items as a percentage of sales during the period.

Profit per share. Profit after full tax divided by number of shares.

Return on capital employed. Profit after financial items plus financial expenses expressed as a percentage of average capital employed.

Return on capital employed in operations. Operating profit expressed as a percentage of average capital employed in operations.

Return on equity. Profit after full tax expressed as a percentage of average equity.

Return on total capital. Profit after financial items plus financial expenses expressed as a percentage of average total assets.

Sales. Sales excluding value added taxes.

Sales by square metre. Sales during the period divided by average store area (12 months average).

Same stores. Stores which have been open for more than 12 months.

Shareholders' equity. Restricted and non-restricted equity.

Share price on 31 August. Price paid on the Stockholm Stock Exchange.

Store area. Total area less storage space.

Yield. Dividend as a percentage of share price at balance sheet date.