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News release

Mild weather and lower consumption reduces Lindex's profit

Lindex's profit after financial income and expenses for September-November 2000 is preliminarily expected to amount to SEK 14M. The profit has been affected by the mild autumn weather and reduced consumer readiness to buy.

Clothing sector hit by the mild weather

The very mild autumn weather has meant a lower sales rate in the clothing industry. In October, one of the year's highest sales months, 6.4 per cent less clothing was sold compared with October 1999. The weather has had a negative effect on sales of both autumn and winter clothing.

Reduced readiness to buy among the consumers

During the period, the customers' readiness to buy also reduced significantly from an overall perspective. One example of this is SCB's Consumer Confidence Indicator which shows a 26 per cent fall between August and November. Signs of an embryonic slowdown in the economy have also been noticed in other sectors, such as sales of cars.

Norway, Finland and Germany, Lindex's markets outside Sweden, also show similar changes in sales and readiness to buy.

Fall in first quarter profit

In total, these external changes have meant that sales for the first quarter (September-November 2000) are preliminarily expected to amount to SEK 1 173M (1 019), operating profit to SEK 11M (74) and profit after financial income and expenses to SEK 14M (79).

Ahead of Autumn 2000 the sector's high growth rate was expected to continue. However, demand fell during October and November. In order to reduce the inventories, larger than normal price reductions were implemented during the period. This enabled the sales volumes to be maintained but meant that gross profit margins have reduced. Despite the price reductions, the value of the inventories was higher on 30 November than on the same date in the previous year.

Action programme initiated

Lindex has initiated an action programme aimed at strengthening profitability under these new conditions. The action programme includes a review of costs and investment, including plans for new store openings.

Sales during the first half of December are on par with the previous year. The need for price reductions remains. This is also expected to lead to lower gross profit margins and higher inventory value in December.

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Lindex is a retail chain with more than of 340 stores, of which more than 310 are in the Nordic market and 31 stores in Germany. The Group's product segments are ladies' wear, lingerie, children's clothing and Lindex Care – cosmetics and body care products.