Roland Nilsson, President and CEO, comments on Wedins' interim report for the second quarter of fiscal year 2003/2004 – December 2003–February 2004

Focus on stores

We are now seeing tangible changes in our store network from the extensive clean-up process aimed at streamlining operations in terms of organizational and brand structure.

At the end of the second quarter, we took yet another important step towards becoming a more efficient retail chain. Our stores in the high-volume segment are now all operating under the Wedins brand name. During the quarter, we began to sell an extended range of accessories in our shoe stores. At the end of March, we opened three flagship stores in Stockholm, Oslo and Helsinki with a new product-display concept.

In addition to the ongoing efforts to create a more efficient store structure, all large stores are being redesigned. At the end of the second quarter, slightly less than half of this program had been completed. In addition, a major staff training drive has been initiated. It is planned that all 200 or so managers will have started a company-specific ten-day training program by the end of 2004.

Continued efforts for a more efficient retail chain operation

An important aspect of our work to increase Wedins' long-term earnings capacity involves enhancing the efficiency of the merchandise planning, purchasing and logistics processes. This is to be based on a common IT platform that will be implemented this year. At the same time, central stock-keeping processes are being reviewed and improved.

As I mentioned earlier, franchise operation is a possible alternative for cost-efficient growth. We have now drawn up a franchise concept, which I view as a scaleable strategy. Franchise options will be offered in various store locations that we deem to have the best opportunities to succeed.

Change process proceeding according to plan in a weak market

To sum up, I can say that our extensive change process and action program is proceeding according to plan. Our structure today is far simpler and more flexible and our costs are considerably lower than the year before. However, I must admit that I had expected slightly stronger sales, but we are in pace with the general market and consumption trend in our countries and product segments which has been particularly weak. In spite of this, we are not encumbered with excessive inventories as we enter the next quarter. In this context, it is naturally pleasing that the changed Rizzo is reporting improved sales and gross profits.

Wedins' long-term turnaround project is progressing according to plan and the rate of development depends on the general economy. Our goal to achieve a sustainable net margin of 5-6 percent within the next 3-4 years stands firm.

Stockholm, April 20, 2004

Roland Nilsson

Wedins' store network currently comprises 123 Wedins Accent stores, 70 Wedins stores including 3 flagship stores, and 13 Rizzo stores. About 20 stores were closed for renovation during the quarter.

Interim report for September 2003–February 2004

Earnings improvement continues despite weak market

- Group sales amounted to SEK 506.3 million (555.1). The decline is primarily due to a planned reduction in the number of stores to 206 (228) and to an altered price mix.
- Gross profit margin rose by 6.8 percentage points to 56.2 percent.
- Profit before depreciation and amortization was SEK 12.2 million (–30.1).
- Loss after tax amounted to SEK 18.2 million (–155.1).
- Earnings per share amounted to a loss of SEK 0.09 (–20.47).
- The long-term change process is proceeding according to plan.

Wedins changed its fiscal year to September–August in connection with the abbreviated fiscal year January–August 2003.

Comparative figures for the corresponding year-earlier period are pro forma.

Financial summary

	Q2 Dec 03 –Feb 04	Q2 Dec 02 –Feb 03*	H1 Sep 03 –Feb 04	H1 Sep 02 –Feb 03*	Fiscal year 2003 Jan–Aug 03	Rolling 12 months Mar 03 –Feb 04*
Sales, SEK million	245.5	272.7	506.3	555.1	611.1	992.0
Profit/loss before depreciation and amortization, SEK million	-4.8	-16.8	12.2	-30.1	-57.2	-33.6
Loss after tax, SEK million	-20.2	-76.2	-18.2	-155.1	-69.3	-62.2
Gross profit margin, percent	54.7	51.5	56.2	49.4	52.7	53.9
Earnings/loss per share, SEK	-0.10	-10.05	-0.09	-20.47	-0.82	-0.35

* Pro forma

Operations

Wedins Skor & Accessoarer is the Nordic leader in the shoes and accessories segment, with well-known brands and a valuable network of 206 stores in the region. During the second quarter, all marketing of accessories was combined under the Wedins brand.

The transformation of the store structure is progressing according to plan. Several stores have been combined and now offer an integrated selection of shoes and accessories. This amalgamation of stores will continue. Furthermore, about 15 larger stores were renovated and three new flagship stores with an entirely new design concept were opened in Stockholm, Oslo and Helsinki in March.

During the period, extensive development resources were invested in creating a Group-wide IT platform to enable more efficient processes for purchasing, merchandise planning and logistics. The IT system, which is planned to be operational during the third quarter, is expected to lead to considerable efficiency gains in the next few years.

Change in fiscal year
Wedins has changed its fiscal year to September 1–August 31. As a result, its quarterly reports will be comparable to those of a number of other companies in the retail sector, and sales and earnings will be more evenly divided between quarters. Fiscal year 2003 was therefore shortened to eight months, January–August. This interim report covers the second quarter of fiscal year 2003/2004, and comparative figures refer to the corresponding year-earlier period pro forma.

Market

According to the Retail Sales Index maintained by the Swedish Research Institute of Trade and Statistics Sweden, shoe sales in Sweden declined by approximately 4 percent in current prices for comparable units during the period September 2003–February 2004. Wedins' shoe sales in Sweden declined in pace with the market, while Rizzo increased its sales by 5 percent compared with the year-earlier period. The decline within Wedins is related to an altered selection and price mix, corresponding to approximately a 7 percent reduction in average prices. In terms of volume, Wedins' shoe sales in Sweden rose by nearly 4 percent during the period compared with the year-earlier period. Corresponding figures are not available for Norwegian shoe or accessory sales.

Sales

H1 (September 2003–February 2004)
Group sales decreased by 8.8 percent during the first six months of the fiscal year to SEK 506.3 million (555.1). The decrease is due to changes in the selection and price mix as well as fewer stores in operation compared to the year-earlier period (206 against 228). In addition, the exchange rate for the Norwegian krone is approximately 15 percent lower than in the year-earlier period.

Q2 (December 2003–February 2004
Group sales during the second quarter amounted to SEK 245.5 million (272.7). December commenced with a weak earnings trend and the drop in revenues could not be recovered in January–February, when market activity remained weak. However, inventories are assessed to be at a normal level for the current quarter.

Sales per geographic market
Of the Group's total sales during the period, Sweden accounted for 76 percent (82). During the second quarter, Sweden accounted for 74 percent of sales.

	Q2 Dec 03 –Feb 04	Q2 Dec 02 –Feb 03*	H1 Sep 03 –Feb 04	H1 Sep 02 –Feb 03*	Fiscal year 2003 Jan–Aug 03	Rolling 12 months Mar 03 –Feb 04*
Sweden	182.7	198.1	387.1	415.3	453.0	745.8
Norway	55.1	66.9	104.3	124.4	136.7	214.0
Rest of Nordic region	7.7	7.7	14.9	15.4	21.4	32.2
Total	245.5	272.7	506.3	555.1	611.1	992.0

Sales per segment
Of the Group's total sales during the period, shoes accounted for 55 percent and accessories for 45 percent. The corresponding figures for the second quarter were 50 percent for shoes and 50 percent for accessories. Rizzo accounted for 17 percent of Group sales during the six-month period and 17 percent during the second quarter.

	Q2 Dec 03 -Feb 04	Q2 Dec 02 –Feb 03*	H1 Sep 03 –Feb 04	H1 Sep 02 –Feb 03*	Fiscal year 2003 Jan–Aug 03	Rolling 12 months Mar 03 –Feb 04*
Shoes	79.6	90.8	193.9	211.2	266.9	409.1
Accessories	123.3	143.6	228.4	260.1	255.9	429.9
Rizzo	42.6	38.3	84.0	83.8	88.3	153.0
Total	245.5	272.7	506.3	555.1	611.1	992.0

Results

H1 (September 2003–February 2004)
Profit before depreciation and amortization amounted to SEK 12.2 million (–30.1) for the period September 2003–February 2004. The extensive change process initiated at the beginning of 2003 is progressing according to plan and is generating continued earnings improvements compared with the year before. The synergy gains that have been created together with efficiency improvements in operations have resulted in lower costs and improved gross profit margins.

The gross profit margin has been strengthened from 49.4 percent to 56.2 percent. Comparability is affected by approximately 3 percentage points by the one-time writedown of inventory charged against the fourth quarter of the previous calendar year. The improvement is otherwise an effect of the measures that have been taken, including changes in the product selection and a higher percentage of products being sold under Wedins' own brand names. Furthermore, the favorable development in the US dollar has contributed to lower purchasing prices. The company's currency policy is that at least 80 percent of all scheduled purchases in USD and EUR are hedged on a seasonal basis. These two currencies today represent approximately 80 percent of the Group's total purchases.

Operating loss amounted to SEK 8.8 million (–146.1). Depreciation and amortization decreased by SEK 95.0 million to SEK 21.0 million. Loss after net financial items amounted to SEK 18.2 million (–176.3).

Q2 (D*ecember 2003–February 2004)*
Earnings before depreciation and amortization for the second quarter amounted to a loss of SEK 4.8 million (–16.8). The gross profit margin increased to 54.7 percent (51.5). The Group reported an operating loss of SEK 15.8 million (–69.7). Loss after net financial items amounted to SEK 20.2 million (–84.0).

Financial position
The Group’s liquid assets amounted to SEK 30.8 million (15.0) on February 29, 2004. Interest-bearing liabilities totaled SEK 340.2 million (380.0) on the same date.

Shareholders’ equity in the Group amounted to SEK 97.6 million (neg: 46.2) on the balance sheet date, giving an equity/assets ratio of 16.5 percent. The Group’s cash flow from operating activities amounted to SEK 14.0 million (–37.4).

Total assets declined by SEK 13.8 million compared with February 28, 2003. Inventories were reduced to SEK 175.1 million as per February 29, 2004, compared with SEK 201.0 million on February 28, 2003.

Investments
The Group’s net investments during the period September 2003–February 2004 amounted to SEK 14.7 million (7.0). The majority of investments related to store fittings for existing and newly opened stores. Depreciation and amortization during the period amounted to SEK 21.0 million (116.0), of which SEK 6.4 million (92.9) pertained to goodwill amortization.

Accounting principles
The accounting principles applied in the interim report conform to those in the latest Annual Report.

Stockholm, April 20, 2004

Wedins Skor & Accessoarer AB (publ)
Corporate registration number 556540-1493

Roland Nilsson
President and CEO

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This report has not been reviewed by the company’s auditors.

Financial calendar

Q3 interim report, September 2003–May 2004	July 7, 2004
Year-end report, September 2003–August 2004	October 22, 2004

“Wedins offers many people affordable fashion through a range of shoes and accessories“

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Consolidated income statement, SEK million	Q2 Dec 03 –Feb 04	Q2 Dec 02 –Feb 03*	H1 Sep 03 –Feb 04	H1 Sep 02 –Feb 03*	Fiscal year 2003 Jan–Aug 03	Rolling 12 months Mar 03 –Feb 04*
Sales	245.5	272.7	506.3	555.1	611.1	992.0
Other income	2.2	4.3	3.3	9.0	4.7	4.1
Cost of goods sold	-113.3	-136.6	-225.3	-290.0	-293.9	-461.5
Other external expenses	-67.7	-78.0	-132.3	-152.3	-194.0	-286.8
Personnel costs	-71.5	-79.2	-139.8	-151.9	-185.1	-281.4
Profit/loss before depreciation and amortization	**-4.8**	**-16.8**	**12.2**	**-30.1**	**-57.2**	**-33.6**
Depreciation and amortization						
Equipment	-7.5	-10.1	-14.4	-19.7	-27.0	-36.8
Rental apartments	-0.1	-2.3	-0.2	-3.4	-2.9	-0.5
Goodwill	-3.4	-40.5	-6.4	-92.9	-8.7	-13.0
Operating loss	**-15.8**	**-69.7**	**-8.8**	**-146.1**	**-95.8**	**-83.9**
Net financial items	-4.4	-14.3	-9.4	-30.2	-15.9	-20.7
Loss after net financial items	**-20.2**	**-84.0**	**-18.2**	**-176.3**	**-111.7**	**-104.6**
Payable tax						
Deferred tax	0	7.8	0	21.2	42.4	42.4
Minority interest						
Loss after tax	**-20.2**	**-76.2**	**-18.2**	**-155.1**	**-69.3**	**-62.2**

Per share data						
Number of shares at end of period	212,200,268	7,578,581	212,200,268	7,578,581	212,200,268	212,200,268
Average number of shares	212,200,268	7,578,581	212,200,268	7,578,581	84,311,714	178,096,654
Earnings per share after tax, SEK	-0.10	-10.05	-0.09	-20.47	-0.82	-0.35
Equity per share, SEK	n.a	n.a	0.46	-6.10	1.40	n.a

* Pro forma

Cash flow, SEK million	Q2 Dec 03 –Feb 04	Q2 Dec 02 –Feb 03*	H1 Sep 03 –Feb 04	H1 Sep 02 –Feb 03*	Fiscal year 2003 Jan–Aug 03
Cash flow from operating activities before changes in working capital	-9.2	-23.3	2.8	-61.6	-70.9
Changes in working capital	8.6	10.0	11.2	24.2	-62.2
Cash flow from operating activities	**-0.6**	**-13.3**	**14.0**	**-37.4**	**-133.1**
Net investments	-10.8	-3.0	-14.7	-7.0	-14.0
Cash flow from operating activities after investments	**-11.4**	**-16.3**	**-0.7**	**-44.4**	**-147.1**
Financing	-6.8	-5.3	-19.5	21.7	-9.3
Share issues	0	0	0	0	193.5
Translation difference	-2.1	0.6	-2.1	0.5	-1.1
Change in liquid assets	**-20.3**	**-21.0**	**-22.3**	**-22.2**	**36.0**

Consolidated balance sheet, SEK million	**February 29, 2004**	**February 28, 2003***	**August 31, 2003**
Fixed assets			
Rental apartments	21.2	23.3	18.6
Goodwill	166.3	183.4	172.2
Tenant-owner apartments	0.3	0.8	0.3
Equipment	63.6	65.5	66.1
Participating interests in associated companies	6.3	6.3	6.3
Long-term receivables	87.7	49.0	88.2
Total fixed assets	*345.4*	*328.3*	*351.7*
Current assets			
Inventories	175.1	201.0	186.3
Other current assets	41.5	62.3	43.1
Cash and bank balances	30.8	15.0	53.1
Total current assets	*247.4*	*278.3*	*282.5*
Total assets	**592.8**	**606.6**	**634.2**
Shareholders' equity	97.6	-46.2	118.1
Provisions	8.2	10.3	8.8
Long-term interest-bearing liabilities	340.2	380.0	359.0
Long-term non-interest-bearing liabilities	3.8	1.7	3.8
Current interest-bearing liabilities	-	88.2	-
Current non-interest-bearing liabilities	143.0	172.6	144.5
Total shareholders' equity and liabilities	**592.8**	**606.6**	**634.2**

Change in the Group's shareholders' equity			
Opening balance	118.1	108.9	-2.5
Translation differences	-2.3	-	-3.6
Share issues	-	-	193.5
Loss for the period	-18.2	-155.1	-69.3
Closing balance	**97.6**	**-46.2**	**118.1**

Key ratios	**Q2 Dec 03 –Feb 04**	**Q2 Dec 02 –Feb 03***	**H1 Sep 03 –Feb 04**	**H1 Sep 02 –Feb 03***	**Fiscal year 2003 Jan–Aug 03**	**Rolling 12 months Mar 03 –Feb 04***
Number of stores	206	228	206	228	219	n.a
Sales, SEK million	245.5	272.7	506.3	555.1	611.1	992.0
Change, %	-10.0	n.a	-8.8	n.a	n.a	n.a
Gross profit, %	54.7	51.5	56.2	49.4	52.7	53.9
Operating margin, %	Neg	Neg	Neg	Neg	Neg	Neg
Profit margin, %	Neg	Neg	Neg	Neg	Neg	Neg
Equity/assets ratio, %	n.a	n.a	16.5	Neg	18.6	n.a
Return on capital employed, %	Neg	Neg	Neg	Neg	Neg	n.a
Return on equity, %	Neg	Neg	Neg	Neg	Neg	n.a
Debt/equity ratio, multiple	n.a	n.a	3.6	Neg	3.1	n.a

Number of stores	February 29, 2004	February 28, 2003	August 31, 2003
Rizzo	13	15	14
Shoes	70	72	72
Accessories	123	141	133
Total	**206**	**228**	**219**

Definitions

Pro forma figures in the income statement and balance sheet for the period September 2002–February 2003 are calculated on the basis of interim reports for prior years, taking seasonal variations into account.
Gross profit margin Sales less the direct cost of goods sold as a percentage of sales.
Operating margin Operating profit/loss after depreciation and amortization as a share of operating revenue.
Equity/assets ratio Shareholders' equity as a share of total assets.
Return on capital employed Profit/loss after net financial items plus financial expenses as a percentage of average capital employed.
Return on equity Profit/loss after net financial items less full tax divided by average shareholders' equity.
Equity per share Shareholders' equity in relation to the number of shares at the end of the period.
Earnings per share Profit/loss after tax in relation to the average number of shares.
Debt/equity ratio Interest-bearing liabilities and interest-bearing provisions divided by shareholders' equity.