



Interim report September 2003 – May 2004

President and CEO Roland Nilsson comments on Wedins' interim report:

The process of creating an efficient and profitable chain is continuing. A large part of the extensive change program has been completed, and today we have a totally different platform to work from with a streamlined brand and chain structure.

Weak market and falling prices

It is frustrating, therefore, to have to report that the market is being weighed down by slow activity and falling prices, which makes our turnaround work that much harder. Sales during the important spring season failed to meet expectations, both within Wedins and the industry. Consequently, the report we are releasing today contains a result for the third quarter that we are not satisfied with.

Our objectives remain firm, and we will continue to work aggressively with our change program, as planned. The transition to a harmonized assortment of shoes and accessories is continuing, and we can see that the stores that already have a mixed product range on average perform better. A changeover from small to larger stores is under way to improve profitability per store and to make it easier to adapt to short-term fluctuations in demand. In the long term we are planning to have a number of small stores operating on a franchise basis.

To counteract the effects of deflation, our price and product mixes are being changed to increase the chain's gross profit contribution per man-hour. Rizzo, which is active in the higher fashion and quality segment, continues to develop positively, with a more stable average price level.

The ongoing restructuring of the store network is cutting into sales in the short term in part due to operating disruptions during renovation and rebuilding and in part when we close stores.

Sko-City acquisition – transition to larger stores

On June 2 we were happy to announce that we are acquiring Sko-City's stores: nine large stores in prime locations around Sweden. The acquisition is expected to boost results, primarily because the higher sales volume (approximately SEK 90 million on an annual basis) can be handled with unchanged costs for marketing, purchasing and administration. We thereby strengthen our position in the shoe and accessories market in the Nordic region. The Sko-City units will be taken over as of August and gradually reprofiled as Wedins stores.

Efficient supply chain

A new IT platform is now being tested locally and will be fully operational from the first quarter of next fiscal year. The system will lead to improved product range planning and a demand-driven supply chain. Efficiency in the Group's central warehousing operations is being further improved by coordinating Rizzo's inventory with Wedins' in June, while the

Norwegian inventory will be integrated with the Swedish central warehouse as of January 2005. The Group will then share a single warehouse for all stores in the Nordic region.

We continue to work purposefully to improve internal efficiency by adjusting the store network and expenses and by transitioning to a shared product range. The market situation, with falling prices, means that we must increase the gross profit margin through active development of the product range and efficient purchasing in order for profitability to reach the sought net margin of 5-6 percent in two to four years.

Stockholm, July 7, 2004

Roland Nilsson

Wedins' store network currently consists of 119 Wedins Accent stores, 70 Wedins stores (of which 3 flagship stores) and 13 Rizzo stores. Around twenty stores underwent reconstruction/renovation during the quarter. Five stores were closed and one was opened.

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- The Group's sales amounted to SEK 720.5 million (793.1). The decrease is mainly due to a scheduled reduction in the number of stores to 202 (220) and a change in price mix.
- The gross profit margin rose to 56.2 percent (50.3).
- The loss before depreciation was SEK –3.9 million (–51.3).
- The loss after tax amounted to SEK –52.0 million (–187.4).
- The loss per share was SEK –0.25 (–24.73).
- The long-term change program is progressing according to plan.
- Acquisition of Sko-City's retail operations, comprising 9 stores in prime locations, effective August 1.

Wedins has changed its fiscal year to September-August following the abbreviated fiscal year January-August 2003.

Comparative figures for the corresponding period of the previous year are pro forma.

Financial summary

	Q3 March 04- May 04	Q3 March 03- May 03*	The period Sep 03- May 04	The period Sep 02- May 03*	Fiscal year 03 Jan-Aug 03	Rolling 12 months June 03- May 04 *
Sales, SEK million	214.2	238.0	720.5	793.1	611.1	980.0
Loss before depreciation, SEK million	-16.1	-21.2	-3.9	-51.3	-57.2	-26.2
Loss after tax, SEK million	-33.8	-32.3	-52.0	-187.4	-69.3	-52.3
Gross profit margin, percent	56.4	52.5	56.2	50.3	52.7	53.0
Loss per share after dilution, SEK	-0.16	-4.26	-0.25	-24.73	-0.82	-0.25

* 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 202 stores in the region.

The restructuring of the store network is progressing according to plan. Five stores were closed, one was opened and five were rebuilt during the quarter. In March three new flagship stores with totally new décors were launched in Stockholm, Oslo and Helsinki. At the same time a number of stores are part of the current redecoration program.

The creation of a Group-wide IT platform, which will improve product range planning and supply chain operations, is expected to generate significant efficiency gains in the years ahead. The implementation of the new IT system is under way, and it is expected to be fully operational in the first quarter of the upcoming fiscal year.

A decision has been made to integrate the Group's inventories in a single, shared central warehouse in Sweden as of January 1, 2005. Rizzo was moved in June, and the Norwegian inventory will be moved by year-end 2004.

Change in fiscal year

Wedins has changed its fiscal year to September 1–August 31. This will make its quarterly reports comparable to those of most companies in the retail sector, and sales and results will be more evenly divided between quarters. The fiscal year 2003 was therefore shortened to eight months, January-August. This interim report covers the third quarter of the fiscal year 2003/2004, and the comparative period relates 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 during the period September 2003-May 2004 decreased by slightly more than 2 percent in current prices for comparable units. Wedins' shoe sales in comparable units declined in line with the market. The development of the volume segment was somewhat worse than that for the higher price segment in which Rizzo operates. The reduction relates primarily to a changed product and price range. Corresponding figures are not available for Norwegian shoe sales or accessory sales in the Nordic region.

Sales

The period September 2003-May 2004

The Group's sales fell by 9.2 percent during the first nine months of the fiscal year to SEK 720.5 million (793.1). The sales decline is due to changes in the product range and price mix and to a lower number of stores than in the corresponding period of the previous year (202 against 220). Furthermore, the exchange rate for the Norwegian krone is nearly 10 percent lower than the year-earlier period.

The quarter March 2004 -May 2004

The Group's sales during the third quarter amounted to SEK 214.2 million (238.0). March began with weak sales, and the lost revenue could not be recovered in April-May, when market activity remained slow and the weather was cold. The rate of investment was very high during the quarter (SEK 29 million), as a number of stores underwent renovation, which adversely affected sales to some extent.

Sales by geographic market

Of the Group's total sales during the period, Sweden accounted for 76 percent (75). During the third quarter the corresponding figure was 74 percent (76).

	Q3 March 04- May 04	Q3 March 03- May 03*	The period Sep 03- May 04	The period Sep 02- May 03*	Fiscal year 03 Jan-Aug 03	Rolling 12 months June 03- May 04 *
Sweden	158.4	180.4	545.5	595.7	453.0	735.0
Norway	42.1	47.0	146.4	171.4	136.7	205.8
Rest of Nordic region	13.7	10.6	28.6	26.0	21.4	39.2
Total	214.2	238.0	720.5	793.1	611.1	980.0

Sales by segment

Of the Group's total sales during the period, shoes accounted for 58 percent and accessories for 42 percent. During the third quarter the corresponding figures were 65 percent for shoes and 35 percent for accessories. Rizzo accounted for 17 percent of the Group's sales during both the period and the third quarter.

	Q3 March 04- May 04	Q3 March 03- May 03*	The period Sep 03- May 04	The period Sep 02- May 03*	Fiscal year 03 Jan-Aug 03	Rolling 12 months June 03- May 04 *
Shoes	102.9	115.6	296.8	326.8	266.9	427.2
Accessories	75.4	87.7	303.8	347.8	255.9	401.8
Rizzo	35.9	34.7	119.9	118.5	88.3	151.0
Total	214.2	238.0	720.5	793.1	611.1	980.0

Results

The period September 2003-May 2004

The loss before depreciation for the period September 2003-May 2004 amounted to SEK – 3.9 million (–51.3). The change program is progressing according to plan and continues to generate improved results compared to the previous year. Due to the weak market and its impact on revenues, results are not meeting expectations.

The gross profit margin has been strengthened from 50.3 percent to 56.2 percent. Comparability is affected by approximately 2 percentage points by one-time writedowns of inventory charged to the last quarter of the previous calendar year. The improvement is otherwise an effect of the measures that have been taken, including a change in the product range and a higher share of private label products. Moreover, a favorable trend in the U.S. dollar has contributed to lower purchasing prices. The company's currency policy is to hedge at least 80 percent of all planned purchases in USD and euro on a seasonal basis. These two currencies currently represent about 80 percent of the Group's total purchases.

The operating loss was SEK –37.7 million (–182.6). Depreciation/amortization and writedowns decreased by SEK 97.5 million to SEK 33.8 million. The loss after net financial items amounted to SEK –52.0 million (–219.9).

The quarter March 2004 -May 2004

The loss before depreciation for the third quarter amounted to SEK –16.1 million (–21.2). The gross profit margin rose to 56.4 percent (52.5). The operating loss was SEK –28.9 million (–36.5). The loss after net financial items amounted to SEK –33.8 million (–43.6).

Financial position

The Group's liquid assets amounted to SEK 18.4 million (10.3) on May 31, 2004. Interest-bearing liabilities amounted to SEK 382.6 million (318.5).

Shareholders' equity in the Group was SEK 65.2 million (115.0), producing an equity/assets ratio of 11 percent. The Group's cash flow from operating activities was SEK –53.3 million (–83.9).

Total assets have increased by SEK 19.6 million from May 31, 2003. Inventories have been reduced to SEK 180.2 million as of May 31, 2004, against SEK 200.0 million a year earlier.

Investments

The Group's net investments during the period September 2003 - May 2004 amounted to SEK 43.7 million (9). The majority of investments were made during the third quarter and related to store décor for new and existing stores. Depreciation/amortization and writedowns amounted to SEK 33.8 million (131.3) during the period, of which SEK 9.5 million (96.4) was goodwill.

Acquisition of Sko-City

On June 2, following the conclusion of the report period, Wedins announced the acquisition of the retail operations of Sko-City, with nine large stores in prime locations around Sweden. The takeover is effective August 1, 2004. The acquisition increases Wedins' sales by SEK 90 million on an annual basis. With the addition of this very strong group of stores, Wedins can accelerate the transformation of its store network from small to large stores. At the same time, the new share issue provides approximately SEK 57 M in shareholders' equity, strengthening the equity/assets ratio by nearly 10 percentage points (pro forma, May 31, 2004).

Accounting principles

The interim report has been prepared following the same accounting principles as in the most recent annual report.

Stockholm, July 7, 2004

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

Roland Nilsson
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This report has not been reviewed by the company's auditors.

This is a translation from the original Swedish press release.

Scheduled information dates

The year-end report for the period September 2003–August 2004 will be released on 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	Q3 March 04- May 04	Q3 March 03- May 03*	The period Sep 03- May 04	The period Sep 02- May 03*	Fiscal year 03 Jan-Aug 03	Rolling 12 months June 03- May 04 *
Sales	214.2	238.0	720.5	793.1	611.1	980.0
Other income	0.7	-1.0	4.0	8.0	4.7	4.9
Cost of goods sold	-94.1	-112.1	-319.4	-402.1	-293.9	-465.1
Other outside expenses	-67.3	-69.9	-199.6	-222.2	-194.0	-271.2
Staff costs	-69.6	-76.2	-209.4	-228.1	-185.1	-274.8
Profit/loss before depreciation/ amortization	-16.1	-21.2	-3.9	-51.3	-57.2	-26.2
<i>Depreciation/ amortization</i>						
Equipment	-9.6	-10.8	-24.0	-31.6	-27.0	-36.4
Tenancy rights	-0.1	-1.0	-0.3	-3.3	-2.9	-0.8
Goodwill	-3.1	-3.5	-9.5	-96.4	-8.7	-10.5
Operating profit/loss	-28.9	-36.5	-37.7	-182.6	-95.8	-73.9
Net financial items	-4.9	-7.1	-14.3	-37.3	-15.9	-20.8
Profit/loss after net financial items	-33.8	-43.6	-52.0	-219.9	-111.7	-94.7
Current tax						
Deferred tax		11.3		32.5	42.4	42.4
Minority interest						
Profit/loss after tax	-33.8	-32.3	-52.0	-187.4	-69.3	-52.3

Data per share						
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	212,200,268
Profit/loss per share after tax, SEK	-0.16	-4.26	-0.25	-24.73	-0.82	-0.25
Equity per share, SEK	n.a.	n.a.	0.31	16.10	1.40	n.a.

* Pro forma

Cash flow SEK million	Q3 March 04- May 04	Q3 March 03- May 03*	The period Sep 03- May 04	The period Sep 02- May 03*	Fiscal year 03 Jan-Aug 03
Cash flow from operating activities before changes in working capital	-21.0	-20.5	-18.2	-82.1	-70.9
Changes in working capital	-2.6	-17.0	8.6	7.2	-62.2
Cash flow from operating activities	-23.6	-37.5	-9.6	-74.9	-133.1
Net investments	-29.0	-2.0	-43.7	-9.0	-14.0
Cash flow from operating activities after investments	-52.6	-39.5	-53.3	-83.9	-147.1
Financing	39.0	-158.7	19.5	-137.0	-9.3
Share issues		193.5		193.5	193.5
Translation difference	1.2	0.0	-0.9	0.5	-1.1
Change in liquid assets	-12.4	-4.7	-34.7	-26.9	36.0

Consolidated balance sheet SEK million	May 31, 2004	May 31, 2003*	August 31, 2003
<i>Fixed assets</i>			
Tenancy rights	21.0	23.9	18.6
Goodwill	161.8	179.5	172.2
Ownership rights	0.3	0.8	0.3
Equipment	83.3	55.0	66.1
Participating interests in associated companies	6.3	6.3	6.3
Long-term receivables	88.9	49.1	88.2
<i>Total fixed assets</i>	<i>361.6</i>	<i>314.6</i>	<i>351.7</i>
<i>Current assets</i>			
Inventories	180.2	200.0	186.3
Other current assets	34.5	50.2	43.1
Cash and bank balances	18.4	10.3	53.1
<i>Total current assets</i>	<i>233.1</i>	<i>260.5</i>	<i>282.5</i>
Total assets	594.7	575.1	634.2
Shareholders' equity	65.2	115.0	118.1
Provisions	8.5	9.6	8.8
Long-term interest-bearing liabilities	382.6	318.5	359.0
Long-term non-interest-bearing liabilities	0.0	0.0	3.8
Current interest-bearing liabilities	0.0	0.0	-
Current non-interest-bearing liabilities	138.4	132.0	144.5
Total shareholders' equity and liabilities	594.7	575.1	634.2

Change in the Group's shareholders' equity			
Opening balance	118.1	108.9	-2.5
Translation differences	-0.9	-	-3.6
Share issues	-	193.5	193.5
Profit/loss for the period	-52.0	-187.4	-69.3
Closing balance	65.2	115.0	118.1

Key financial ratios	Q3 March 04- May 04	Q3 March 03- May 03*	The period Sep 03- May 04	The period Sep 02- May 03*	Fiscal year 03 Jan-Aug 03	Rolling 12 months June 03- May 04 *
Number of stores	202	220	202	220	219	n.a.
Sales, SEK million	214.2	238.0	720.5	793.1	611.1	980.0
Change, %	-10.0	n.a.	-9.2	n.a.	n.a.	n.a.
Gross profit, %	56.4	52.5	56.2	50.3	52.7	53.0
Operating margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Profit margin, %	neg.	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio, %	n.a.	n.a.	11.0	20.0	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.	6.0	2.9	3.1	n.a.

*Pro forma

Number of stores	May 31, 2004	May 31, 2003*	August 31, 2003
Rizzo	13	14	14
Shoes	70	73	72
Accessories	119	133	133
Total	202	220	219

Definitions

Pro forma Income statement and balance sheet figures for the period September 2002–May 2003 are calculated based on the previous year's interim reports taking into account seasonal variations.

Gross profit margin Sales less the direct cost of goods sold as a percentage of sales.

Operating margin Operating profit/loss after depreciation/amortization as a share of operating revenues.

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.

Profit/loss 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.