WEDINS ANNUAL REPORT 2003/2004

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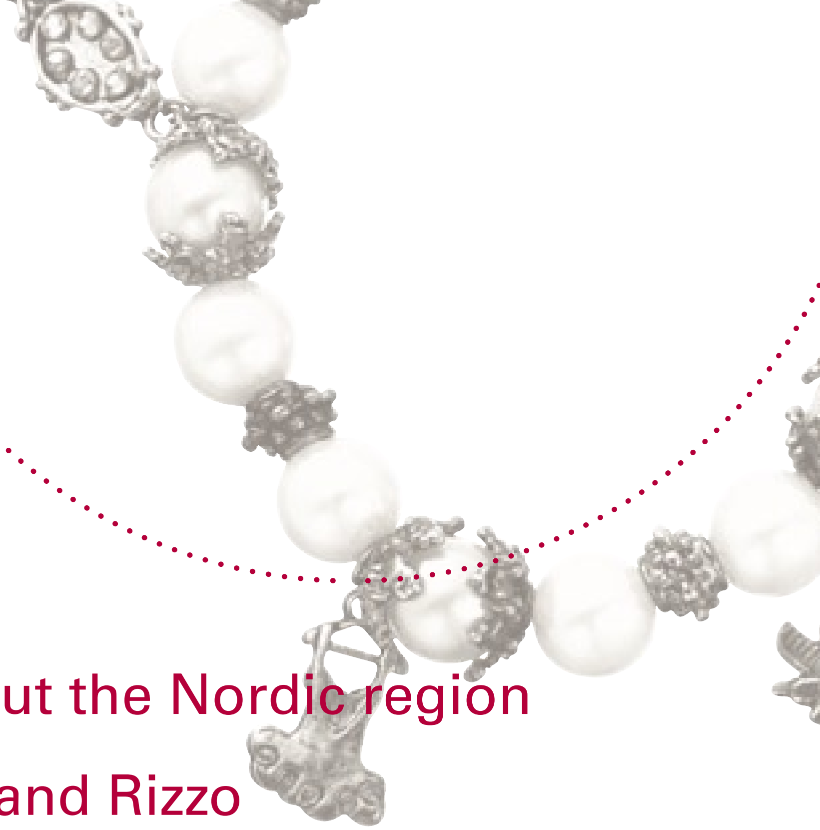
wedins

”Wedins offers an affordable selection of fashionable shoes and accessories for most people”

CONTENTS



Wedins

- 210 stores throughout the Nordic region
- two chains: Wedins and Rizzo
- market leader in the region in shoes and accessories
- sells 2.5 million pairs of shoes per year
- sells 1.2 million bags per year
- 700 employees

Wedins in brief

Wedins Skor & Accessoarer is the Nordic leader in shoes and accessories, with well-known brands and a valuable network of 210 stores. It operates through the wholly owned chains Wedins and Rizzo, with nearly 700 skilled and motivated employees.

Wedins and Wedins Accent have 197 stores in the high volume segment, while Rizzo has 13 stores in the high price and quality segment. The chains operate in Sweden, Norway, Finland and Denmark. The Group also has a 33.3% interest in Skokanonen, a discount shoe chain with 18 stores in Sweden.

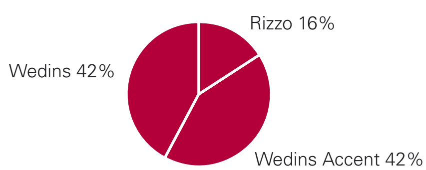
Over a period of years leading up to 2002 Wedins expanded greatly, mainly by acquiring chains with small stores. This rapid expansion led to a motley mixture of store concepts, brands and corporate cultures. The flow of goods and information became increasingly complex at the same time that debts and centralized expenses rose. The economies of scale that had been expected in purchasing and logistics, for example, never came about.

Since 2003 a comprehensive restructuring has been under way to create a uniform, efficient and profitable chain. Wedins currently has a stable platform to work from with a streamlined brand and chain structure. A foundation for positive development has been put in place, and Wedins is continuing to strengthen its position in the Nordic market.

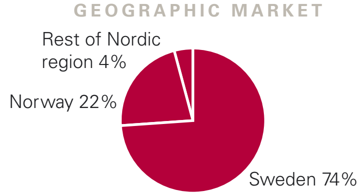
NO. OF STORES BY PRODUCT AREA	Aug. 31, 2004	Aug. 31, 2003	Aug. 31, 2002
Wedins	82	72	72
Wedins Accent	115	133	141
Rizzo	13	14	15
Total	**210**	**219**	**228**

NO. OF STORES BY COUNTRY	Sweden		Norway		Finland		Denmark	
AUG. 31, 2004 VS. AUG. 31, 2003	2004	2003	2004	2003	2004	2003	2004	2003
Wedins	76	68	5	4	1	0	0	0
Wedins Accent	54	66	55	60	6	7	0	0
Rizzo	9	10	1	1	1	1	2	2
Total	**139**	**144**	**61**	**65**	**8**	**8**	**2**	**2**

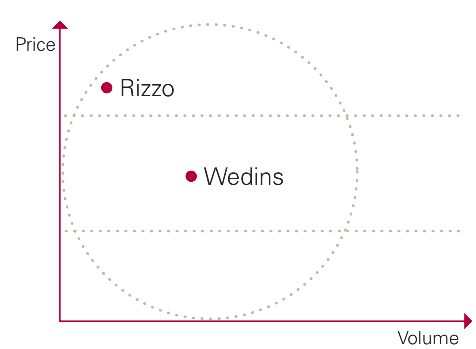
SALES BY SEGMENT
PRODUCT AREA



SALES BY SEGMENT
GEOGRAPHIC MARKET



POSITIONING



Highlights during the year

Events

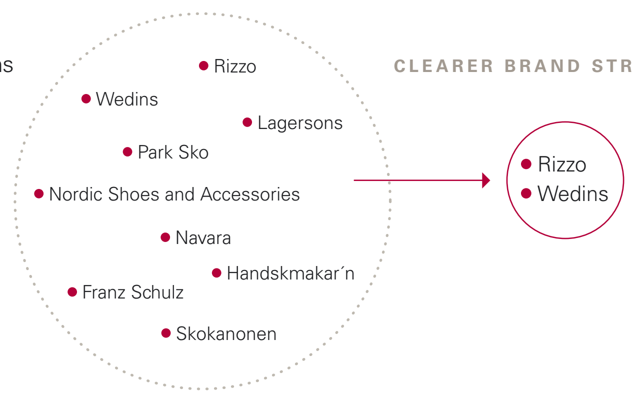
- Sko-City's 9 stores, strategically located in Sweden, were acquired and have been consolidated in Wedins since August 1, 2004.
- Three flagship stores were opened in Stockholm, Helsinki and Oslo. Around 25 basics stores with both shoes and accessories were created through new openings or consolidations.
- The Group's brands were coordinated, as was its legal structure.
- The Wedins Business School was established and provided management development programs for all store managers as well as sales training for all store sales staff.
- Jewelry was launched as a new product area.
- On November 11, 2004 the Board of Directors appointed Ingrid Osmundsen as the new President, at the same time that Roland Nilsson was nominated to take over as Chairman. Both will assume their new posts by spring 2005.
- The change process requires additional capital. On October 22, 2004 the Board of Directors declared a new issue for up to approximately SEK 150 million with preferential rights for the company's shareholders. FöreningsSparbanken has guaranteed the issue up to SEK 150 million.
- The company's long-term debt financing remains in place.

In 2003 Wedins changed its fiscal year to September–August. This is the first full fiscal year ending August 31. On this page the comparative figures are reported pro forma for the corresponding period of the previous year. The pro forma figures are unaudited.

Numbers

- Group sales amounted to SEK 956.3 million (1,037.6). The decrease is mainly due to a scheduled reduction in the number of stores to 201, from 219, excluding Sko-City, as well as to a modified price mix.
- The gross profit margin rose to 54.7 percent (49.5).
- The operating loss was SEK –79.3 million (–218.7).
- The loss after tax amounted to SEK –83.5 million (–198.9).
- The loss per share was SEK –0.38 (–3.39).
- The Board of Directors recommends that no dividend be paid.

CLEARER BRAND STRUCTURE

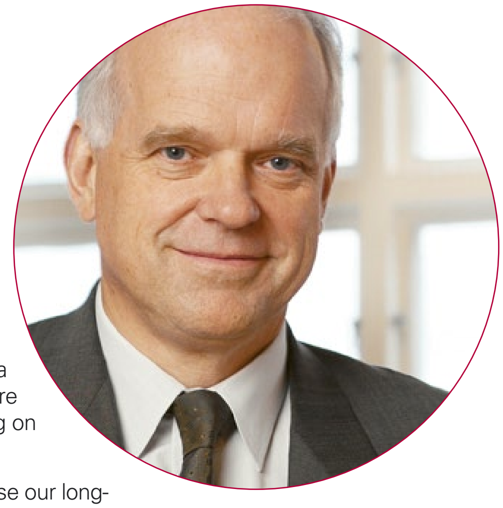


DEVELOPMENT IN SUMMARY	Fiscal year Sep. 03 – Aug. 04	Fiscal year Sep. 02 – Aug. 03*	Fiscal year Jan. – Aug. 03 (8 months)
Sales, SEK million	956.3	1,037.6	611.1
Operating loss, SEK million	–79.3	–218.7	–95.8
Loss after tax, SEK million	–83.5	–198.9	–69.3
Gross profit margin, percent	54.9	49.5	52.7
Loss per share after dilution, SEK	–0.38	–3.39	–0.82
Number of stores	210	219	219

* Pro forma

Statement by the President

"A strong, integrated concept for shoes and accessories will help us to become a profitable company."



HOW WOULD YOU SUMMARIZE THE PAST YEAR?

A great deal of time and effort has been devoted to creating *one* organization, *one* company and *one* direction forward. The key components in this work were the changeover to a single brand for Wedins, the introduction of a new, integrated store concept and a major investment in competence development for our employees. We now have a well-defined operating agenda and a clear focus on reaching profitability within about three years. We are therefore leaving the first phase of Wedins' restructuring behind and moving on to developing and rationalizing our processes and merchandise mix.

We are going to offer the market a more attractive product in order to increase our long-term competitiveness. At the same time we are speeding up the transition from small to large stores – part of a transformation that will take a little longer but is vital to create a profitable store network. In the new fiscal year we will be devoting a lot of energy to also improving efficiency in purchasing, logistics and distribution in order to increase the flow of goods to stores and reduce tied-up capital. A fourth important area we will continue working on during the year is our employee development program.

NOW YOU HAVE ONLY TWO BRANDS, WEDINS AND RIZZO. WHY?

In March of this year we brought all our stores in the high volume segment in the Nordic region together under one brand – Wedins. With a single brand we create a clearer image for both customers and internally of who we are and where we are headed. It also creates efficiencies and economies of scale in marketing and new store openings. The streamlining of our brand structure is a natural element as we move toward more stores with an integrated selection of shoes and accessories. Rizzo is an established brand that complements our offering in the high price and quality segment.

HOW HAS THE NEW INTEGRATED SELECTION OF SHOES AND ACCESSORIES IN THE SAME STORES BEEN RECEIVED?

We are very happy to see how well the coordinated concept has been received by customers. A large customer survey recently conducted in the new stores produced very positive reactions; 93 percent of those asked definitely think that shoes and accessories belong together and that it makes them want to buy more. They like the idea of finding a bag that matches the shoes, which is exactly the kind of feeling we are trying to create. Wedins' new jewelry line broadens our range of attractive accessories. Since starting in September, sales have gone well, and it shows that the direction we are taking is the right one and has very good potential for boosting sales.

WHAT EFFECTS HAS THE MOVE TOWARD LARGER STORES HAD SO FAR?

We are just starting the transformation. Today we have slightly over 20 stores with an integrated selection of shoes and accessories, and by the end of the current fiscal year we expect to double that number. Within three years the lion's share of our stores will have undergone the change.

We still have many small stores with low sales that are sensitive to fluctuations in demand. Despite good locations, they aren't providing a positive contribution on days with low customer traffic. This makes it important to switch to larger units with higher sales per square meter and man-hour. Sales per store currently average just over SEK 4 million. We want to raise that to over SEK 7 million on average within three years.

The acquisition in August 2004 of Sko-City's stores with good locations gave us access to the type of large stores we are aiming for. At the same time it gave us a sales boost we needed.

WHAT IS THE ROLE OF THE EMPLOYEES IN WEDINS' TRANSFORMATION?

The commitment of our employees is a key to creating an attractive and competitive customer offering. The more they know about our products, the more self-confident our sales staff will be. Our investment in training includes a management program, sales training and product information for all employees.

We have also created greater openness internally and are trying to get everyone committed to Wedins' values and objectives, whether they have contact with customers on a daily basis or handle invoices. This is a completely new approach that encourages participation but also demands that people take responsibility throughout the organization. You could almost call it a cultural revolution for us.

HOW DID THE MARKET FOR SHOES AND ACCESSORIES DEVELOP DURING THE YEAR?

We have been seeing a slide in sales prices for some time. Average prices have generally fallen in the Nordic region. One of the main reasons is a shift in purchasing and production to the Far East. We have also had a falling U.S. dollar. As a whole, however, volumes are expected to rise slightly.

Wedins' prices and sales volume basically maintained pace with the market during the year. Product price deflation, in combination with wage and rent inflation, is a new economic equation for the industry. At Wedins, we have tackled the situation in several ways. For one, we have changed our costing model so that in general we generate enough revenue to cover our sales cost. Also, we are improving our merchandise through a more varied mix of products and private label and outside brands. Lastly, the switch to larger stores is naturally an important component in creating stable profitability.

HOW WILL WEDINS MAINTAIN AND IMPROVE ITS MARKET POSITION?

Wedins and Rizzo have a unique position in shoes and accessories in the Nordic region, and we will continue to build on it on several fronts. We will design our merchandise to reflect fashion trends as we see them through a close and effective collaboration with select suppliers. We hope to create affordable, attractive products, combining private label with other brands. We have made some headway, and now the work with our product range, purchasing and logistics will be intensified. I expect to see more results in the year ahead.

YOU ARE RECOMMENDING THAT THE ANNUAL GENERAL MEETING APPROVE A RIGHTS ISSUE FOR ABOUT SEK 150 MILLION. HOW WILL THE MONEY BE SPENT?

We need the share issue we are now proposing to strengthen our balance sheet and equity/assets ratio as well as to refine operations as we gradually transition to business as usual. We have successfully completed many operating changes, but the pace of change has been affected by a weak market. We have to speed up, and that requires a more stable financial base. The capital added through the rights issue will be used in concrete terms to speed up the changeover from small to large stores, and it gives us the flexibility to grow.

WHEN WILL WEDINS BE A PROFITABLE COMPANY?

Our objectives from 2003 remain firm. Wedins will definitely be profitable within 3–5 years; in other words, by 2008. We will reach a profit margin of 5–6 percent and an operating margin of around 12–15 percent. Our equity/assets ratio will rise to approximately 35 percent during the same period and the return on equity will be at least 20 percent over a business cycle.

The main reason why we used a time span of three to five years was uncertainty as to the market's development. We now know that total sales in the market declined in 2003/2004 mainly due to lower prices. Households' disposable income has not risen and we have had to fight with tough competition from other retailers for our share of consumer spending. This affects the speed of Wedins' transformation, because of which we expect it to take five years rather than three before we reach the objectives we have set.

YOU ARE STEPPING DOWN AS PRESIDENT IN THE SPRING AND HANDING OVER THE REINS TO INGRID OSMUNDSEN. WHY, AND HOW DOES THIS AFFECT WEDINS?

Back when I took over as president with the job of structuring and changing Wedins, I realized it was a project with a limited timeframe. My plan was to find the right person with retail and fashion in their blood to lead Wedins on a day-to-day basis after this major restructuring and refocus fully on retail operations. Ingrid Osmundsen, who has worked at Lindex and Nike, has the right experience to lead the daily processes at Wedins moving forward. I will take the position of executive chairman and concentrate on ownership and strategic issues.

WHAT ARE THE PRIORITIES FOR WEDINS IN 2004/2005?

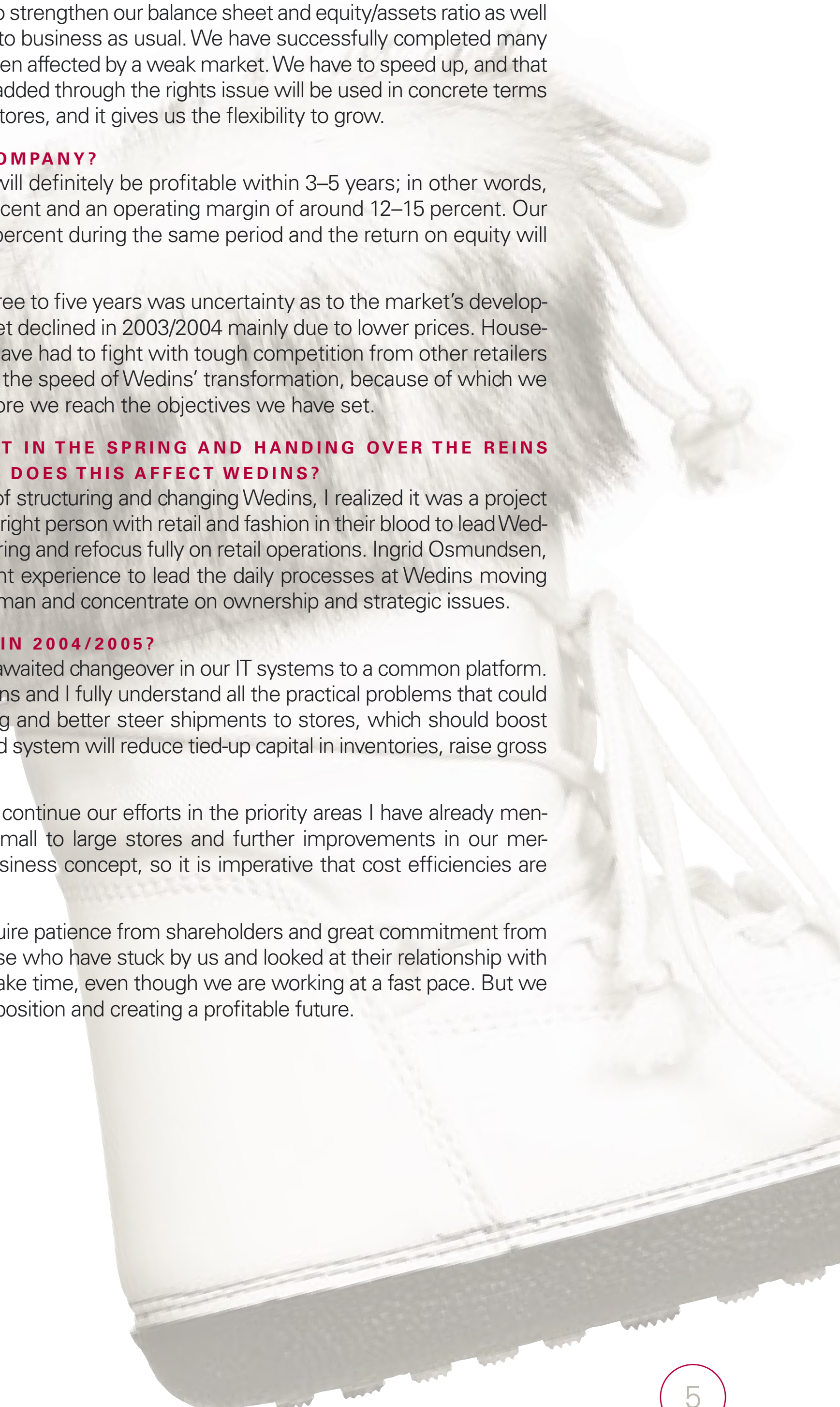
A highlight for us during the year will be the long-awaited changeover in our IT systems to a common platform. I know it is like replacing the heart of our operations and I fully understand all the practical problems that could arise. But it will allow us to coordinate purchasing and better steer shipments to stores, which should boost sales and improve service. Eventually a centralized system will reduce tied-up capital in inventories, raise gross profits and improve profitability.

During the year it will also be important for us to continue our efforts in the priority areas I have already mentioned: staff development, the transition from small to large stores and further improvements in our merchandise. Affordable fashion is the key to our business concept, so it is imperative that cost efficiencies are maximized in every part of our business.

What we are doing and have done at Wedins require patience from shareholders and great commitment from employees. I would therefore like to thank all those who have stuck by us and looked at their relationship with Wedins from a long-term perspective. Changes take time, even though we are working at a fast pace. But we are well on the way to strengthening our unique position and creating a profitable future.

Stockholm, December 2004

Roland Nilsson
President and CEO



Strategic direction

Vision

"We will be a profitable and well-respected retail chain with a passion for the details that make fashion complete."

Wedins' vision is to be:

- largest in the shoes & accessories segment in the Nordic region;
- a fashion and concept company;
- a positive and stimulating work environment;
- a well-known brand with exciting stores;
- a company that creates value in its relationships;
- appreciated by loyal customers and proud of ourselves;
- a sound and profitable company.

Mission

"Everyone should be able to afford to add variation to what they wear with fashionable products from Wedins."

Business concept

Wedins has formulated a business concept to guide its day-to-day operations.

"We offer an affordable selection of fashionable shoes and accessories for most people."

The three cornerstones of the business concept are:

- **value for the money** through cost efficiency;
- **fashion** through the right mix of trend and function;
- a well-designed store network to reach **most people.**

Financial objectives

Over time Wedins will generate a high appreciation in value and return for its shareholders, and therefore formulated the following objectives in fiscal year 2003. Wedins will:

- reach an operating margin before depreciation, amortization and financial items (EBITDA margin) of 12–15 percent and a profit margin before tax (EBT margin) of 5–6 percent within three to five years, i.e. by 2008;
- maintain a return on equity of at least 20 percent over a business cycle; and
- have a long-term average equity/assets ratio of approximately 35 percent.

Strategy

In connection with the launch of its comprehensive action program in 2003, Wedins formulated an overall strategy to achieve the above-mentioned objectives:

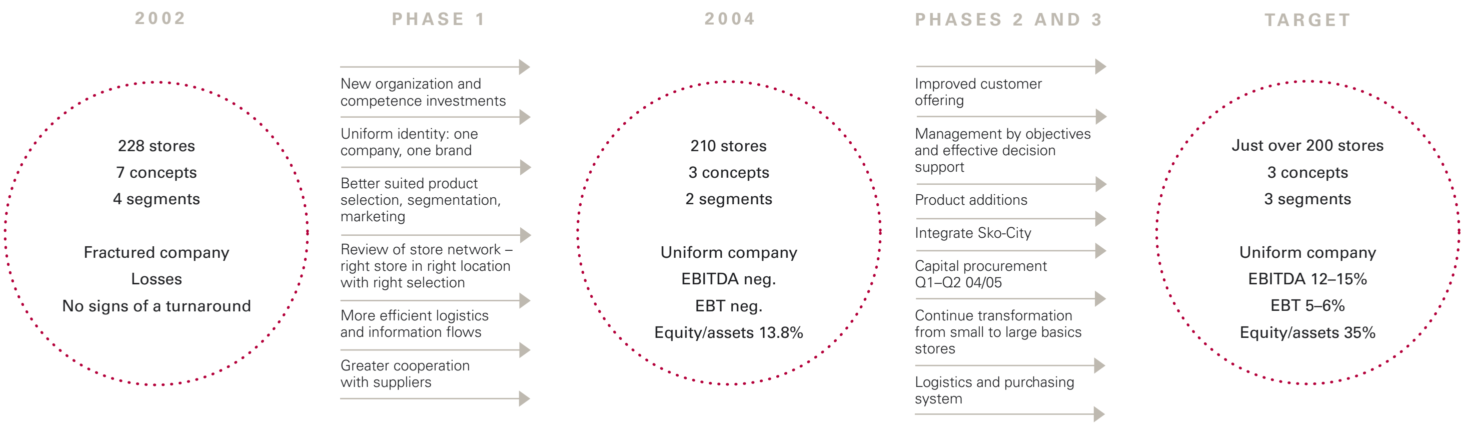
- ✓ streamline operations by focusing on the high volume segment in shoes and accessories to create cost superiority;
- ✓ strengthen the customer orientation in stores, where customers' needs are met;
- ✓ improve efficiency in logistics and information flows through a common IT platform;
- ✓ fine-tune and coordinate the product selection with the goal of creating offerings that combine value and function;
- ✓ create a new store structure in the high volume segment under a single brand – Wedins – and with three different store categories;
- ✓ focus more on employees, in particular the skills that ensure a profitable company and pleasant working environment; and
- ✓ implement a coordinated business model with clearly defined visions, values and policies, and with measurable financial indicators as a guide.

The action program to create profitability in the Group continued during the year. Wedins now has a stable platform to work from, with a streamlined brand and chain structure. Large parts of the operational change process have been implemented successfully, but the pace of transformation has been affected by a weak market. The number of brands has been reduced, the product selection has been coordinated and refined, and efficiency improvements in logistics have begun.

Management by objectives and competence development are pervasive within the Group.

The main strategic focus is to further reduce costs, raise sales per store and achieve financial stability. A strategically important transformation from small to large stores is under way to improve profitability per store and ensure that the business can better adapt to¨ short-term fluctuations in demand. This change must be accelerated and requires additional capital.

THE CHANGE PROCESS AT WEDINS



MEASURES AT ALL LEVELS

Starting point — **2002**

A conglomerate-like structure with little transparency and unfocused business concept.
High risk for creditors and shareholders.
Accelerating losses.

Phase 1 — **TRANSFORMATION 2003–2004**

Operational	Structural	Financial
Streamlined business concept	Simplified legal structure	SEK 195 million from new issue
Transparent processes	Fewer chain brands	SEK 152 million for creditors
New management	Begin transformation from small to large stores	SEK 43 million used in operations
	Consolidate all stores under one brand	Profit turnaround

Phase 2 — **EFFICIENCIES 2004–2006**

Operational	Structural	Financial
Improved customer offering	Close down a number of small stores	Approx. SEK 150 million in new issue used in operations
New IT system for purchasing and logistics	Growth in basics stores and possible acquisition of Skokanonen	
Expanded product selection		

Phase 3 — **GROWTH 2006 →**

Operational	Structural	Financial
Continuous improvements	Geographic growth	EBT of 5–6%
	Structural transformation with higher revenues per store	Positive cash flows
	Goal: Average store sales of at least SEK 7 million and store profit margin of at least 20%	

Operations

Wedins Skor & Accessoarer is a market leader uniquely positioned in shoes and accessories, with well-known brands and a valuable store network in the Nordic region. During the year the Group's brand and chain structure underwent a major streamlining. Today operations are carried out by the wholly owned chains Wedins and Rizzo.

The Wedins concept

Wedins´ stores offer an integrated selection of shoes and accessories and are complemented by a number of Wedins Accent stores offering a wide range mainly of accessories.

POSITIONING

Wedins is active in the high volume segment in shoes, accessories and travel items. The chain targets "most people." Its average customer is a female aged 25 to 40. This large group of fairly fashion, price and quality conscious consumers, rather than trendsetters, is the concept's primary target group. Wedins is Sweden's second largest retailer in the high volume shoe segment in terms of both revenues and number of sales locations. In Norway, Wedins is sixth largest. Wedins Accent is the largest accessories chain in Sweden. In the overall market for shoes and accessories, Wedins is the leader.

MARKET DEVELOPMENT

During the year the high volume segment for shoes and accessories was distinguished by falling prices. According to the Swedish Research Institute of Trade, shoe sales in Sweden fell in 2003 for the first time in ten years. Prices and sales declined, while volumes rose. The high volume segment has not performed as well as the high price segment. Large companies have fared better than small. The industry continues to consolidate, with Wedins taking an active role, including through the year's acquisition of Sko-City and its nine stores in strategic locations in Sweden.

THE WEDINS BRAND

Wedins was established over 100 years ago when Jonas Petter Wedin founded his business in the late 1800's. Today it is a strong, well-established Nordic brand in shoes and accessories. Now that all its stores have been brought together under a single brand, Wedins has an opportunity to achieve a stronger position among its target audience. Market surveys conducted in 2004 show that 93 percent of Wedins´ customers are very positive to the new store concept and integrated product selection launched during the year.

WEDINS' PROMISES

- We have a burning passion for details.
- We stand for inspiration and guidance.
- We sell fashionable merchandise at the right price and with good quality.

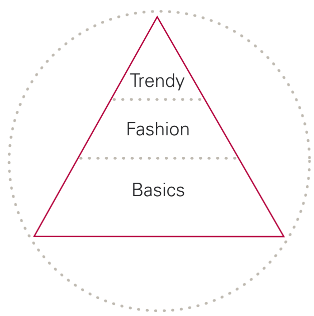
BRAND MIX AND PRODUCT SELECTION

Wedins' considerable size and strong position allow it to market products under its own name. With private label brands, it is able, in line with its overall strategy, to offer a matching collection of shoes and accessories by coordinating designs and product lines. In addition, private label products generate a higher gross profit margin, since the chain between idea and finished product minimizes the number of middlemen. During the year a comprehensive review and analysis was conducted to optimize the chain's product and price mix.

Private label products accounted for approximately 85 percent of sales at Wedins and Wedins Accent stores. The product selection was complemented by a number of well-known brands such as Ecco, Viking, Björn Borg, Samsonite, Titan and Esprit. The goal is a mix of 75 percent private label and 25 percent other brands.

The majority of Wedins' products are basics that are less dependent on trends and are therefore less of a fashion risk. This product mix is also the most profitable. Basics are complemented by classics and a limited number of trendy products that are designed mainly to attract attention and increase store traffic. Wedins has its own design unit that works with product development and trend watching to ensure the right fashion level in its selection.

PRODUCT MIX



MARKETING COMMUNICATIONS AND FREQUENT CUSTOMER CLUB

Wedins' frequent customer club is important to its strategic marketing communications. Club members receive reward certificates and offers based on their buying patterns. They are also invited to various in-store activities and receive offers from other partners.

The number of club members rose during the year from 225,000 to nearly 300,000. They account for about 20 percent of Wedins' total sales. The success of the frequent customer club has been achieved at the same time that the central marketing organization has been trimmed.

An important strategic change during the year was the emphasis on sales-promoting product advertising rather than image advertising. Moreover, the stores' importance has been stressed in external communications by focusing on signage, window displays and in-store activities. The new concept, with matching shoes and accessories, has led to the testing of a number of new communication activities in the media and in stores.

MORE EFFICIENT STORES – LARGER STORES

Wedins is striving to create an efficient and profitable retail chain with attractive merchandise in a strong store network. During the year a number of steps were taken to create an optimal store structure – with the right store in the right location with the right selection. The biggest and most important step has been the launch of a *single* brand. What had previously been a haphazard assortment of chain brands has been focused on a single brand relationship – Wedins. Signs have been replaced at all stores and 22 stores have launched an integrated range of shoes and accessories. At the same time a number of stores have been part of an ongoing redesign program and have adopted a new merchandising system that combines shoes and accessories.

According to a recent customer survey, the new stores with a combined selection have been very well received. A program to convert from small to large stores is under way.

Among the key operating activities that have been conducted or are under way are:

- Further refinement of the new store concept to ensure better availability through clearly defined departments. The aim is to create more effective store displays, which will make it easier for customers to buy more.
- Continual meetings with store managers and staff that include training exercises.
- A clearer regional division with delegated responsibility for merchandising and branding.
- Staff pools for more flexible scheduling in a number of locations.
- Automated traffic counters have been installed in all stores to provide better data for decision-making.
- "Secret shoppers" in stores on a regular basis to ensure that customers are correctly treated.

FOCUS ON THE FUTURE

The transformation from small to large stores is a priority in Wedins' development efforts. The number of stores with an integrated selection of shoes and accessories – so-called basics stores – is expected to rise by 20 to just over 40 stores during the current fiscal year, followed by around 35 additional stores thereafter. New basics stores are expected to be opened in all markets.

The new product group, Jewelry, which is currently available in 40 stores, will be launched in another 80 stores during the current fiscal year. Sko-City will be fully integrated in Wedins in 2005. The new Group-wide purchasing system will be ramped up during the second quarter of 2004/2005.

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Wedins Accent	402.4	450.0	255.9
Rizzo	152.4	154.2	88.3
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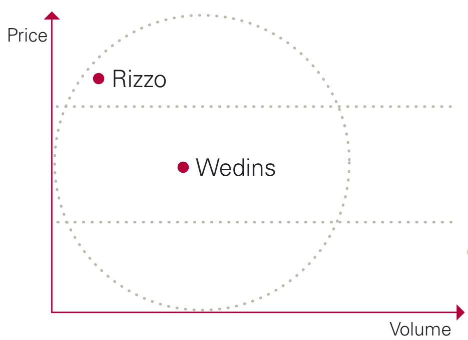
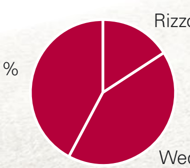
*Pro forma

POSITIONING



SALES BY SEGMENT
PRODUCT AREA



The Rizzo concept

Rizzo offers a wide range of fashionable and trendy women and men's shoes, bags and accessories in the high price and quality segment. Its stores are in the finest locations in major Nordic cities.

POSITIONING

Rizzo is active in the high end price and quality segment in shoes and accessories, where it is the Swedish leader. The concept is designed for the fashion-conscious woman and man. Rizzo was founded in the early 1970's and has been part of the Wedins Group since 1999.

Rizzo currently has 13 stores in Sweden, Norway, Denmark and Finland.

MARKET DEVELOPMENT

The market for shoes and accessories in the high end fashion and quality segment performed more stably during the year than the high volume segment. The strong purchasing power of the target group is a contributing reason for the stable price and sales trends in the segment. Rizzo is the market leader in the high end fashion and quality segment in Sweden.

BRAND MIX AND PRODUCT SELECTION

Rizzo's collections follow international fashion trends and are offered for a variety of needs, occasions and temperaments. The collections range from classic to trendy. All shoes in Rizzo's collection are high in quality, fashionable and show an attention to detail. Rizzo's origins and fashion tradition are Italian, and the large part of its collections is still made in Italy.

During the year the product mix was adjusted to create a better balance between fashion and classics, mainly in Rizzo's principal market – women's shoes. The change positively contributed to sales during the fiscal year.

Private label products account for an average of approximately 55 percent of Rizzo's sales, which is considerably lower than for Wedins in the high volume segment. Department store sales consist of a wider range of outside brands. Among the major brands that are carried are Bally, Dolce&Gabbana, Church's, Sergio Rossi, Paul Smith and Hugo Boss. A promotion for matching accessories during the year proved a great sales success.

MORE ATTRACTIVE STORES

As a first step in Rizzo's new, updated image, a flagship store was launched on Biblioteksgatan in central Stockholm in April. The store is designed by prize-winning Swedish designer Alexander Lervik, who was inspired by fashion stores in Paris and Milan. The flagship store has a distinct atmosphere that exudes cheerfulness, warmth and luxury. An important element in the concept is that the store can change temperament and character with the seasons and offer customers surprises and inspiration. Other Rizzo stores will gradually be converted to the new store concept.

The past year was highlighted by a comprehensive training program to ensure that customers are better treated in stores. All employees have participated in Rizzo's product training as well as sales and service training. The entire organization has adopted a clearer focus on objectives with the help of scorecards, among other things.

MARKETING COMMUNICATIONS AND FREQUENT CUSTOMER CLUB

Rizzo's frequent customer club grew from 10,000 to 17,000 members during the year. The club has carved out a well-defined position as an exclusive fashion and lifestyle club. In addition to bonus offers, members receive information on fashion and trends, invitations to club parties and sneak premieres, and so on. Rizzo works a great deal with merchandising in its windows and stores as well as PR as part of its marketing communications. Its communication strategy generated increased editorial coverage during the year.

FOCUS ON THE FUTURE

In the year ahead Rizzo will gradually convert its stores to the new concept. At NK in Göteborg, Rizzo will expand its space in connection with the launch of a new department store concept in the summer of 2005. A continued focus on management by objectives and competence development will be important to future efforts to develop Rizzo.

The store network

FROM SMALL TO LARGE STORES WITH AN INTEGRATED SELECTION OF SHOES AND ACCESSORIES

Wedins' stores are in prime downtown locations and major suburban shopping centers. The store network has been significantly rationalized since the conversion program began in 2003. The strategically important process of converting from small to large stores is being implemented in part to improve each store's profitability and in part to better adapt to short-term fluctuations in demand. Since early 2003 the number of stores has been reduced through the closure of around thirty small units, which has been compensated by 15 large stores created through consolidations or added in new locations.

Wedins' efforts to shutter or consolidate stores with low sales will continue, since it still has a number of small stores that are not expected to meet the Group's sales and profitability objectives. The ongoing transformation of the store structure underscores the connection between the size of a store and its contribution to the bottom line; large stores generate a higher profit in terms of both percent and kronor. Having fewer small stores is also expected to lower central expenses, since their share of the Group's central support functions is disproportionately high.

Wedins is also actively expanding its basics stores, which offer an integrated selection of shoes and accessories. The stores that have fully introduced the new concept are performing positively in the form of better margins, higher sales per square meter and man-hour, and more stimulated, motivated personnel. Recent customer surveys also show a very positive attitude toward the new store concept.

The goal is to increase sales per store from approximately SEK 4.5 million to slightly over SEK 7 million per year, with an average profit margin per store of at least 20 percent. The aim is to complete most of the conversion from small to large stores in 2007/2008.

WEDINS' STORE NETWORK

BY PRODUCT AREA

Wedins Accent	115 stores
Wedins	82 stores
Rizzo	13 stores
Total	**210 stores**

Of which 22 with new, integrated concept

BY MARKET

Sweden	139 stores
Norway	61 stores
Finland	8 stores
Denmark	2 stores
Total	**210 stores**

STORE CATEGORIES

Wedins' store network is divided into four categories:

FLAGSHIP STORES

Wedins' flagship stores are located in prime downtown areas and offer a full selection of shoes and accessories. Service and the store atmosphere are especially important to the customer's experience. Flagship stores should be seen as a pleasant meeting place, and various activities should encourage customers to spend more time there.

Flagship stores, which are about 600–800 square meters in size, are located in prime downtown areas and provide a full range of shoes and accessories. During the year stores were opened in Stockholm, Oslo and Helsinki. The goal is to establish a total of 6–10 flagship stores in the Nordic region.

BASICS STORES

The majority of Wedins' stores will be basic stores, with an integrated selection of shoes and accessories. They will operate in sought-after downtown locations, attractive shopping centers or other high traffic retail areas, with an average store size of about 400 square meters. As of September 2004 there were 22 basics stores with the new concept. The plan is to open around 20 new stores during fiscal year 2004/2005 and another 35 the year after. In the long term the goal is to have 130–160 basics stores in the Nordic region.

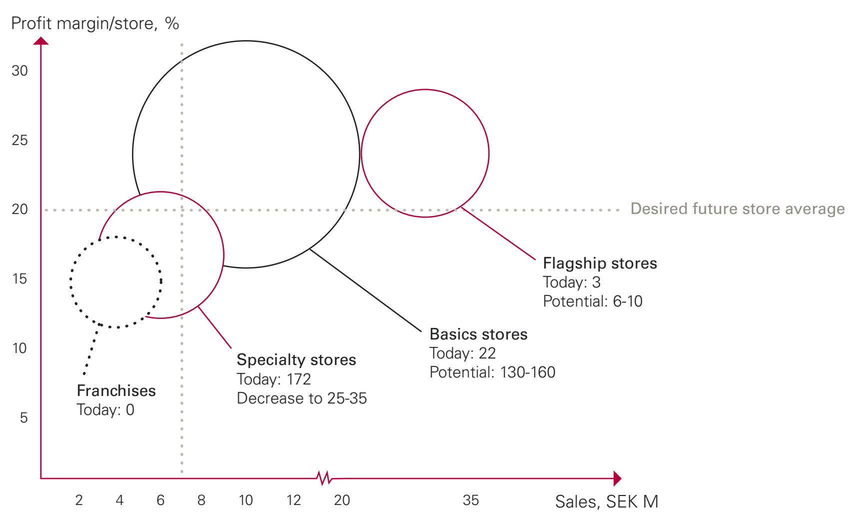
SPECIALTY STORES

In certain, smaller locations Wedins will operate specialty stores mainly offering accessories. There are currently 172 stores in this category, but the aim is to reduce this number to 25–30 by fiscal year 2007/2008.

FRANCHISES

Wedins has developed a franchise concept that, after the current evaluation, may be offered for a limited number of stores.

CONVERSION OF STORE STRUCTURE



Wedins’ world

ORGANIZATION AND EMPLOYEES

Committed, skilled employees are essential to achieving Wedins’ vision – to be a profitable and well-respected retail company with a passion for the details that make fashion complete. It is imperative that Wedins’ employees provide customers with suggestions and inspiration when they are in our stores weighing a purchase. Continuous competence development is therefore a priority in creating a competitive long-term offering.

COMPETENCE DEVELOPMENT AT WEDINS

Its staff’s commitment, helpfulness and skills are among the most important success factors for any retail company. The role of managers is critical to the stores’ success, and to Wedins’ as well. Managers are responsible for store operations, i.e. hiring sales staff, day-to-day management, merchandising, sales and follow-ups.

The Wedins Business School, which is available to all employees, was established during the year. Since then 140 store managers have begun, and many completed, a ten-day leadership program. A program was also conducted for managers and key employees at the head office.

Interactions with customers in stores are decisive to the sale of Wedins’ products. A custom-designed course in sales techniques for all employees was begun during the year. The training will continue in the fiscal year ahead.

During the year Wedins also launched a comprehensive introductory packet for new employees that combines written material with web-based, interactive training. Due to the changes the Group has undergone, all employees are being treated as “new.” So everyone, including management and the board, will participate, regardless of how long they have been with the company.

INTERNAL INFORMATION

An intranet was developed and launched with great success during the year, creating better opportunities for dialogue with all employees and between stores.

Another channel to spread information and experiences within the Group is the new closed circuit television station – Wedins Live – where important information can be broadcast to employees. There is also a living video library with training programs on future trends, product ideas, information on various types of leather, reports from new stores, and upcoming and past customer club activities.

INCENTIVES

Wedins utilizes a bonus system at all levels of the company. Management groups, store managers and sales staff are all part of the company’s incentive program. The parameters of the bonus system were adjusted during the year, and are determined based on position. Beginning in the current fiscal year, individual wages are applied within the Group.

WEDINS’ EMPLOYEES BY THE NUMBERS

The average number of employees in fiscal year 2003/2004 was 669, compared with 737 in 2003. Of them, 588 were employed in stores and 81 in central units. Men accounted for 8 percent of employees. During the year 244 new employees were hired, while 277 left the company. The average age was 35. Average sales per employee were SEK 1,429,000 in 2003/2004, against SEK 1,244,000 in 2003.

WEDINS' CODE OF CONDUCT

Wedins strives to be a sound company and set a good example. High ethical standards, social responsibility and environmental awareness are all part of the corporate culture.

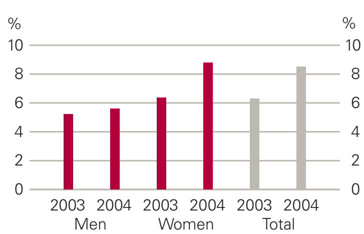
Wedins' Code of Conduct covers and regulates issues involving working conditions, human rights, production-related issues and the environment, and is designed primarily for suppliers. A great deal of work was devoted during the year to developing a basis of analysis for suppliers, auditing suppliers and visiting plants. An extensive review has also been made of the use and description of chemicals in our products, e.g. copper. The work is described in detail at www.wedins.com.

Wedins' plan for diversity and respect was drafted together with the company's unions. Wedins is primarily a female-dominated workplace, but efforts are under way to ensure that the company has a staff that reflects the concept of serving "most people." This applies not only to gender but also age, skills and experience, ethnic background and so on.

OCCUPATIONAL HEALTH AND SAFETY

Wedins worked actively during the year to improve working environments in stores and at its head office. A detailed, systematic work environment review was conducted and a number of concrete measures were taken not only to create a good environment physically and psychologically but also to improve safety. A contract was signed with an occupational health consultancy to provide all stores with qualified assistance with preventive measures as well as crisis support should it be needed.

SICK LEAVE



Sick leave absences as % of employees' aggregate normal working hours

Sick leave absences of 60 consecutive days or more account for 58% of total sick leave

AVERAGE NUMBER OF EMPLOYEES GEOGRAPHIC DISTRIBUTION	Employees 2003/2004	Of whom men	Employees 2003	Of whom men
Sweden	473	44	534	33
Norway	166	8	169	9
Finland	24	–	28	–
Denmark	6	–	6	–
Group total	**669**	**52**	**737**	**42**

New for the year

Acquisition of Sko-City with nine stores in prime locations

In August 2004 Wedins acquired Sko-City and its nine large stores in the top locations around Sweden. These stores further strengthen Wedins' position in shoes and accessories in the Nordic region.

"The acquisition of Sko-City increases our sales and adds very good stores that will help to speed the conversion of our store structure from small to large stores."

Roland Nilsson, President and CEO

New knowledge – Wedins Business School

140 store managers have begun, and many completed, a 10-day leadership program – Wedins' "green card" to be a manager. The program helps store managers to inspire and lead their employees. Coursework and individual exercises between seminars make the training intensive, but also well-suited to the needs and opportunities of Wedins managers.

"The training gave me lots of inspiration and made my job that much more enjoyable. I really appreciated the opportunity to grow in my role by working together with skilled lecturers and colleagues from the store network. And the combination of discussions on soft values and in-depth analyses of strategies, figures and rules was just what we needed. What's more, the close contact I established with other store managers around the Nordic region will prove valuable in the future."

Erica Fridlund, store manager for Wedins Accent at PUB department store, Stockholm

Jewelry – new accessories at Wedins

Shoes, bags, gloves and now jewelry. In September Wedins strengthened its offering by adding a new product area – jewelry. The new products are initially being offered at around 40 stores in Sweden, Norway and Finland. In 2005 a number of Wedins Accent stores will add it to their selection.

"By launching jewelry, we add a further complement to our line of accessories at the same time that we put available store space to use. We know that when displayed attractively and varied, jewelry attracts customers into stores, which obviously is a positive effect over and above the additional sales it generates."

Mårten Crifält, head of Jewelry product area

The value chain – from idea to consumer

One of the most important success factors for a retail company is efficient purchasing processes and fast logistics.

PURCHASING, SELECTION AND SUPPLIERS

Wedins works continuously to increase flexibility in purchasing processes and goods flows so that it can reduce lead times between orders and store deliveries. The aim is to raise margins, exert more influence over product development and better ensure high quality. Efforts to cut lead times in purchasing processes and increase the number of purchases directly from the factory are continuing.

Everyone in the industry faces the same need to frequently update their product lines. Wedins therefore tries to raise the share of purchases it makes in-season and have its stores use a demand-based purchasing system.

To increase efficiency in purchasing and product development, Wedins changed its organization during the year and created a more customer-oriented structure with purchasers responsible for specific product areas.

DESIGN AND PRODUCT DEVELOPMENT

Wedins' in-house design unit was strengthened during the year and will be further expanded to better satisfy the market and strengthen the unique concept combining shoes and accessories.

IT, LOGISTICS AND STORE PROFITABILITY

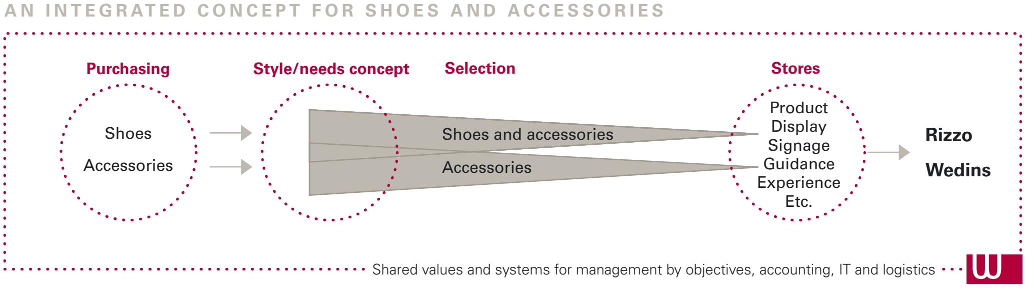
During the past year Wedins introduced a new Nordic infrastructure for data communication and telephony. The communication solution supports the company's future store structure by meeting the growing need for faster and more secure information processing between stores and the head office. The first functions that utilize the new infrastructure are the intranet and store systems.

In early 2005 Wedins' group-wide purchasing system will be fully in operation, which will mean more efficient flows and better control over inventories. The system has been delayed by over a half year due to the complexity of its development and its integration with the cash registers in stores.

The purchasing system will result in a higher sales level through faster, demand-driven refills and smaller in-store inventories. Higher efficiency has been achieved in the flow of goods through the current consolidation of distribution at the central warehouse in Borås and through new agreements for domestic transports in Sweden and Norway. Further cost savings will be made in the year ahead by coordinating the supply of shoes and accessories as well as shared inventory management and international shipping.

The key profitability measures for Wedins' store network are sales per square meter and sales per man-hour. Wedins' central business system provides information on gross profit, inventories and orders as well as sales statistics and sales trends per store and in total. The business system also provides support to follow up budgets and results, while at the same time increasing the accuracy of internal forecasts. Wedins can therefore react quickly to changes in consumer spending patterns.

AN INTEGRATED CONCEPT FOR SHOES AND ACCESSORIES



Market

POSITION OF STRENGTH IN THE MARKET

Sweden and Norway are the company's main markets, accounting for approximately 96 percent of sales in 2003/2004. This overview is therefore focused on these two geographical markets, which are also relatively homogenous with only minor differences in buying patterns. In total, the market for shoes and accessories in Sweden and Norway amounted to approximately SEK 13.9 billion including valued-added tax in 2003. Wedins' share of this market was approximately 6.7 percent at the end of the fiscal year (including Rizzo). In accessories, Wedins ranks first, and in shoes second. In the overall market for shoes and accessories, Wedins is the leader.

Of Wedins' total sales, which amounted to SEK 956 million in 2003/2004, shoes accounted for 42 percent, accessories for 42 percent and Rizzo for 16 percent. The overall market, in contrast, is divided into approximately 78 percent shoes and 22 percent accessories, based on data from the Swedish Research Institute of Trade and Statistics Norway. Wedins thus has a relatively strong position in the accessory market. Sweden is Wedins' largest geographical market, with around 74 percent of its sales, followed by Norway with approximately 22 percent. Wedins also has smaller operations in Denmark and Finland.

CONTINUED CONSOLIDATION AND RELOCATIONS

As in many retail other sectors, the Nordic footwear and accessories industry is continuing to consolidate. In the last decade chains with clear store concepts and strong brands have gained market share at the expense of individual retailers. Independent stores are finding it harder to stand up to competition from growing chains, which can utilize economies of scale in important areas such as purchasing, logistics and administration, and thus reduce their costs and raise margins. Wedins is actively taking part in the market's consolidation and in 2004 acquired the store operations and brands from Sweden's eighth largest independent shoe chain, Sko-City. Wedins plans to continue to play a role in this consolidation and has an option to acquire Skokanonen, Sweden's sixth largest independent shoe chain, in 2005/2006.

At the same time that the market is consolidating, there is also a geographical relocation under way, with stores increasingly concentrating in the best retail locations in city centers and suburban shopping centers. As interest in fashion increases and fashions change faster than ever, greater demands are being placed on purchasing. This has led to changes in purchasing channels for shoes and accessories in recent years. Traditional wholesale and agency roles in particular have lost ground in favor of retail chains' own purchasing organizations. Of Wedins' total purchases, only a small portion, estimated at 5 percent, now go through middlemen. Ten years ago about 75 percent of shoe purchases were through middlemen. Moreover, purchases are gradually being concentrated among a smaller number of suppliers, also to benefit from economies of scale. The same trend is evident in accessories.

MONTHLY SALES

In comparison with shoe sales in Sweden, September 2003 – August 2004

Sources: Wedins, Swedish Research Institute of Trade

INTEGRATED MARKETS

Internationally, shoe and accessory retailers have been becoming more integrated for some time. Changes in buying patterns – with consumers buying more shoes and accessories, and preferring to buy them at the same location – offer increasing advantages for companies that sell both. However, this trend is also attracting more businesses to the combined market. Apparel stores are selling more accessories, sporting goods stores are selling more shoes, and shoe stores are selling more handbags and luggage. This makes it more difficult to judge changes in the competitive picture in each market sector, which primarily is geographically segmented. Wedins competes with different companies depending on the product and store location. In the high price footwear segment, where Wedins is represented by Rizzo, its main competitor is Nilson in Sweden. In Norway, the competition in this segment still comes from individual, independent stores. In the high volume footwear segment, Wedins competes with Din Sko in Sweden and Norway and with Euro Skobutiker in Norway. In accessories, the competition in both Sweden and Norway comes from specialty stores, department stores and discount warehouses. In addition, apparel retailers such as H&M, KappAhl and Indiska are selling more accessories. Sporting goods and apparel retailers, including chains such as Intersport and Stadium, as well as certain discount warehouses, also compete with Wedins in shoes and accessories, and they continue to gain market share.

MARKET DEVELOPMENT

Total demand for shoes and accessories, like many other consumer goods, is affected by changes in consumer spending, which in turn are related to changes in the GNP. Changes in the demographic structure of each market also affect total demand for shoes and accessories. Demand is affected by weather and seasonality as well. Fall and winter are generally stronger sales periods than spring and summer.

NORWEGIAN RETAIL SALES
CHANGE IN VALUE FROM SAME PERIOD OF PREVIOUS YEAR, %

	2001	2002	2003	2004 (Jan.-Jun.)
Shoe store sales	4.1	4.1	–0.2	10.4
Apparel store sales	4.4	4.8	1.0	6.8
Retail sales*	4.5	5.6	2.4	6.4

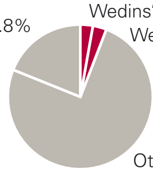
*Including product repairs
Source: Statistics Norway

SWEDISH RETAIL SALES
CHANGE IN VALUE FROM SAME PERIOD OF PREVIOUS YEAR, %

	2001	2002	2003	2004 (Jan.-Jun.)
Shoe sales	5.1	4.1	–1.3	–0.2
Apparel sales	3.8	6.7	2.9	4.0
Total retail sales	5.0	6.1	3.5	3.5

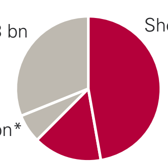
Source: Swedish Research Institute of Trade and Statistics Sweden

MARKET SHARE SWEDEN AND NORWAY



*Excluding Rizzo
Sources: Swedish Research Institute of Trade, Statistics Norway and Wedins' estimation of Norwegian accessory market

SHOE AND ACCESSORY MARKET 2003



Incl. VAT. SEK/NOK=1.14 (annual average 2003)
*Wedins´ estimation
Sources: Statistics Norway, Swedish Central Bank, Swedish Research Institute of Trade

SWEDEN

Sales of shoes and accessories in Sweden have essentially followed the overall trend for retail sales in the last ten-year period. In 1994–2003 shoe sales rose by an average of 3.4 percent per year in fixed prices, compared with 3.0 percent for total retail sales, according to the Swedish Research Institute of Trade and Statistics Sweden. In total, Swedish shoe sales during the period September 2003 through August 2004 amounted to approximately SEK 6.6 billion including VAT, according to the Research Institute of Trade. Wedins' shoe sales in Sweden amounted to approximately SEK 370 million during the same period. Shoe sales in Sweden during the period January–August 2004 rose by 0.4 percent in value and declined by 0.2 percent in volume, compared with the results for 2003, when the shoe market wrestled with deflation, with volume rising by 1.5 percent but sales value decreasing by 1.3 percent, according to the Research Institute of Trade. The reason for the relatively low growth is that consumer spending is being held in check not only by a tentative economy but also by higher municipal and county taxes. Also, housing and services are taking up a growing share of consumers' disposable income at the expense of retail purchases. Wedins' sales of accessories in Sweden – a total market estimated at SEK 2.1 billion including VAT – amounted to SEK 213 million during the fiscal year. There are no detailed statistics for accessory sales, which are included in apparel. During the period January–August 2004 apparel sales rose by 4.6 percent in terms of value and by 9.4 percent in volume, compared with 2003, when the value increase was 2.9 percent, of which volume growth accounted for 3.6 percent, according to the Research Institute of Trade.

NORWAY

Spending on shoes and accessories in Norway has remained relatively stable in recent years. Norwegian footwear sales amounted to approximately NOK 3.1 billion in 2003 excluding VAT, according to Statistics Norway. Wedins' shoe sales in Norway amounted to SEK 33 million during the fiscal year 2003/2004. A contributing factor to the stagnation in Norwegian retail shoe sales is that this segment, like the apparel market, is facing price deflation. In the last year the consumer price index for clothing and shoes fell at the same time that Norwegian consumer prices in general rose, according to Statistics Norway. Norway's accessory market has also been relatively stable, amounting to approximately NOK 0.7 billion excluding VAT, according to Wedins' estimate. Wedins' sales of accessories in the Norwegian market amounted to SEK 170 million during the fiscal year.

SEASONALITY

Seasonality and weather-related variations are factors that in the short term affect demand for shoes and accessories. In general, sales peak in the fall and winter, with December traditionally the best month. During these seasons the shoe selection consists largely of heavier, more expensive shoes. A higher price level means higher sales revenue and generally higher gross margins. Demand for accessories such as gloves, hats and date books peaks during the last months of the year, so accessories are more dependent than shoes on strong December sales. The biggest month for clearance sales, which adversely affect annual profit margins, is January. May is a good month for summer shoes, while clearances (and lower gross margins) are common in July and August. Traditionally the months of January and February have been the weakest profit-wise for shoe and accessory retailers. Variations in weather can also affect sales of shoes and accessories. A clear, cold winter has a positive impact on sales of both shoes and accessories. In the same way, a clear spring and summer have a positive impact on shoe store sales.

New for the year

New president in spring 2005 – Ingrid Osmundsen

Ingrid Osmundsen will take over as president of Wedins in the spring of 2005. Ingrid, 43, has worked in fashion and retail for 16 years, most recently as president of Lindex Sweden. Prior to that she held various positions, including at Nike Europe.

"Wedins is an exciting company with a strong position and a strong brand to manage and develop. I believe that with my long experience in fashion and retail, I can help to improve efficiency in the value chain from purchasing to store sales."

Ingrid Osmundsen, President-elect

From six brands to one

In March 2004 the Group's stores in the high volume segment were rebranded as Wedins and Wedins Accent. As a result, all the stores – with the exception of Rizzo – have been brought together under a single brand. The aim is to strengthen the brand's position among its target group, while at the same time increasing efficiency in the store network. The transition also marks the start of Wedins' new store concept with an integrated selection of shoes and accessories.

"Going from six brands to one naturally entails a lot of planning and support internally before you are ready to replace the signs on stores. The entire organization has been strongly committed to this effort. Now that we have the new brand in place, we can take advantage of economies of scale and improved efficiency, especially in our marketing."

Per Larsson, Business Area Manager for Rizzo, formerly Marketing Manager in charge of Wedins' new identity

The share

MARKET CAPITALIZATION AND TURNOVER

The Wedins share has been listed on the O-list of Stockholmsbörsen (Stockholm Stock Exchange) since July 1, 1997. The last price paid on August 31, 2004 was SEK 0.74, giving Wedins a market capitalization of approximately SEK 180 million. During the fiscal year an average of 877,700 (225,200) shares were traded per day. A total of 219.4 million (28.6) Wedins shares were traded on Stockholmsbörsen at a value of SEK 359.8 million (31.6). During the fiscal year the share dipped to a low of SEK 0.58 on August 19 and peaked at a high of SEK 2.97 on April 14. During the fiscal year the SX All-Share Index rose by 14.7 percent while the SX2550 Retailing Index climbed 9.6 percent.

SHARE CAPITAL

As of August 31, 2004 the share capital amounted to SEK 24,403,026.80, distributed among 244,030,268 shares, each with a par value of SEK 0.10. Of the total, 1,000,000 were Class A shares with 10 votes each and 243,030,268 Class B shares with 1 vote each. The average number of shares during the fiscal year September 2003 – August 2004 was 218,073,184. All shares are entitled to share equally in the company's assets and profits. A round lot consists of 10,000 shares.

NEW SHARE ISSUES IN 2003/2004

In connection with the acquisition of Sko-City, 26,830,000 shares were issued at a price of SEK 1.90 per share, corresponding to a discount of 4.5 percent compared with the closing price on June 1, 2004. The directed issue, which was voted by the Board of Directors with the support of the authorization of the Annual General Meeting on January 13, 2004, was floated to a limited number of Swedish and international institutional investors. The issue provided the company with proceeds of approximately SEK 50 million before issue expenses. In connection with the takeover of Sko-City in July 2004, an additional 5,000,000 shares were issued to the sellers as part of the purchase price.

CHANGES IN THE SHARE CAPITAL

Year	Month	Change	Increase in share capital, SEK	Share capital, SEK	Change in no. of A shares	Change in no. of B shares	No. of A shares	No. of B shares	Par value per share, SEK
1997	March	Formation of company	100,000	100,000	1,000	0	1,000	0	100
1997	May	Split	0	100,000	9,000	40,000	10,000	40,000	2.00
1997	May	New issue	8,114,000	8,214,000	990,000	3,067,000	1,000,000	3,107,000	2.00
1997	June	New issue	1,786,000	10,000,000	0	893,000	1,000,000	4,000,000	2.00
1999	Nov.	New issue	5,157,162	15,157,162	0	2,578,581	1,000,000	6,578,581	2.00
2003	April	Reduction	–14,399,304	757,858	0	0	1,000,000	6,578,581	0.10
2003	May	New issue	20,462,169	21,220,027	0	204,621,687	1,000,000	211,200,268	0.10
2004	June	New issue	2,683,000	23,903,027	0	26,830,000	1,000,000	238,030,268	0.10
2004	July	Directed issue	500,000	24,403,027	0	5,000,000	1,000,000	243,030,268	0.10

OWNERSHIP STRUCTURE

As of August 31, 2004 Wedins had 3,402 shareholders, compared with 2,186 a year earlier. Foreign shareholders owned 43.4 percent (10.05) of the share capital and 41.8 percent (9.63) of the votes. Wedins has not issued any options or convertible debenture loans.

LARGEST SHAREHOLDERS AS OF AUG. 31, 2004

Shareholder	No. of A shares	% of B shares	% of capital	Votes
Foreign shareholders and managers	0	49,011,166	20.1	19.4
Schroder Investment	0	41,833,988	17.1	16.5
Second Nat'l Pension Fund	0	22,956,000	9.4	9.1
Accent Equity Partners	0	19,662,520	8.1	7.8
Foundation for Baltic and East European Studies	0	18,675,158	7.7	7.4
Roland Nilsson and companies	1,000,000	15,400,000	6.7	10.0
Odin funds (Norway)	0	11,185,380	4.6	4.4
Sko-City AB	0	5,000,000	2.0	2.0
Aktiv Företagsutveckling AB	0	3,575,000	1.5	1.4
LRF Försäkring AB	0	3,240,000	1.3	1.3
Others	0	52,491,056	21.5	20.7
Total	**1,000,000**	**243,030,268**	**100.0**	**100.0**

Source: SIS Ägarservice AB.

DIVIDEND POLICY

The aim of the Board of Directors is to maintain a stable dividend policy with a high pay-out ratio. In the long term Wedins intends to distribute 50 percent of after-tax profit, although the company's financial situation, investment needs and development opportunities are all taken into consideration in determining the dividend. The Board of Directors recommends that no dividend be paid for fiscal year 2003/2004.

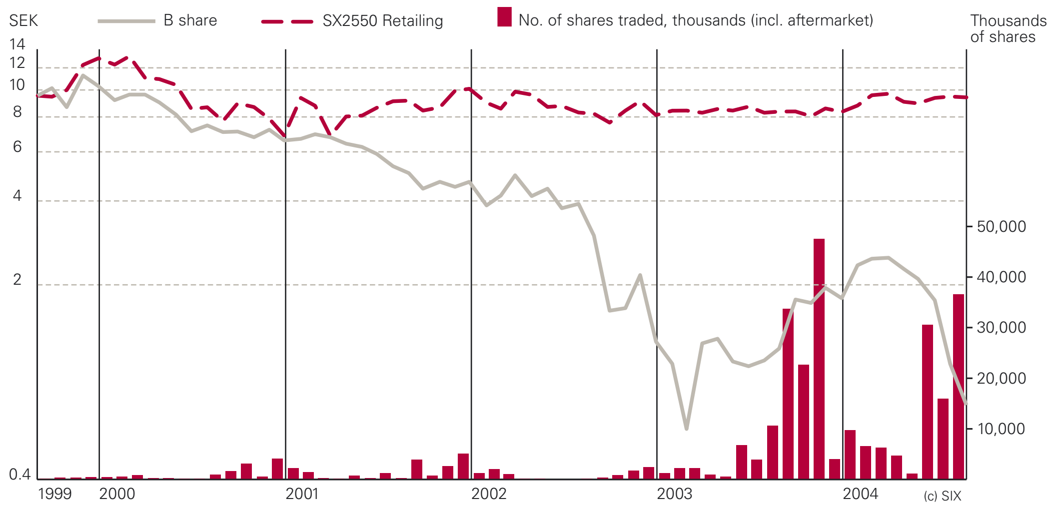
OWNERSHIP STRUCTURE AS OF AUG. 31, 2004

Shareholding	No. of shareholders	No. of A shares	No. of B shares	Holding, %	% of votes	Market value (SEK 000)
1– 1,000	1,344	0	603,679	0.25	0.24	447
1,001– 10,000	1,353	0	6,858,867	2.81	2.71	5,076
10,001– 100,000	593	0	19,229,537	7.88	7.60	14,230
100,001– 1,000,000	86	1,000,000	26,355,583	11.21	14.37	19,503
1,000,001–	26	0	189,982,602	77.85	75.08	140,587
Total	**3,402**	**1,000,000**	**243,030,268**	**100.00**	**100.00**	**179,842**

Source: SIS Ägarservice AB.

KEY RATIOS PER SHARE	1999	2000	2001	2002	2003	Pro forma Sep. 2002 –Aug. 2003	2003/2004
Average number of shares	5,214,882	7,578,581	7,578,581	7,578,581	84,311,714	58,731,753	218,073,184
Profit/loss per share after tax, SEK	4.41	1.64	–1.40	–29.28	–0.82	–3.39	–0.38
Equity per share, SEK	34.12	32.78	29.16	neg	1.40	2.01	0.42
Dividend, SEK	2.40	2.40	0.00	0.00	0.00	0.00	0.00
Closing-day share price, SEK	59.50	38.00	27.00	7.20	1.18	1.18	0.74
Direct yield, %	4.00	6.30	–	–	–	–	–
P/E	13.50	23,17	–	–	–	–	–

WEDINS SKOR & ACCESSOARER



Source: SIX AB.

Board of Directors' report

The Board of Directors and the President of Wedins Skor & Accessoarer AB (publ), corporate registration number 556540-1493, hereby submit their annual report and consolidated financial statements for the fiscal year September 1, 2003 – August 31, 2004.

OPERATIONS

Wedins Skor & Accessoarer is a market leader uniquely positioned in the shoes and accessories segment, with well-known brands and a network of 210 (219) stores in the Nordic region. The ongoing review of the store structure led to the closure of 21 small and/or unprofitable stores during the year, while twelve new basics stores with an integrated selection of shoes and accessories were opened.

HIGHLIGHTS OF THE YEAR

During the year the Group consolidated its brands on Wedins and Rizzo. All stores in the high volume segment now fall under the Wedins brand, while Rizzo remains in the upper price and quality segment. In the high volume segment, Wedins continues to add new stores with an integrated selection of shoes and accessories.

In Norway, three legal units were dissolved during the year through mergers and liquidations, at which point their operations were integrated into Wedins Norge AS. As a result, all Group operating units are coordinated under the company names Wedins and Rizzo.

Nine stores with strategic locations in Sweden were acquired during the year from Sko-City and are consolidated in the Wedins Group as of August 1, 2004.

The decision to launch a new product area, Jewelry, was made in the spring of 2004. The products were launched gradually in our stores beginning in September 2004.

To increase efficiency in purchasing and product development, Wedins changed its purchasing organization during the year and created a more customer-oriented structure with purchasers responsible for specific product areas.

CHANGE IN FISCAL YEAR

In 2003 Wedins changed its fiscal year to September 1–August 31. The comparative year ending August 31, 2003 relates to the eight months January–August.

MARKET

The high volume segment of the shoe and accessory market was distinguished by falling prices during the year. According to the Swedish Research Institute of Trade, Swedish shoe sales decreased in 2003 for the first time in a decade, mainly due to declining prices. Wedins' shoe sales declined by 2.9 percent for comparable units during the fiscal year compared with the same period of the previous year, in line with the industry as a whole. Corresponding figures are not available for Norwegian shoe or accessory sales.

SALES

Group sales amounted to SEK 956.3 million (611.1). A large number of stores were shut down or renovated during the year, which, together with a weak market, contributed to a sales decrease in the high volume segment for shoes and accessories. Rizzo, which is active in the high price segment, developed positively during the year, reporting a sales increase of nearly 3 percent for comparable units.

RESULTS

The loss before depreciation/amortization amounted to SEK –27.9 million (–57.2). Lower average prices and wage and rent inflation adversely affected earnings. The ongoing change process and the organizational adjustments that were made during the period have raised expenses according to plan.

The gross profit margin has been improved from 52.7 percent to 54.9 percent, which has mainly been achieved through a better mix with more private label products. A weaker dollar and euro also positively affected the gross profit margin.

The operating loss was SEK –79.3 million (–95.8). Depreciation/amortization amounted to SEK 51.4 million (38.6). The loss after net financial items was SEK –96.5 million (–111.7).

FINANCIAL POSITION

The Group's liquid assets amounted to SEK 17.1 million (53.1) on August 31, 2004. Interest-bearing liabilities, including seasonal credits, amounted to SEK 409.7 million (359.0) on the same date.

Shareholders' equity in the Group amounted to SEK 92.1 million (118.1) on August 31, 2004, for an equity/assets ratio of 13.8 percent. The Group's cash flow from operating activities was SEK –54.5 million (–133.1). Total assets amounted to SEK 665.2 million (634.2) on August 31.

NEW SHARE ISSUES IN 2003/2004

In connection with the acquisition of Sko-City, 26,830,000 shares were issued at a price of SEK 1.90 per share, corresponding to a discount of 4.5 percent compared with the closing price on June 1, 2004. The directed issue, which was voted by the Board of Directors with the support of the authorization of the Annual General Meeting on January 13, 2004, was floated to a limited number of Swedish and international institutional investors. The issue provided the company with proceeds of approximately SEK 50 million before issue expenses. In connection with the takeover of Sko-City in July 2004, an additional 5,000,000 shares were issued to the sellers as part of the purchase price.

INVESTMENTS

The Group's net investments during the period amounted to SEK 94.9 million (13.5). The majority of investments were in store décor and rental rights acquired in connection with the Sko-City acquisition. Depreciation/amortization amounted to SEK 51.4 million (38.6) during the period, of which SEK 12.9 million (8.6) related to goodwill.

NUMBER OF EMPLOYEES

The average number of employees in the Group was 669 (737) as of August 31. The decrease is related to the lower number of stores in operation during the year.

HIGHLIGHTS FOLLOWING THE CONCLUSION OF THE FISCAL YEAR

The current change process requires additional capital. The Board of Directors decided on October 22, 2004 to declare a new issue for up to approximately SEK 150 million with preferential rights for the company's shareholders. The final terms and conditions and a timetable for the rights issue will be announced by December 17, 2004. FöreningsSparbanken has declared that it is prepared to guarantee the issue up to SEK 150 million.

On November 11, 2004 the Board of Directors appointed Ingrid Osmundsen as the new President of Wedins. She will take over the post in the spring of 2005. At the same time the current President, Roland Nilsson, was nominated as Chairman.

FUTURE OUTLOOK

The ongoing change process is proceeding according to plan. Weak market conditions have slowed the pace slightly, however. Thanks to the proposed rights issue, the process – involving a conversion to larger stores with an integrated selection of shoes and accessories – can continue according to plan. Overall, the measures are expected to achieve their full effect within three to four years.

BOARD WORK

The Board of Directors of Wedins Skor & Accessoarer consists of seven (six) members elected by the Annual General Meeting as well as two members and two deputies appointed by the employees.

Salaried employees of the company participate in the Board's meetings as speakers and secretaries.

During the fiscal year the Board held nine (seven) meetings. At its scheduled meetings, the Board considered the fixed points on the agenda of each meeting regarding strategic plans, budgets, annual financial statements and interim reports. Furthermore, it considered issues concerning financing, business acquisitions (stores from Sko-City), investments and structural and organizational issues.

The Board follows the rules of procedure that have been adopted and the instructions that have been issued on the distribution of responsibilities between the Board and the President.

The Annual General Meeting has appointed a nomination committee and a compensation committee.

IFRS

As of September 1, 2005 Wedins will apply the International Financial Reporting Standards (IFRS) in its consolidated accounts. The rules apply to all listed companies in the European Union (EU), according to an EU regulation. The transitional rules require one comparative year, which means that 2004/2005 will be reported according to IFRS in reports for 2005/2006.

Wedins has begun a review of the accounting effects of the transition to IFRS, which it intends to present in the interim report for the first quarter of fiscal year 2005/2006.

For Wedins, the new rules – based on current standards and statements – will have the greatest impact on the reporting of goodwill, which according to IFRS is an asset with an indefinite useful life. As such, goodwill will not be amortized according to plan, but instead annually tested for impairment. Moreover, the company believes that the IFRS rules on the hedge accounting of anticipated transactions and the rules on accounting for defined-benefit pension plans will affect the company's earnings and financial position.

PROPOSED TREATMENT OF LOSS

GROUP

The Group's accumulated deficit according to the consolidated balance sheet amounts to SEK 164,893,000. No provision to restricted shareholders' equity has been proposed.

PARENT COMPANY

The Board of Directors and the President propose that the accumulated deficit of SEK 106,991,000 be settled against the share premium reserve.

Income statement

SEK thousand	Note	GROUP			PARENT COMPANY		
		Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Operating revenue, etc.							
Net sales	2	956,280	611,110	1,156,323	591,306	260,044	–
Other income	17, 25	5,584	4,686	8,224	–	4,164	31,766
Total revenue, etc.		**961,864**	**615,796**	**1,164,547**	**591,306**	**264,208**	**31,766**
Operating expenses							
Goods for resale	17	–436,767	–293,898	–624,998	–270,737	–129,908	–
Other outside expenses	3, 4	–271,103	–181,735	–298,191	–178,612	–91,616	–36,426
Staff costs	5, 6, 7	–279,841	–185,062	–310,983	–197,779	–90,435	–13,449
Depreciation/amortization and writedowns of tangible/intangible fixed assets	11, 12, 15	–51,420	–38,613	–148,148	–44,285	–5,194	–1,411
Other operating expenses	25	–2,032	–12,269	–	–2,470	–7,178	–
Total operating expenses		**–1,041,163**	**–711,577**	**–1,382,320**	**–693,883**	**–324,331**	**–51,286**
Operating profit/loss		**–79,299**	**–95,781**	**–217,773**	**–102,577**	**–60,123**	**–19,520**
Result from financial investments							
Result from participating interests in Group companies	26	–	–	–	–18,523	–29,540	–156,974
Result from participating interests in associated companies	27	–	–	–4,411	217	217	–5,000
Other interest income and similar profit/loss items	8	1,718	2,154	1,884	1,287	786	7,212
Interest expenses and similar profit/loss items		–18,933	–18,078	–48,017	–15,192	–12,996	–26,179
Total result from financial investments		**–17,215**	**–15,924**	**–50,544**	**–32,211**	**–41,533**	**–180 941**
Profit/loss after net financial items		**–96,514**	**–111,705**	**–268,317**	**–134,788**	**–101,656**	**–200,461**
Appropriations		–	–	–	–	–	4,114
Tax on profit for the year	9, 10	13,028	42,442	46,392	27,687	21,470	9,624
LOSS FOR THE YEAR		**–83,486**	**–69,263**	**–221,925**	**–107,101**	**–80,186**	**–186,723**
Average number of shares		218,073,184	84,311,714	7,578,581	–	–	–
Profit/loss per share		–0.38	–0.82	–29.28	–	–	–

Cash flow statement

		GROUP			PARENT COMPANY		
SEK thousand	Note	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Operating activities							
Operating profit/loss before net financial items		–79,299	–95,781	–217,773	–102,577	–60,123	–19,520
Depreciation/amortization		51,420	38,613	148,148	46,869	6,841	1,411
Other non-cash items							
Result from sale of fixed assets		–988	–2,144	–4,634	2,317	–	–
Translation difference		–	–	–3,137	–	–	–
Provisions		–	–1,711	2,532	–	–	–
Writedown of receivable		–	5,531	–	–	5,530	–
Other non-cash items		–3,246	–	–	–	–	–
		–32,113	**–55,492**	**–74,864**	**–53,391**	**–47,752**	**–18,109**
Dividend received					217	217	
Interest received		1,719	2,154	1,884	1,287	786	7,212
Interest paid		–18,933	–17,578	–48,017	–13,681	–12,906	–26,179
Income tax paid		–	–	–46	–	–	–
		–49,327	**–70,916**	**–121,043**	**–65,568**	**–59,655**	**–37,076**
Increase (-)/decrease (+) in inventories		–21,495	362	105,407	–24,140	–115,696	–
Increase (-)/decrease (+) in current receivables		7,026	–5,542	17,254	11,668	96,880	–6,127
Increase (+)/decrease (-) in current operating liabilities		9,275	–57,002	–13,210	27,839	26,079	50,594
Group contributions		–	–	–	–	–	4 000
Cash flow from operating activities		**–54,521**	**–133,098**	**–11,592**	**–50,201**	**–52,392**	**11,391**
Investing activities							
Investments in intangible fixed assets		–28,622	–	–	–25,800	–93,627	–
Intangible fixed assets sold		2,950	–	–	2,950	–	–
Investments in tangible fixed assets		–70,479	–14,653	–16,123	–36,900	–14,996	–207
Tangible fixed assets sold		1,236	1,100	10,202	–	–	–
Contributions to subsidiaries		–	–	–	–311	–53,353	–62,050
Increase (-)/decrease (+) in long-term receivables		3,790	–450	3,024	3,792	–	–2,634
Cash flow from investing activities		**–91,125**	**–14,003**	**–2,897**	**–56,269**	**–161,976**	**–64,891**
Financing activities							
New share issue		58,091	193,522	–	58,091	193,522	–
Loans raised		–	230,000	–	–	230,000	–
Amortization of debt		–642	–239,299	–5,484	–	–238,240	53,485
Increase (-)/decrease (+) in long-term financial liabilities		52,651	–	–	42,097	–	–
Group contributions received		–	–	–	–	42,480	–
Cash flow from financing activities		**110,100**	**184,223**	**–5,484**	**100,188**	**227,762**	**53,485**
Cash flow for the year		–35,546	37,122	–19,973	–6,282	13,394	–15
Liquid assets at beginning of year		53,059	17,000	36,574	13,409	15	30
Translation differences in liquid assets		–428	–1,063	399	–	–	–
LIQUID ASSETS AT YEAR-END		17,085	53,059	17,000	7,127	13,409	15

Balance sheet

Assets

		GROUP			PARENT COMPANY		
SEK thousand	**Note**	**Aug. 31, 2004**	**Aug. 31, 2003**	**Dec. 31, 2002**	**Aug. 31, 2004**	**Aug. 31, 2003**	**Dec. 31, 2002**
Fixed assets							
Intangible fixed assets							
Tenancy rights	11	41,470	18,562	22,988	89,715	89,737	–
Goodwill	12	158,715	172,239	185,353	97,836	–	–
		200,185	**190,801**	**208,341**	**187,551**	**89,737**	**–**
Tangible fixed assets							
Equipment, tools and fixtures	14, 15	**101,681**	**66,088**	**69,773**	**53,681**	**15,004**	**2,958**
Financial fixed assets							
Ownership rights	13	339	339	839	339	–	–
Participating interests in Group companies	28	–	–	–	62,497	217,108	193,295
Participating interests in associated companies	16	6,273	6,273	6,273	6,273	6,273	6,273
Other long-term securities holdings		981	1,010	1,124	–	–	–
Deferred tax assets	10	87,591	76,273	37,568	44,779	13,453	8,504
Other long-term receivables	17	7,118	10,908	10,344	7,118	10,910	10,216
Receivables from Group companies		–	–	–	46,000	46,000	–
		102,302	**94,803**	**56,148**	**167,006**	**293,744**	**218,288**
Total fixed assets		**404,168**	**351,692**	**334,262**	**408,238**	**398,485**	**221,246**
Current assets							
Inventories, etc.							
Finished goods and goods for resale		207,832	186,337	186,699	139,836	115,696	–
Current receivables							
Accounts receivable		4,273	3,495	4,620	5,729	7,429	–
Receivables from Group companies		–	–	–	–	–	181,141
Tax assets		6,620	4,881	–	8,371	18,462	–
Other current receivables		5,005	20,144	10,488	4,566	18,448	2,944
Prepaid expenses and accrued income	18	20,230	14,634	26,147	16,198	12,276	2,479
		36,128	**43,154**	**41,255**	**34,864**	**56,615**	**186,564**
Cash and bank balances		17,085	53,059	17,000	7,127	13,409	14
Total current assets		**261,045**	**282,550**	**244,954**	**181,827**	**185,720**	**186,578**
TOTAL ASSETS		**665,213**	**634,242**	**579,216**	**590,065**	**584,205**	**407,824**

Shareholders' equity and liabilities

		GROUP			PARENT COMPANY		
SEK thousand	Note	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Shareholders' equity	19						
Restricted equity							
Share capital		24,403	21,220	15,157	24,403	21,220	15,157
Restricted reserves		232,545	213,844	173,327	–	–	–
Share premium reserve		–	–	–	202,760	185,559	173,327
		256,948	**235,064**	**188,484**	**227,163**	**206,779**	**188,484**
Accumulated deficit							
Profit/loss brought forward		–81,407	–47,727	30,928	110	42,480	11,496
Profit/loss for the year		–83,486	–69,263	–221,925	–107,101	–80,186	–186,723
		–164,893	**–116,990**	**–190,997**	**–106,991**	**–37,706**	**–175,227**
Total shareholders' equity		**92,055**	**118,074**	**–2,513**	**120,172**	**169,073**	**13,257**
Provisions							
Provision for pensions and							
similar commitments	20	5,788	8,540	9,899	1,935	–	–
Provision for taxes		–	296	352	–	–	–
Total provisions		**5,788**	**8,836**	**10,251**	**1,935**	**–**	**–**
Long-term liabilities	21						
Bank overdraft facilities	22	150,058	98,737	108,633	127,227	79,823	72,880
Other liabilities to credit institutions		259,669	260,311	133,931	230,000	230,000	110,000
Other long-term liabilities	14	5,144	3,814	1,690	–	–	–
Total long-term liabilities		**414,871**	**362,862**	**244,254**	**357,227**	**309,823**	**182,880**
Current liabilities							
Liabilities to credit institutions		–	–	129,916	–	–	135,000
Accounts payable		60,643	62,489	84,403	43,303	39,728	5,084
Liabilities to Group companies		–	–	–	789	10,743	61,944
Other current liabilities	14	36,231	29,624	48,184	19,757	13,256	1,864
Accrued expenses and deferred income	23	55,625	52,357	64,721	46,882	41,582	7,795
Total current liabilities		**152,499**	**144,470**	**327,224**	**110,731**	**105,309**	**211,687**
TOTAL SHAREHOLDERS'							
EQUITY AND LIABILITIES		**665,213**	**634,242**	**579,216**	**590,065**	**584,205**	**407,824**
Pledged assets	24	276,331	423,435	444,869	222,502	341,653	278,769
Contingent liabilities	29	None	None	None	None	5,667	1,000

Accounting principles and notes

Amounts in SEK thousand unless indicated otherwise.

● NOTE 1
ACCOUNTING AND VALUATION PRINCIPLES

The company's annual report has been prepared in accordance with the Swedish Annual Accounts Act and the recommendations and pronouncements of the Swedish Financial Accounting Standards Council. The merger of wholly owned subsidiaries has been reported according to the general advice of the Swedish Accounting Standards Board.

Mergers
During the fiscal year two wholly owned subsidiaries were merged: Wedins Skor AB, 556114-0418, and Wilkenson Handskmakar'n AB, 556063-8941. The merger date was September 15, 2004. Mergers have been reported according to the consolidated method. Since these subsidiaries are dormant, there is no profit or loss to report. The merger difference has been accounted for against shareholders' equity.

The merged companies' financial position on the merger date was as follows:

Wedins Skor AB and Wilkenson Handskmakar´n AB, respectively

Fixed assets	15,846	9,939
Current assets	90,174	77,726
Total assets	**106,020**	**87,665**
Shareholders' equity	10,252	22,127
Provisions	206	265
Long-term liabilities	5,307	–
Current liabilities	90 255	65 273
Total shareholders' equity and liabilities	**106,020**	**87,665**

Consolidated accounts
The consolidated accounts include subsidiaries in which the Parent Company directly or indirectly owns more than 50% of the voting rights or otherwise has a decisive influence.

The consolidated financial statements are prepared in accordance with the purchase method, which means that the shareholders' equity in subsidiaries at the time of acquisition – determined as the difference between the fair value of their assets and liabilities – is eliminated in its entirety. As a result, the Group's shareholders' equity includes only the portion of the equity in subsidiaries that has arisen after acquisition.

Companies acquired during the year are included in the consolidated accounts at values that reflect the period since their acquisition. Results from companies sold during the year are included in the consolidated income statement for the period prior to their sale.

All of Wedins Shoes & Accessories AB's foreign subsidiaries are classified as independent subsidiaries, because of which the current method is applied to the translation of their financial statements. This means that the assets and liabilities of foreign subsidiaries are translated to Swedish kronor at closing-day exchange rates. All income statement items are translated at average exchange rates for the year. Translation differences are reported directly in shareholders' equity.

Intra-Group profits are eliminated in their entirety.

Accounting for associated companies
Associated companies are companies that are not subsidiaries but where the Parent Company directly or indirectly owns at least 20% of the voting rights or otherwise has a decisive influence.

In the consolidated financial statements, participating interests in associated companies are reported in accordance with the equity method. This means that the interests in a company are reported at acquisition value on the date of acquisition and then adjusted for the Group's share of the change in the associated company's net assets. The value of the participating interests includes goodwill (after deducting accumulated amortization) at the time of acquisition. The Group's share of the associated company's result is included as income in the consolidated income statement. Undistributed, accumulated profit shares attributable to associated companies are reported in the consolidated balance sheet as an equity method reserve under restricted reserves. Unrealized internal gains are eliminated on the basis of the Group's share of the profit.

In the Parent Company's financial statements, participating interests in associated companies are reported at acquisition value. Only dividends received from earnings generated after acquisition are reported as income from associated companies.

Receivables
Receivables are booked at anticipated payment amounts based on individual evaluations.

Receivables and liabilities in foreign currency
Receivables and liabilities in foreign currency are valued at closing-day exchange rates. When currencies have been hedged through forward contracts, the forward rate is used. Realized and unrealized exchange rate gains/losses on receivables and liabilities are reported in operating profit, while exchange rate differences on financial receivables and liabilities in foreign currency are reported among financial items.

Financial instruments
Loans consist of liabilities to credit institutions. The liabilities are reported in the balance sheet at acquisition value on the settlement date with the addition of accrued interest. Interest expenses are allocated over time and reported on a current basis in the income statement.

Currency derivatives are included only to hedge commercial flows. Derivatives consist of forward exchange contracts. Exchange rate effects attributable to derivatives are taken up as income and expenses in the operating result at the same time that the exchange rate effect of the underlying hedged transaction is reported.

Inventories
Inventories are booked at the lower of cost and fair market value on the closing day.

Revenue recognition
Revenue from the sale of goods is reported upon delivery after deducting returns and discounts.

Income taxes
Reported income taxes include tax that will be payable or recoverable for the year in question, adjustments on previous years' current taxes, changes in deferred tax and the share of associated companies' taxes.

All tax liabilities/assets are valued at their nominal amounts in accordance with the tax regulations and at the tax rates that have been set or have been announced and with a great deal of certainty will be adopted.

For income statement items, related tax effects are also reported in the income statement. The tax effect of items reported directly in shareholders' equity is also reported directly in shareholders' equity.

Deferred tax is calculated according to the balance sheet method on all temporary differences that arise between the reported and taxable values of assets and liabilities. The temporary differences have primarily arisen through the writedown of long-term securities holdings, intra-Group transactions and tax loss carryforwards.

Deferred tax assets related to tax loss carryforwards or other future tax deductions are reported to the extent it is likely the deduction can be utilized against future surpluses.

Fixed assets

Tangible and intangible assets are depreciated/amortized according to plan based on each asset's original acquisition value and its estimated useful life.

Goodwill	20 years*
Ownership rights	10 years
Equipment	5 years

* Goodwill reflects the long-term earning capacity of the business, which justifies the 20-year amortization schedule.

Writedowns

The reported value of the Group's assets is tested on each closing day to determine whether there is any need for a writedown. If there is such an indication, the asset's recoverable value is calculated as the higher of its value in use and net realizable value. A writedown is made if the recoverable value is less than the reported value.

Provisions

A provision is reported in the balance sheet when the company has a formal or informal commitment resulting from an event that has occurred and it is likely that an outflow of resources is required to settle the commitment and a reliable estimation of the amount can be made.

A present value calculation is made to take into account the effect of time on future payments.

Pensions

The majority of the Wedins Group's pension commitments are fulfilled through continuous payments to independent administrators that manage the plans. For these plans, Wedins continuously reports a pension expense corresponding to the fees it pays. It also calculates a provision and annual expense based on the present value of future commitments.

Financial leasing agreements

When a leasing agreement means that the Group, as the lessee, essentially enjoys the financial benefits and bears the financial risks associated with a leased asset, the asset is reported as a fixed asset in the consolidated balance sheet. The associated future obligation to pay leasing fees is reported as a liability.

In the Parent Company, all leasing agreements, regardless of whether they are financial or operational, are reported as rental agreements (operational leasing agreements).

Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow comprises only transactions that result in receipts or payments.

In addition to cash and bank balances, liquid assets include short-term financial investments that are exposed to little risk for exchange rate fluctuations and:

– are traded in an open marketplace at known amounts, or
– have a remaining maturity of less than three months from their acquisition date.

● NOTE 2

REPORTING BY SEGMENT

The Wedins Group sells shoes and accessories in the Nordic region, primarily Sweden and Norway. Each country has its own legal units with profit responsibility. The future trend is toward a fusion of stores, with shoes and accessories sold under the same roof. The various segments will also be coordinated in terms of fashion. Against this background, the Group reports its geographical markets in the Nordic region as its primary segments.

Secondary segments consist of the Group's various operating areas: Wedins (shoes), Wedins Accent (accessories) and Rizzo products. Data on assets and investments have not been included as they cannot be divided in the integrated store concept.

PRIMARY SEGMENTS – GEOGRAPHIC AREAS

Sep. 1, 2003- Aug. 31, 2004	Sweden	Norway	Rest of Nordic region	Group
Revenue				
External sales	705,800	209,800	40,680	956,280
Results				
Operating profit/loss per area	–77,134	632	–2,797	–79,299
Interest expenses	–	–	–	–18,933
Interest income	–	–	–	1,718
Net tax charge for the year	–	–	–	13,028
Net profit/loss for the year				–83,486
Other disclosures				
Assets	445,438	87,756	12,633	545,827
Undistributed assets	–	–	–	119,386
Total assets				**665,213**
Liabilities	119,580	28,550	2,748	150,878
Undistributed liabilities	–	–	–	422,280
Total liabilities				**573,158**
Investments (incl. financial leasing)	76,342	15,845	6,894	99,081
Depreciation	–40,648	–9,426	–1,346	–51,420
Jan. 1, 2003- Aug. 31, 2003				
Revenue				
External sales	453,014	136,735	21,361	611,110
Results				
Operating profit/loss per area	–76,666	–16,721	–2,394	–95,781
Interest expenses	–	–	–	–18,078
Interest income	–	–	–	2,154
Net tax charge for the year	–	–	–	42,442
Net profit/loss for the year				–69,263
Other disclosures				
Assets	398,677	81,410	6,632	486,719
Undistributed assets	–	–	–	147,523
Total assets				**634,242**
Liabilities	112,853	25,015	2,210	140,078
Undistributed liabilities	–	–	–	376,080
Total liabilities				**516,168**
Investments (incl. financial leasing)	24,110	147	–	24,257
Depreciation	–30,437	–7,295	–881	–38,613

Note 2, cont.

SECONDARY SEGMENTS – OPERATING AREAS

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Wedins (shoes)	401,480	266,900	495,400
Wedins Accent (accessories)	402,400	255,900	499,000
Rizzo	152,400	88,310	161,900
	956,280	611,110	1,156,300

Undistributed expenses represent shared expenses. Assets consist primarily of tangible fixed assets, intangible assets, inventories and receivables, and exclude primarily financial assets. Liabilities consist of operating liabilities but not items such as tax and corporate borrowing.

NOTE 3
FEES TO AUDITORS

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Öhrlings Pricewater-houseCoopers AB			
Auditing assignments	1,488	724	–
Other assignments	960	167	–
Ernst & Young AB			
Auditing assignments	–	254	1,102
Other assignments	–	241	82
Statsaukt. Rev R Hensvold			
Auditing assignments	–	1,158	701
Other assignments	–	–	409
Total	**2,448**	**2,544**	**2,294**
Parent Company			
Öhrlings Pricewater-houseCoopers AB			
Auditing assignments	775	316	–
Other assignments	452	167	–
Ernst & Young AB			
Auditing assignments	–	–	350
Other assignments	–	230	82
Total	**1,227**	**713**	**432**

NOTE 4
RENTAL EXPENSES

The company has entered into leasing agreements of an operational nature, which have resulted in the following expenses:

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Premises	130,224	89,615	139,734
Equipment	6,460	7,272	4,492
Total	**136,684**	**96,887**	**144,226**
Parent Company			
Premises	75,422	31,238	3,642
Equipment	5,423	6,048	3,282
Total	**80,845**	**37,286**	**6,924**

* The heading "equipment" refers primarily to IT investments in store operations and at the head office.

NOTE 5
WAGES, SALARIES AND OTHER REMUNERATION BY COUNTRY

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Parent Company			
Sweden			
Board and President	3,050	3,165	828
Other employees	128,179	54,820	6,614
Total in Parent Company	**131,229**	**57,985**	**7,442**
Subsidiaries			
Sweden			
Board and President	–	–	4,495
Other employees	16,368	37,484	130,005
Norway			
Board and President	–	–	1,101
Other employees	44,937	38,051	76,022
Finland			
Board and President	–	–	–
Other employees	5,656	3,900	7,561
Denmark			
Board and President	–	–	–
Other employees	1,768	1,270	2,047
Total in subsidiaries	**68,729**	**80,705**	**221,231**
Group total	**199,958**	**138,690**	**228,673**

Parent Company			
Legal and contractual social security costs	48,012	26,794	3,263
Pension costs are included above as follows: (of which for Board and President SEK 600,000 (489,000))	12,477	6,521	1,094
Group			
Legal and contractual social security costs	60,539	47,693	69,650
Pension costs are included above as follows: (of which for Board and President SEK 600,000 (709,000))	15,835	11,164	11,856

The Annual General Meeting determines the distribution of Board fees among its members.

Remuneration to the President and other senior executives consists of a base salary, profit-based bonus and benefits in the form of a company car and pension. No bonus was paid during the year. The term of notice for the President and other senior executives is 6 months, or if terminated by the company 6–12 months. If terminated by the company, the President is entitled to an additional 6 months' salary in severance, i.e. a total of 18 months. Other senior executives do not have severance agreements.

During the fiscal year the Chairman of the Board received fees of SEK 150,000 (160,000) and other Board members SEK 90,000 (85,000) each. In total, SEK 600,000 (500,000) has been paid in Board fees, in accordance with the decision of the Annual General Meeting. Board fees are included in the salary figures for the Board and President above.

The President received a base salary of SEK 2,400,000 (1,600,000). Pension premium payments correspond to 31.5% of his base salary up until retirement. The company otherwise has no pension commitments to the President. Other senior executives have received base salaries totaling SEK 6,075,000 (4,390,000), in addition to customary pension benefits as part of the national pension plan. The pension age for all members of the management team is 65. All compensation has been decided by the Board's compensation committee.

● NOTE 6
AVERAGE NUMBER OF EMPLOYEES GEOGRAPHICALLY BY COUNTRY

Employees	2003/2004	Of whom men	2003	Of whom men	2002	Of whom men
Parent Company						
Sweden	425	39	350	19	22	7
Total, Parent Company	**425**	**39**	**350**	**19**	**22**	**7**
Subsidiaries						
Sweden	48	5	184	14	506	39
Norway	166	8	169	9	257	13
Finland	24	–	28	–	29	–
Denmark	6	–	6	–	7	1
Total, subsidiaries	**244**	**13**	**387**	**23**	**799**	**53**
Group total	**669**	**52**	**737**	**42**	**821**	**60**

● NOTE 7
SENIOR EXECUTIVES AND SICK LEAVE

BOARD MEMBERS AND SENIOR EXECUTIVES

	2003/2004		2003/2003	
	Number on closing day	Of whom men, %	Number on closing day	Of whom men, %
Group (incl. subsidiaries)				
Board members	12	75	9	67
President and other senior executives	8	63	7	57
Parent Company				
Board members	8	50	8	63
President and other senior executives	1	100	1	100

Note 7, cont.

SICK LEAVE ABSENCES, %	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003
Parent Company		
Total sick leave	8.5	6.3
Long-term sick leave	61.0	58.0
Sick leave for men	5.6	5.2
Sick leave for women	8.8	6.4
Employees – 29 years	3.6	–
Employees 30-49 years	8.6	–
Employees 50 years –	13.5	–

● NOTE 8
OTHER INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Interest income, etc.	1,718	2,154	1,884
Total	**1,718**	**2,154**	**1,884**
Parent Company			
Interest income, etc.	1,287	786	7,212
Total	**1,287**	**786**	**7,212**
Of which from Group contributions	371	311	6,077

● NOTE 9
TAX ON PROFIT FOR THE YEAR

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Current tax for the year	–	–	–46
Deferred tax	13,028	42,442	46,438
Total	13,028	42,442	46,392
Parent Company			
Deferred tax	27,687	4,950	8,504
Tax on Group contributions received	–	16,520	1,120
Total	**27,687**	**21,470**	**9,624**

● NOTE 10
DEFERRED TAX

	Group			Parent Company		
	2003/2004	2003/2003	2002	2003/2004	2003	2002
Deferred tax charge/recoverable for the year						
Deferred tax recoverable from temporary differences	–7,725	34,292	7,750	–	–	1,439
Previously unreported tax assets attributable to unutilized tax loss carryforwards	20,753	8,150	29,818	27,687	4,950	7,065
Deferred tax in the income statement	**13,028**	**42,442**	**37,568**	**27,687**	**4,950**	**8,504**
Difference between Group's tax expense and tax expense based on current tax rate	–	–	–	–	–	–
Reported loss before tax	–96,513	–111,705	–	–134,788	101,656	–
Tax according to current tax rate	27,024	31,277	–	37,740	28,463	–
Tax effect of non-deductible expenses						
Writedown of Group companies	–	–	–	–5,186	–8,271	–
Writedown of tenancy rights	–	–	–	–3,300	–	–
Amortization of goodwill	–3,610	–2,428	–	–1,762	–	–
Other non-deductible expenses	–384	–3,091	–	–207	–1,928	–

Note 10, cont.

Deferred tax charge/recoverable for the year	Group 2003/2004	Group 2003/2003	Group 2002	Parent Company 2003/2004	Parent Company 2003	Parent Company 2002
Tax effect of tax-exempt income						
Other tax-exempt income	1,091	110	–	62	98	–
Tax effect of issue expenses on shareholders' equity	–	3,108	–	–	3,108	–
Tax expense due to amended legislation in Norway	–11,093	–	–	–	–	–
Tax effect due to correction of deficit 2003	–	–	–	340	–	–
Tax effect due to correction of tax 2002 (Norway)	–	13,466	–	–	–	–
Total	**13,028**	**42,442**	**–**	**27,687**	**21,470**	**–**

Tax rate

The current tax rate is the income tax rate for the Group, i.e. 28% (28%).

The difference between the Group's current tax rate and the effective tax rate consists of the following components:	Group 2003/2004	Group 2003/2003	Group 2002	Parent Company 2003/2004	Parent Company 2003	Parent Company 2002
Current tax rate	28%	28%	–	28%	28%	–
Tax effect of non-deductible expenses						
Writedown of Group companies	–	–	–	–3.85%	–8.14%	–
Writedown of tenancy rights	–	–	–	–2.45%	–	–
Amortization of goodwill	–3.67%	–2.17%		–	–	–
Amortization of goodwill from merger of subsidiaries	–	–	–	–1.31%	–	–
Other non-deductible expenses	–0.4%	–2.77%	–	–0.15%	–1.90%	–
Tax effect of tax-exempt income						
Other tax-exempt income	1.11%	0.1%	–	0.1%	–	–
Tax effect of issue expenses on shareholders' equity	–	2.77%	–	–	3.16%	–
Tax expense due to amended legislation in Norway	–11.3%	–	–	–	–	–
Tax effect due to correction of deficit 2003	–	–	–	0.2%	–	–
Tax effect due to correction of tax 2002 (Norway)	–	12.05%	–	–	–	–
Total	**13.74%**	**37.98%**	**–**	**20.54%**	**21.12%**	**–**

Temporary differences

Temporary differences arise in cases where the reported and taxable values of assets and liabilities differ.

Deferred tax assets	Group 2003/2004	Group 2003/2003	Group 2002	Parent Company 2003/2004	Parent Company 2003	Parent Company 2002
Temporary differences	26,755	37,462	7,750	–	–	1,439
Tax loss carryforwards	60,836	38,811	29,818	41,140	13,453	7,065
Tax loss carryforwards from merger of subsidiaries	–	–	–	3,639	–	–
Total deferred tax assets	**87,591**	**76,273**	**37,568**	**44,779**	**13,453**	**8,504**

The reported amount for deferred tax assets has been tested as of the closing day. Based on the calculation of future cash flows, it is estimated that sufficient taxable surpluses will be available. The calculations are based on the budgets and future plans for the Group. Based on these assumptions, the tax loss carryforwards are expected to be utilized within 5–7 years.

NOTE 11
TENANCY RIGHTS AND SIMILAR RIGHTS

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
Opening acquisition values	50,634	53,596	53,596
Changes for the year			
Capitalized expenditures	28,602	–	–
Sales and disposals	–1,688	–2,962	–
Closing accumulated acquisition values	**77,548**	**50,634**	**53,596**
Opening amortization	–32,072	–30,608	–26,268
Changes for the year			
Sales and disposals	117	1,461	–
Amortization	–4,123	–2,925	–4,340
Closing accumulated amortization	**36,078**	**–32,072**	**–30,608**
Closing residual value according to plan	**41,470**	**18,562**	**22,988**

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Parent Company			
Opening acquisition values	93,627	–	–
Changes for the year			
Purchases for the year	25,800	93,627	–
Sales and disposals	–5,200	–	–
Closing accumulated acquisition values	**114,227**	**93,627**	**–**
Opening amortization	–3 890	–	–
Changes for the year			
Sales and disposals	218	–	–
Amortization	–9,055	–3,890	–
Closing accumulated amortization	**–12,727**	**–3,890**	**–**
Writedown	–11,785	–	–
Closing residual value according to plan	**89,715**	**89,737**	**–**

During the fiscal year the Parent Company acquired tenancy rights from subsidiaries at market value.

● NOTE 12
GOODWILL

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
Opening acquisition values	311,957	331,715	334,387
Changes for the year			
Sales and disposals	–	–9,824	–3,245
Reclassifications	2,618	–	–
Translation differences	–1,663	–9,934	573
Closing accumulated acquisition values	**312,912**	**311,957**	**331,715**
Opening amortization	–54,850	–61,494	–47,545
Changes for the year			
Sales and disposals	–	9,824	3,245
Amortization	–12,894	–8,673	–17,041
Reclassifications	–2,618	–	–
Translation differences	1,033	5,493	–153
Closing accumulated amortization	**–69,329**	**–54,850**	**–61,494**
Opening writedowns	–84,868	–84,868	–
Changes for the year			
Writedowns	–	–	**–84,868**
Closing accumulated writedowns	**–84,868**	**–84,868**	**–84,868**
Closing residual value according to plan	**158,715**	**172,239**	**185,353**
Parent Company			
Through merger of subsidiaries	125,851	–	–
Closing acquisition values	**125,851**	**–**	**–**
Through merger of subsidiaries	–21,722	–	–
Amortization for the year	–6,293	–	–
Closing amortization	–28,015	–	–
Closing residual value according to plan	**97,836**	**–**	**–**

● NOTE 13
OWNERSHIP RIGHTS

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Opening acquisition values	339	839	839
Changes for the year			
Writedowns	–	–500	–
Closing acquisition values	**339**	**339**	**839**
Parent Company			
Through merger	339	–	–
Closing acquisition values	**339**	**–**	**–**

● NOTE 14
FINANCIAL LEASING AGREEMENTS

The Group's tangible fixed assets include leasing assets held in accordance with financial leasing agreements as follows:

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Equipment, tools and fixtures			
Acquisition values	28,392	14,727	13,055
Accumulated depreciation	–8,520	–2,948	–9,201
Total	**19,872**	**11,779**	**3,854**

Future minimum leasing fees have the following due dates (not calculated for 2002):

Nominal values			
Within one year	7,809	5,106	–
Later than one but within five years	5,715	4,167	–
Later than five years	–	–	–
Total	**13,524**	**9,273**	**–**

Liabilities for financial leasing include the following balance sheet items:

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Other long-term liabilities	5,144	3,814	670
Other current liabilities	7,429	4,953	1,460
Total	**12,573**	**8,767**	**2,130**

● NOTE 15
EQUIPMENT, TOOLS AND FIXTURES

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
Opening acquisition values	240,032	251,040	264,853
Changes for the year			
Purchases	70,479	24,257	16,123
Sales and disposals	–4,476	–33,767	–31,347
Reclassifications	5,080	–	–
Translation differences	–707	–1,498	1,411
Closing accumulated acquisition values	**310,408**	**240,032**	**251,040**
Opening depreciation	–173,944	–181,267	–164,290
Changes for the year			
Sales and disposals	4,134	31,983	25,779
Depreciation	–34,403	–27,015	–41,899
Reclassifications	–5,044	–	–
Translation differences	530	2,355	–857
Closing accumulated depreciation	**–208,727**	**–173,944**	**–181,267**
Closing residual value according to plan	**101,681**	**66,088**	**69,773**
Parent Company			
Opening acquisition values	20,506	7,156	6,949
Changes for the year			
Purchases	36,900	13,350	207
Sales and disposals	–4,126	–	–
Through merger	147,855	–	–
Closing accumulated acquisition values	**201,135**	**20,506**	**7,156**

Note 15, cont.

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Opening depreciation	–5,502	–4,198	–2,787
Changes for the year			
Sales and disposals	3,840	–	–
Through merger	–126,055	–	–
Depreciation	–19,736	–1,304	–1,411
Closing accumulated depreciation	**–147,454**	**–5,502**	**–4,198**
Closing residual value according to plan	**53,681**	**15,004**	**2,958**

NOTE 16
PARTICIPATING INTERESTS IN ASSOCIATED COMPANIES

Directly owned

Skokanonen AB
Reg. no. 556302-1012. Reg. address: Lindesberg.

Share of capital, %	33
Share of votes, %	33
Reported value in Group	6,273
No. of participating interests	1,665
Reported value in Parent Company	6,273

The difference between the reported value in the Group and the Group's share of the associated company's shareholders' equity amounts to SEK –2,973,000 (–3,775,000, 2,858,000).

NOTE 17
RELATED PARTY TRANSACTIONS

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Purchases and sales between Group companies			
The following percentages reflect the year's intra-Group purchases and sales:			
Purchases, %	3	7	–
Sales, %	2	4	100

The same principles for pricing transactions with outside parties are applied to purchases and sales between Group companies.

Loans to related parties other than senior executives

Loans to Skokanonen AB	2004-08-31	2003-08-31	2002-12-31
Opening balance	10,908	10,216	7,582
Amortization	–4,000	–	–
New lending/interest/dividend	210	692	2,634
Closing balance	**7,118**	**10,908**	**10,216**

Loans to associated companies have been granted on market terms. Interest income from loans amounted to SEK 502,000 (477,000, 1,135,000). The loans, which fall due on January 1, 2005, carry an interest rate of 7%.

Other

Separate notes provide disclosures on:
– salaries, etc. to Board and President
– participating interests in Group companies, associated companies
– assets pledged for Group companies
– contingent liabilities for Group companies

NOTE 18
PREPAID EXPENSES AND ACCRUED INCOME

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
Prepaid rents	11,796	10,020	19,070
Other items	8,434	4,614	7,077
Total	**20,230**	**14,634**	**26,147**
Parent Company			
Prepaid rents	7,003	7,808	931
Other items	9,195	4,468	1,548
Total	**16,198**	**12,276**	**2,479**

NOTE 19
CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity

The share capital in the Parent Company as of August 31, 2004, August 31, 2003 and December 31, 2003 was distributed among 244,030,268 (212,200,268, 7,578,581) shares with a par value of SEK 0.10 (2.00) per share. The distribution by class of share as of August 31, 2004 was as follows:

	No. of shares	Par value
A shares	1,000,000	10,000
B shares	243,030,268	2,430,303
	244,030,268	**2,440,303**

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
Restricted equity			
Share capitall			
Opening balance	21,220	15,157	15,157
Reduction in share capital	–	–14,399	–
New share issue	3,183	20,462	–
Closing balance	24,403	21,220	15,157
Restricted reserves			
Opening balance	213,844	173,327	180,169
New share issue	56,794	184,160	–
Issue expenses	–1,886	–11,100	–
Change in translation difference	–587	–	–
Transfer to non-restricted shareholders' equity	–	–160,828	–
Transfer between restricted and non-restricted shareholders' equity	–35,620	28,285	–6,842
Closing balance	232,545	213,844	173,327
Total restricted shareholders' equity at year-end	**256,948**	**235,064**	**188,484**
Non-restricted shareholders' equity			
Opening balance	–116,991	–190,997	25,671
Reduction in share capital	–	14,399	–
Change in translation difference	–36	–3,672	–1,585
Transfer from restricted shareholders' equity	–	160,828	–
Transfer between restricted and non-restricted shareholders' equity	35,620	–28,285	6,842
Profit/loss for the year	**–83,486**	**–69,263**	**–221,925**
Total non-restricted shareholders' equity at year-end	**–164,893**	**–116,990**	**–190,997**

Note 19, cont	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Parent Company			
Restricted equity			
Share capital			
Opening balance	21,220	15,157	15,157
Reduction in share capital	–	–14,399	–
New share issue	3,183	20,462	–
Closing balance	24,403	21,220	15,157
Share premium reserve			
Opening balance	185,559	173,327	173,327
Transfer to non-restricted shareholders' equity	–37,707	–160,828	–
New share issue	56,794	184,160	–
Issue expenses	–1,886	–11,100	–
Closing balance	202,760	185,559	173,327
Total restricted shareholders' equity at year-end	**227,163**	**206,779**	**188,484**
Non-restricted shareholders' equity			
Opening balance	–37,706	–175,227	8,616
Reduction in share capital	–	14,399	–
Transfer from share premium reserve	37,706	160,828	–
Merger result	110	–	
Group contributions received	–	42,480	2,880
Profit/loss for the year	**–107,101**	**–80,186**	**–186,723**
Closing balance	**–106,991**	**–37,706**	**–175,227**

NOTE 20
PROVISION FOR PENSIONS AND SIMILAR COMMITMENTS

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Pension provisions in Norwegian subsidiary	3,852	8,540	9,899
Pension provisions in Sweden	1,936	–	–
Total	**5,788**	**8,540**	**9,899**

NOTE 21
LONG-TERM LIABILITIES

All liabilities in both the Group and the Parent Company fall due between 1 and 5 years.

NOTE 22
BANK OVERDRAFT FACILITIES

Available bank overdraft facilities amount to SEK 162,500,000 (147,750,000) in the Group and SEK 135,000,000 (120,000,000) in the Parent Company.

NOTE 23
ACCRUED EXPENSES AND PREPAID INCOME

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
Accrued interest expenses	4,364	2,978	1,678
Accrued salaries	20,664	31,284	32,087
Accrued social security costs	19,001	15,136	12,994
Other items	11,596	2,959	17,962
Total	**55,625**	**52,357**	**64,721**
Parent Company			
Accrued interest expenses	3,972	2,462	1,675
Accrued salaries	15,533	22,646	1,047
Accrued social security costs	16,134	14,236	688
Other items	11 243	2 238	4 385
Total	**46 882**	**41 582**	**7 795**

NOTE 24
PLEDGED ASSETS

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Group			
For own liabilities and provisions related to liabilities to credit institutions			
Chattel mortgages	155,645	156,289	134,600
Bank deposits	2,013	3,750	–
Shares in subsidiaries	55,933	207,818	237,999
Shares in associated companies	6,273	6,273	–
Pledged inventories and receivables	56,467	49,305	72,270
Total for own liabilities and provisions	**276,331**	**423,435**	**444,869**
Total pledged assets	**276,331**	**423,435**	**444,869**
Parent Company			
For own liabilities and provisions related to liabilities to credit institutions			
Chattel mortgages	105,000	–	–
Pledged promissory note receivables	53,118	123,910	119,307
Shares in associated companies	6,273	6,273	–
Shares in subsidiaries	56,098	207,720	159,462
Bank deposits	2,013	3,750	–
Total for own liabilities and provisions	**222,502**	**341,653**	**278,769**
Total pledged assets	**222,502**	**341,653**	**278,769**

NOTE 25
EXCHANGE RATE DIFFERENCES AND CURRENCY HEDGES OF FLOWS

The total hedge of future flows for key currencies compared with anticipated flows in the upcoming three months was as follows as of the closing day:
EUR 80%
USD 80%

As of the closing day hedging instruments consist of forward exchange contracts that fall due within four months of the closing day. The Group applies hedge accounting to these contracts, which means that they are not revalued to reflect changes in exchange rates.

To reduce currency risks, Wedins hedges a significant share of the Group's contracted flows in foreign currency. In accordance with the Group's finance policy, at least 80 percent of contracted flows are hedged. Currency risks are monitored and exchange rate differences are calculated as the difference between the actual price paid and calculated price. No follow-up is made between the actual price paid and spot price on the expiration date.

NOTE 26
RESULT FROM PARTICIPATING INTERESTS IN GROUP COMPANIES

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Parent Company			
Writedowns			
Wedins Accent AB	–311	–	–
Wedins Skor AB	–12,000	–	–17,770
Wedins Norge A/S	–	–15,600	–45,000
Wedins OY	–2,989	–	–
Wilkenson Handskmakar'n AB	–	–1,440	–34,204
Rizzo International AB	–3,223	–12,500	–60,000
Total	**–18,523**	**–29,540**	**–156,974**

● NOTE 27
RESULT FROM PARTICIPATING INTERESTS IN ASSOCIATED COMPANIES

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Group			
Profit share	–	–	–4,411
Total	**–**	**–**	**–4,411**
Parent Company			
Dividends	217	217	–
Writedowns	–	–	–5,000
Total	**217**	**217**	**–5,000**

● NOTE 28
PARTICIPATING INTERESTS IN SUBSIDIARIES

	Reg. no.	Reg. address	Share of capital, %
Wedins Accent AB	556272-1315	Stockholm	100
AB Walter Rosander Skoaffär	556060-2814	Stockholm	100
Wilken Wilkenson FastighetsAB	556014-8685	Stockholm	100
Rizzo Skor AB	556257-9093	Stockholm	100
Wedins OY	261.889	Helsingfors	100
Rizzo International AB	556213-1457	Stockholm	100
Rizzo AS	974.228.769	Oslo	100
Rizzo OY	678.421	Helsingfors	100
Wedins Norge AS	982.284.244	Oslo	100
Torps Köpcenter Väskor AB	556555-4473	Uddevalla	100

During the fiscal year the second-tier subsidiary Park Sko AS was consolidated. The second-tier subsidiaries H.P. Hagen AS and Franz Schulz AS were liquidated during the fiscal year.

	% of capital	% of votes	No. of shares	Reported value
Wedins Accent AB	100	100	1,500	180
AB Walter Rosanders Skoaffär	100	100	1,000	199
Wilken Wilkenson FastighetsAB	100	100	900	2,111
Rizzo Skor AB	100	100	4,000	965
Wedins OY	100	100	400	3,909
Rizzo International AB	100	100	100,500	42,628
Rizzo AS	100	100	–	–
Rizzo OY	100	100	–	–
Wedins Norge AS	100	100	15,000	12,505
Torps Köpcenter Väskor AB	100	100	1,000	–
Total				**62,497**

Rizzo International AB was formerly named Lagerssons Skosalonger AB.

Note 28, cont.

	Sep. 1, 2003 Aug. 31, 2004	Jan. 1, 2003 Aug. 31, 2003	Jan. 1, 2002 Dec. 31, 2002
Opening acquisition values	403,621	350,269	288,219
Changes for the year			
Purchases of participating interests	–	10,352	–
Capital contributions	311	43,000	62,050
Through merger	–136,398	–	–
Closing accumulated acquisition values	**267,534**	**403,621**	**350,269**
Opening revaluations/ writedowns	–186,514	–156,974	–
Changes for the year			
Writedowns	–18,523	–29,540	–156,974
Closing accumulated revaluations/writedowns	**–205,037**	**–186,514**	**–156,974**
Closing reported value	**62,497**	**217,107**	**193,295**

● NOTE 29
CONTINGENT LIABILITIES

	Aug. 31, 2004	Aug. 31, 2003	Dec. 31, 2002
Potential damages			
Guarantees for subsidiaries	–	5,667	1,000
Total contingent liabilities	**–**	**5,667**	**1,000**

In addition to the above, the company has issued a capital coverage guarantee on behalf of Wedins Norge AS. The guarantee is limited to a maximum of NOK 100 million.

Stockholm, December 14, 2004

Jan Ohlsson
Chairman

Ulf Bergenudd

Pernilla Bräck

Mats Holgerson

Curt Lönnström

Monica Olsson

Pernilla Ström

Erja Ödmark

Roland Nilsson
President

My audit report was submitted on December 14, 2004.

Ulf Westin
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Auditor's report

TO THE ANNUAL GENERAL MEETING OF WEDINS SKOR & ACCESSOARER AB (PUBL),
CORP. REG. NO. 556540-1493

I have examined the annual report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President of Wedins Skor & Accessories AB (publ) for the year September 1, 2003 – August 31, 2004. These accounts and the administration of the company are the responsibility of the Board of Directors and the President. My responsibility is to express an opinion on the annual report, the consolidated financial statements and the administration based on my audit.

I conducted our audit in accordance with generally accepted accounting standards in Sweden. These standards require that I plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the annual report and consolidated financial statements. I have examined significant decisions, actions taken and circumstances of the company in order to determine the possible liability, if any, to the company of any Board member or the President or whether they have in some other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

In my opinion, the annual report and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and thereby provide accurate picture of the profit and position of the company and the Group in accordance with generally accepted auditing standards in Sweden.

I recommend to the Annual General Meeting that the income statement and the balance sheet of the Parent Company and the Group be adopted, that the loss in the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Solna, December 14, 2004

Ulf Westin
Authorized Public Accountant
Öhrlings PricewaterhouseCoopers AB

Board of Directors and Auditors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BOARD OF DIRECTORS

1. Jan Ohlsson

Born 1950.

Chairman since 2001, Board member since 1994.

Other assignments: President of Accent Equity Partners AB.

Board member of CEFAR AB, Jötul A/S, Paroc Oy and TurnIT AB.

Shareholding in Wedins: 1,088,000 Class B shares.

2. Ulf Bergenudd

Born 1944.

Board member since 2003.

Other assignments: President and CEO of Spira AB.

Chairman of Auralight AB.

Board member of DigiDoc AB, Livsmedelsföretagen, Djupfrysningsbyrån and Svensk Fågel.

Shareholding in Wedins: 50,000 Class B shares.

3. Mats Holgerson

Born 1953.

Board member since 2003.

Other assignments: President of Statoil Detaljhandel Skandinavia A.S.

Chairman of Statoil Detaljhandel Sweden, Norway and Denmark.

Member of the Advisory Board of the Nordic Retail College.

Shareholding in Wedins: 100,000 Class B shares.

4. Curt Lönnström

Born 1943.

Board member since 2001.

Other assignments: President of Ryda Bruk AB.

Board member of Hagströmer & Qviberg AB, Poolia AB, TurnIT AB and Olle Olssonbolagen AB, among others.

Shareholding in Wedins: 10,000 Class B shares.

5. Roland Nilsson

Born 1950.

President and CEO of Wedins since 2002.

Employed 2002, Board member since 2003.

Other assignments: Chairman of A-Com, Proffice and MZ Travel.

Other professional experience: Various positions at Atlas Copco, Modo and Tarkett. Founder of Kontorsutveckling, which was acquired by Esselte, and President of Scandic Hotels.

Shareholding in Wedins: 1,000,000 Class A shares, 15,400,000 Class B shares.

6. Pernilla Ström

Born 1962.

Board member since 2004.

Other assignments: President of Ity AB.

Board member of Bonnier AB, Salus Ansvar AB and Salus Ansvar Bank AB, HQ Fonder AB and Ethix SRI Advisors AB.

Shareholding in Wedins: 50,000 Class B shares.

7. Erja Ödmark

Born 1955.

Board member since 2003.

Other assignments: President of GTM, Global Travel Management AB.

Shareholding in Wedins: 0.

8. Pernilla Bräck

Born 1961.

Board member since 2003.

Employee representative.

Shareholding in Wedins: 0.

9. Monica Olsson

Born 1948.

Board member since 1998.

Employee representative.

Shareholding in Wedins: 0.

AUDITORS

Ulf Westin

Born 1951.

Authorized Public Accountant, Öhrlings PricewaterhouseCoopers AB.

Auditor for Wedins since 2003.

Hans Jönsson

Born 1955.

Authorized Public Accountant, Öhrlings PricewaterhouseCoopers AB.

Deputy auditor for Wedins since 2003.

The Board of Directors and Auditors were elected at Wedins' Annual General Meeting on January 13, 2004.

Corporate governance

BOARD OF DIRECTORS AND BOARD WORK

The Board of Directors of Wedins Skor & Accessoarer consists of seven (six) members elected by the Annual General Meeting as well as two members and two deputies appointed by the employees.

Salaried employees of the company participate in the Board's meetings as speakers and secretaries.

During the fiscal year September 2003 – August 2004 the Board held nine (7) meetings. At its scheduled meetings, the Board considered the fixed points on the agenda of each meeting regarding strategic plans, budgets, annual financial statements and interim reports. Two extra Board meetings were held in connection with the acquisition of Sko-City. Furthermore, the Board considered issues concerning financing, investments and structural and organizational issues.

The Board follows the rules of procedure that have been adopted and the instructions that have been issued on the distribution of responsibilities between the Board and the President.

AUDIT

By law, the mandate period for auditors is four years. The Annual General Meeting in 2003 appointed the auditing firm PricewaterhouseCoopers AB with Ulf Westin as chief auditor. The company's auditors participate in the Board's annual meeting to discuss the closing accounts and at the Annual General Meeting.

NOMINATION COMMITTEE

Wedins' Annual General Meeting on January 13, 2004 elected a nomination committee consisting of the following members:

- Per-Olof Edin, Foundation for Baltic and East European Studies
- Petter Odhnoff, Second National Pension Insurance Fund
- Ragnhild Wiborg, Odin Funds
- Roland Nilsson, President and CEO, Wedins
- Jan Ohlsson, President of Accent Equity Partners/Chairman of Wedins

The duty of the nomination committee is to nominate Board members for upcoming Annual General Meetings where Board elections are scheduled.

COMPENSATION TO THE BOARD, SENIOR EXECUTIVES AND AUDITORS

The Annual General Meeting determines the distribution of Board fees among its members. Remuneration to the President and other senior executives consists of a base salary, profit-based bonus and benefits in the form of a company car and pension. The maximum profit-based bonus is equal to 6 months' salary. The term of notice for the President and other senior executives is 6 months, or if terminated by the company 6-12 months. If terminated by the company, the President is entitled to an additional 6 months' salary in severance, i.e. a total of 18 months. Other senior executives do not have severance agreements.

During the fiscal year the Chairman of the Board received fees of SEK 150,000 (160,000) and other Board members SEK 90,000 (85,000) each. In total, SEK 600,000 (500,000) has been paid in Board fees, in accordance with the decision of the Annual General Meeting. Board fees are included in the salary figures for the Board and President.

The President received a base salary of SEK 2,400,000. Pension premium payments correspond to 31.5% of his base salary up until retirement. The company otherwise has no pension commitments to the President. Other senior executives have received base salaries totaling SEK 6,075,000, in addition to customary pension benefits as part of the national pension plan. No bonuses were paid to the President and other senior executives during the fiscal year.

The auditors received remuneration of SEK 2,448,000, of which SEK 1,448,000 was for auditing work and SEK 960,000 for other assignments.

Senior Executives


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MANAGEMENT TEAM

1. Roland Nilsson

Born 1950.

Master of Engineering.

President and CEO of Wedins since 2002.

Employed 2002.

Other assignments: Chairman of A-Com, Proffice and MZ Travel.

Other professional experience: Various positions at Atlas Copco, Modo and Tarkett. Founder of Kontorsutveckling, which was acquired by Esselte, and President of Scandic Hotels.

Shareholding in Wedins: 1,000,000 Class A shares, 15,400,000 Class B shares.

2. Christer Bang

Born 1954.

Bachelor of Business Administration.

Head of Business Development since March 2003, formerly CFO from 2001.

Employed since 1993.

Other professional experience: Various positions at the Swedish Co-operative Society, including operational auditor, consultant and CFO; consultant in logistics and financial control at Kida Data, and Group Controller at Konsum Stockholm.

Shareholding in Wedins: 77,000 Class B shares.

3. Staffan Gustavsson

Born 1957.

Master of Business Administration.

CFO.

Employed in May 2003.

Other professional experience: Various positions at KF Industri, financial and administrative director at Nordtend, Falcon and EssNet; CFO at Kjessler och Mannerstråle; CFO and Vice President at Guldfynd, CFO at Adidas Sweden AB (Area Nordic).

Shareholding in Wedins: 100,000 Class B shares.

4. Marie Hallander Larsson

Born 1961.

Bachelor of Education, Market Economist.

Head of Human Resources.

Employed January 2003.

Other assignments: Board member of Samhall AB and Netsurvey AB.

Other professional experience: Senior HR positions at Pharmacia, IBM/-Responsor, Scandic Hotels and Empower AB, among others.

Shareholding in Wedins: 35,000 Class B shares.

5. Lars Jungerth

Born 1964.

Master of Engineering.

Head of IT and Logistics.

Employed in March 2003.

Other professional experience: Logistics Manager at Tarkett Svenska Försäljnings AB, Marketing Manager at Scandic Hotels, Sweden and Jobline Norden AB, and President of Right-Position AB.

Shareholding in Wedins: 25,000 Class B shares.

6. Per Larsson

Born 1962.

Master of Business Administration.

Business Area Manager for Rizzo and Product Area Manager for Accessories.

Employed since 2003.

Other professional experience: Co-founder of KICKS, Sweden's largest cosmetics chain, with extensive experience in retail and branding.

Shareholding in Wedins: 50,000 Class B shares.

7. Göran Palm

Born 1950.

Business Area Manager for Wedins.

Employed since 1996.

Other professional experience: Former President of Wedins Skor. Extensive experience in the retail sector, including a number of senior positions at Nilsson-gruppen as well as at Gulins and New Sports/Fliesbergs.

Shareholding in Wedins: 104,200 Class B shares.

8. Mikael Kling

Born 1961.

Product Area Manager for Shoes.

Employed since 1999.

Other professional experience: Responsible for shoe purchases since March 2004. Formerly a purchaser of men and children's shoes for Wedins. Purchaser at Åhléns 1987–1999 in the areas of apparel and shoes.

Shareholding in Wedins: 0.

9. Ulla Havenström

Born 1961.

Economics diploma, IHM Business School.

Product Area Manager for Rizzo.

Employed since 1995.

Other professional experience: Purchaser for Åbergs Skor, AP Hallqvist, Joy and Wedins. Purchasing Manager for Lagersons Skosalonger. Own clothing store.

Shareholding in Wedins: 0.

10. Jan Cauchy

Born 1962.

Product Area Manager for Accessories.

Employed since 2004.

Other professional experience: Broad-based experience in textiles and production in the fashion/outdoor sector. Purchasing Manager at Boomerang. Product Manager at Fjällräven. Purchaser at H&M. Designer at H&M.

Shareholding in Wedins: 0.

History

1900 Wedins is founded by Jonas Petter Wedin in the late 19th century. In 1900 the first shoe store opens in Nyland.

1939 Shoe manufacture begins in Nyland.

1950–60 The business expands through the addition of new stores in northern Sweden.

1980 Ward White Group Ltd. acquires Wedins from the Wedin family. Shoe manufacture is discontinued.

1989 The Swedish Co-operative Society acquires Wedins, which now has 28 stores.

1990–1991 Wedins acquires five stores from Persson & Co and five stores from Skorum.

1992–1993 Wedins decides to focus exclusively on retail sales. The group acquires the footwear chain A.P. Hallkvist's nine stores.

1994 The Swedish Co-operative Society transfers Wedins to its wholly owned investment company KF Invest AB.

1995 Hegard Holding AB acquires 55 percent of the shares in Wedins from KF Invest AB. Three stores are opened in Norrköping and Stockholm.

1996 Wedins grows by opening stores in Örebro and Karlstad, among other locations. Three stores are sold.

1997 Initial public offering on July 1. Nordic expansion begins through the acquisition of one of Norway's leading footwear chains, Park Sko, with eleven stores. Wedins also acquires Nordlöfs, with eight stores; Skoforum, with five stores in Norway, and Lagersons Skosalonger, with six stores in Sweden.

1998 Wedins acquires 33.3 percent of the shares in the footwear chain Skokanonen, with twelve stores, and establishes itself in the low-price segment. Lagersons Skosalonger opens in Copenhagen. In total, twelve new stores are opened during the year.

1999 Wedins acquires Handskmakar'n, an accessories chain with 95 stores in Sweden, Norway and Finland. The store network is doubled from 95 to 190 stores. The footwear chain Rizzo, with three stores in downtown Stockholm, is acquired. Eight new stores are opened during the year, five stores are closed.

2000 The first combined stores offering Wedins shoes and Handskmakar'n accessories open. Norway's first Rizzo store opens in Oslo. Wedins acquires Norway's leading accessories chain, Franz Schulz, with 54 stores, consolidating its position as the biggest accessories retailer in the Nordic region.

2001 Business is affected by the economic slowdown and decline in travel. Wedins launches its own men's shoe selection in the high end fashion segment. Late in the year an action program is established to strengthen profitability and improve efficiency in the goods flow.

2002 Roland Nilsson takes over as president in November and initiates a comprehensive change process. Wedins reports a loss after significant one-time charges.

2003 Wedins streamlines its brand structure, whittling a number of brands down to two: Wedins and Rizzo. Work begins on the conversion from small to large stores with a coordinated selection of shoes and accessories. The Group opens flagship stores in Stockholm, Oslo and Helsinki. Sko-City, with 9 stores, is acquired.

Five-year overview

SEK million

INCOME STATEMENT	2003/2004	Jan.–Aug. 2003	2002	2001	2000	1999
Operating revenue	961.9	615.8	1,164.5	1,223.8	1,024.1	650.9
Cost of goods sold	–436.8	–293.9	–625.0	–572.0	–501.6	–328.8
Gross profit	**525.1**	**321.9**	**539.5**	**651.8**	**521.2**	**322.1**
Other operating expenses	–553.0	–379.1	–609.2	–573.6	–429.3	–255.5
Operating profit/loss before depreciation/amortization	**–27.9**	**–57.2**	**–69.7**	**78.2**	**91.9**	**66.6**
Depreciation/amortization and writedowns	–51.4	–38.6	–148.1	–59.2	–47.4	–23.4
Operating profit/loss after depreciation/amortization	**–79.3**	**–95.8**	**–217.8**	**19.0**	**44.5**	**43.2**
Net financial items	–17.2	–15.9	–50.5	–26.8	–19.8	–9.7
Profit/loss after net financial items	**–96.5**	**–111.7**	**–268.3**	**–7.8**	**24.7**	**33.5**
Tax	13.0	42.4	46.4	–2.8	–12.1	–10.2
Minority interest	0.0	0.0	0.0	0.0	–0.1	–0.3
Net profit/loss	**–83.5**	**–69.3**	**–221.9**	**–10.6**	**12.5**	**23.0**

BALANCE SHEET	Aug. 31 2004	Aug. 31 2003	Dec. 31 2002	Dec. 31 2001	Dec. 31 2000	Dec. 31 1999
Fixed assets	404.2	351.7	334.3	448.4	466.7	384.7
Inventories	207.8	186.3	186.7	292.1	276.4	230.5
Other current assets	36.1	43.1	41.2	58.5	52.9	44.2
Liquid assets	17.1	53.1	17.0	36.6	81.6	32.6
Total assets	**665.2**	**634.2**	**579.2**	**835.6**	**877.6**	**692.0**
Shareholders' equity	92.1	118.1	–2.5	221.0	248.4	257.6
Provisions	5.8	8.8	10.3	24.5	36.7	43.4
Long-term interest-bearing liabilities	409.7	359.0	242.5	317.1	319.1	188.9
Long-term non-interest-bearing liabilities	5.1	3.8	1.7	2.6	1.8	4.8
Current interest-bearing liabilities	0.0	0.0	129.9	60.0	27.8	33.7
Current non-interest-bearing liabilities	152.5	144.5	197.3	210.4	243.8	163.6
Total liabilities and shareholders' equity	**665.2**	**634.2**	**579.2**	**835.6**	**877.6**	**692.0**

CONDENSED CASH FLOW STATEMENT	2003/2004	Jan.–Aug. 2003	2002	2001	2000	1999
Cash flow before change in working capital and investments	–49.3	–70.9	–121.1	9.9	50.0	79.8
Change in working capital excluding liquid assets	–5.2	–62.2	109.5	–54.6	25.3	–38.0
Cash flow before investments	–54.5	–133.1	–11.6	–44.7	75.3	41.8
Investing activities	–91.1	–14.0	–2.9	–16.9	–129.3	–256.1
Cash flow after investments	–145.6	–147.1	–14.5	–61.6	54.0	–214.3

KEY RATIOS	2003/2004	Jan.–Aug. 2003	2002	2001	2000	1999
Sales, SEK million	956.3	611.1	1,156.3	1,221.7	1,022.7	649.4
Change. %	n.a	n.a	–4.8	19.5	57.5	21.9
Profit/loss before depreciation/amortization, SEK million	–27.9	–57.2	–69.7	78.2	91.9	66.6
Operating margin, %	neg	neg	neg	1.6	4.4	6.7
Profit margin, %	neg	neg	neg	neg	2.4	5.2
Profit/loss per share, SEK	neg	neg	neg	neg	1.6	4.4
Equity/assets ratio, %	13.8	18.6	neg	26.4	28.3	37.2
Debt/equity ratio, multiple	4.6	3.1	n.a.	1.7	1.4	0.9
Interest coverage, multiple	neg	neg	neg	0.8	2.2	4.0
Return on capital employed, %	neg	neg	neg	4.3	10.3	12.5
Return on equity, %	neg	neg	neg	neg	4.9	12.4
Share of risk-bearing capital, %	27.0	30.7	6.1	27.0	28.3	37.2
Investments, SEK million	94.9	13.5	5.9	19.8	124.7	256.1
Average number of employees	669	737	821	901	801	498

Annual General Meeting

The Annual General Meeting will be held at 4:00 p.m. (CET) on Tuesday, January 18, 2005 at Wedins' head office, Gustavslundsvägen 143, Alviks Strand, Stockholm/Bromma.

NOTIFICATION

Shareholders who wish to participate in the meeting must:

- be listed in the share register maintained by the Swedish Central Securities Depository (VPC AB) no later than January 7, 2005, and
- notify the company of their intention to participate by 4:00 p.m. on Wednesday, January 12, 2005 in writing to Wedins Skor & Accessoarer AB, Gustavslundsvägen 143, SE-167 51 Bromma, Sweden, by telephone +46 8 508 99 200, by fax: +46 8 508 99 290, or by e-mail sara.bengtsson@wedins.se

When registering, please indicate your name, personal identification/corporate registration number, shareholding, address, daytime telephone number, the names of those who will be accompanying you and, where applicable, information on proxies. Where applicable, detailed authorization documents such as a registration certificate should be enclosed with notification.

NOMINEE-REGISTERED SHARES

Shareholders whose shares are registered in the name of a nominee through the trust department of a bank or a brokerage firm must temporarily re-register their shares in their own names with VPC AB in order to participate in the meeting. Shareholders who wish to re-register their shares must advise their nominees well in advance of Friday, January 7.

DIVIDEND

The Board of Directors has proposed to the Annual General Meeting that no dividend be paid for fiscal year 2003/2004.

NOMINATION COMMITTEE

A nomination committee will be appointed by the Annual General Meeting.

Scheduled reporting dates

Interim report September 2004 – November 2004	released January 18
Interim report September 2004 – February 2005	released April 12
Interim report September 2004 – May 2005	released July 4
Year-end report September 2004 – August 2005	released October 21

Definitions

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 revenue.

Profit margin
Profit/loss after net financial items as a percentage of operating revenue.

Equity/assets ratio
Shareholders' equity as a share of total assets.

Debt/equity ratio
Interest-bearing liabilities and interest-bearing provisions divided by shareholders' equity.

Share of risk-bearing capital
Shareholders' equity plus deferred tax as a share of total assets.

Interest coverage
Profit/loss after net financial items plus financial expenses in relation to financial expenses.

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

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.

Direct yield
Dividend in relation to the share price at the end of the period.

P/E
Share price in relation to profit/loss per share.

Wedins Skor & Accessoarer AB
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