

Lindex Report

Annual Report 2005/2006 • Company Presentation

*Everything should have
a spirit of FASHION*

*The Lindex
journey continues*

*Teamwork behind
each new garment*

Everything is determined in the store

LINDEX



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We exist for women

*Fashion is about expressing yourself
and conveying a feeling.*

*Our aim is to offer fashion that is
feminine and inspiring and which
appeals to our innermost wishes.
Fashion that makes it possible to
express personality and style.*

Fashion is now.

*Our passion is to inspire women
to look and feel great!*



2005/2006 was a tremendous year for Lindex. Sales increased and we have reported our best results ever. Such an outcome can be attributed to the journey we embarked on just over two years ago. With a clear focus and huge commitment in-house we have moved from being a clothing company to a growing fashion company. We have laid the foundation for the expansion that has now commenced.

The Lindex journey continues



Behind this positive development is the huge effort made on a number of levels to reinforce and improve. We have improved internal control, re-examined our offer and our collections, which has reinforced our brand.

Broader assortment

One of the most important elements in this process has been to broaden the range and increase the feeling for fashion in our offer. Based on a clearer picture of our own identity we have had the courage to reach new heights and thereby attract more customers. The fact that we have succeeded is reflected not only in our sales figures but also what we can see in the street. Compared with just a few years ago we can now see considerably more people wearing our clothes. I regard this as a sign of our success.

The success of our collections is prompting us to develop even more. We will continue the task of broadening the range with the aim of offering a complete wardrobe, covering everything from lingerie and leisurewear at home to fashion for work and evening. Our investment in cosmetics and accessories has proved successful and will continue. In autumn 2006, for example, we launched a range of shoes.

75–100 new stores

Greater financial security, good self-confidence and a more distinct brand have created the scope for the expansion that is now under way. We opened 23 new stores during the year.

In Sweden, we opened several new stores in central Stockholm, which is particularly gratifying as we now have a stronger position in the city

area. Through to August 2009 our aim is to open 75–100 new stores. Approximately half of these will be opened in the Nordic region. During the coming financial year we will also be opening stores in Lithuania. We hope and believe that we will generate the same rapid, positive impact on profit in these countries as we have done in Estonia and Latvia.

Significance of a strong brand

As we now enter new markets we do so as a proud fashion chain. During the past few years we have worked persistently to clarify what the Lindex brand represents. With this as a base we have increased our marketing considerably during the year. This has contributed substantially to reinforcing our brand and our position as a fashion company.

The importance of a strong brand cannot be overestimated now that we have entered the expansion phase. One of the greatest obstacles to expansion is often the problem of finding suitable premises in the right location. The strength of our brand and the clarity of our concept are major assets in this context. It makes us appealing to property-owners and it makes it easier to attract skilled, creative, responsible employees.

Stores crucial

Alongside expansion into new markets we will continue to develop our existing stores. We have devoted a great deal of energy to making the stores clearer, simpler and more attractive. In the future we will be even better at promoting our fashion and taking even better care of our customers.

The new, more feminine store concept that has been created during the year is a major step in the right direction. The concept is being developed continuously and is gradually being introduced in more stores on all markets. As part of this process we will also continue to invest in visual merchandising – the way fashion is presented in the store and window



Vision

Our passion is to inspire women to look and feel great!

Business concept

The Lindex business concept is to always offer women inspiring, value-for-money fashion.

Objectives

that will be achieved by August 2009 at the latest:

- A sustainable EBITA margin of 14–15 per cent.
- A sustainable gross margin of 59–60 per cent.
- 75–100 new stores.



display. The aim is to create stores that generate desire and inspiration. Ultimately, it is in the store that everything is determined. It is there that visitors are transformed into customers.

E-commerce retailing from 2007

To further increase availability and service to our customers we will commence e-commerce retailing in Sweden in spring 2007. Although the stores will almost certainly continue to remain our main sales channel, we believe that e-commerce retailing is a channel that will expand in the next few years.

We are now flexing ourselves even further

Clear, concrete objectives are helping us to maintain focus and it feels very gratifying to report that during the year we have achieved the finan-

cial targets that were established almost two years ago. The Lindex Board together with the Company Management has now revised and raised those targets. To achieve them it is necessary that we increase momentum and carry on the task of improving on all levels. The new targets also entail a continued focus on costs.

I would like to thank all employees who have worked hard during the year to achieve a fantastic result. With the atmosphere and spirit of enterprise that I can sense in the company I am convinced that we will succeed even better in the future.

Göteborg, October 2006

Göran Bille
President and CEO

With carefully considered collections, a greater feeling for fashion and a high degree of innovation, Lindex has moved its positions forward in recent years. The offer today includes a range of concepts in women's wear, lingerie, children's wear and cosmetics.



With a focus on women and fashion

The Lindex objective is to offer inspiring, value-for-money fashion, characterised by good fit and high quality. A strong focus on lingerie and basic garments has been a feature of Lindex for many years and the offer has in recent times been broadened to include clothes and accessories for all occasions: at home, at work, for leisure and for more festive occasions. The assortment today includes a range of concepts within women's wear, lingerie, cosmetics and children's wear.

The marked improvement in profit during the year is evidence that Lindex fashion and Lindex stores are appreciated by the customers. Behind this result is a great deal of hard work on all fronts to improve the way the company expresses itself: collections, communication, stores, window displays and work in-house.

Knowledge of the Lindex identity

One of the primary objectives during the past year has been to clarify the image of the Lindex identity. This work has led to Lindex establishing a clear picture of its own identity as well as the person they are creating clothes for and the type of fashion customers are interested in.

Women who are aware and interested in fashion

The Lindex target group is women who are interested in fashion and who are aware of their bodies, their appearance and what suits them in particular. She thinks clothes are fun, she knows what she wants and she buys clothes based on desire. The clothes should feel right, suit her style and body and fit in with the rest of her wardrobe. Not a slave to fashion, she views it in a conscious, mature way.

Inspiration crucial

Fashion is much more than the garment itself. In the distant past, purchasing of clothes and fashion were purely a matter of satisfying basic needs. Today, purchases are controlled to an increasing extent by other, more

emotional factors. A customer shops because she thinks clothes and fashion are fun and because she wants to reward herself. The right type of marketing, stores that offer inspiration and a constant flow of innovations are crucial.

Fashion year 2005/2006

Fashion trends during the past year suited the Lindex customer very well. Fashion was more stylish, with strict demands for good fit and the opportunity to match. In women's wear, the fashion was long skirts with slightly narrower silhouettes. In lingerie, Lindex noticed a clear trend towards both more sensual garments as well as simpler, basic garments. Lindex also saw a need for easy-to-wear, relaxed, comfortable garments to creep into after school or work.

Fashion is also important for children. The higher level of fashion is reflected in children's clothes, where fashion during the year became more stylish.

Women's wear

Fashion has never been more individual than it is today. Lindex collections are characterised by carefully considered details, a greater feeling for fashion and a high rate of innovation. The garments are designed to make them simple to combine, mix and match.

Children's wear

Children's fashion today changes as rapidly as adult fashions. Lindex children's wear reflects the attention paid to the needs of both adults and children, with function, quality, fit and safety as obvious features.

Women's lingerie

High-quality, good fit and the broadest range on the market have made Lindex the market leader in lingerie in all the Nordic countries. The assortment is characterised by fashion, trends, good fit and value-for-money.





Lindex women's wear

The increased feeling for fashion, broader collections and a high degree of innovation contributed to Lindex reinforcing its position within women's wear considerably during the year. Women's wear accounts for approximately 37 per cent of the total Lindex sales.

To

All fabulous women

Women's wear makes strong headway

The past year was a successful year for Lindex women's wear. The collections were received well on all markets and both sales and profitability increased.

Behind this development are several years of hard work to develop and reinforce the Lindex identity. All garments are still distinctly Lindex when it comes to fit, quality and value-for-money but now with more fashion and self-confidence than previously.

A broader selection

Work has taken place on several fronts. One of the most important objectives has been to broaden the collections. Historically, Lindex women's wear has comprised mainly basic garments. Today, the collections include both basic garments as well as garments with a high degree of fashion. The aim is to be able to offer a complete wardrobe with both everyday garments as well as more stylish fashion. Another important part of this work has been to increase the flow of new garments in the stores. Each visit to a Lindex store should offer inspiration and prompt new impulses.

Important to be able to mix and match

Fashion during 2005/2006 was more fitted and stylish. The silhouettes became narrower and the colours tended towards black and brown. Despite the trends, fashion today is more individual than ever. To satisfy the demands of the customers for freedom of choice, the collections are designed in such a way that they are easy to combine, allowing different garments to be mixed and matched. The primary objective is to suit each person's personality and needs. It should be possible, for example, for a highly fashionable top to be combined with a pair of simpler, more basic

trousers. In spring 2006, Lindex launched its own golf collection, produced specifically for the female golfer interested in fashion.

Successful investment in accessories

In line with the trend towards fashion becoming more and more stylish, accessories have gained in importance. Never before have accessories been so prominent in fashion and this product group demonstrated significant growth during the financial year. In line with the strategy of offering a broader assortment, Lindex commenced investment during the year in bags and accessories. This investment has produced good results and the assortment will now be expanded during the coming year to also include shoes.

Brands within women's wear

Generous

The demand for garments in larger sizes with a high feeling for fashion continued to increase during the year. The Lindex Generous assortment follows the same fashion trends as the rest of the women's wear assortment. The collection includes everything from jeans and pullovers to blouses, skirts, jackets, coats and lingerie in the size range 44–56.

MOM

MOM is the Lindex maternity collection. Expectant mothers are an important target group for Lindex. MOM has been a major success ever since it was launched in 2003. Considerable emphasis has been placed on the garments having a high degree of fashion without sacrificing function. Pliant materials, such as knitted cotton and stretch, dominate the choice of fabrics.

Clothes children want

The increasing interest in clothes is also noticeable within Lindex children's wear, where the level of fashion during the past year has increased. The trend within children's wear, as was the case in fashion generally, was towards a more stylish fashion. The fit was narrower and classic tones dominated the colours.

Despite a weak market in recent years, Lindex has retained its strong position within children's wear. Sales during 2005/2006 were in line with the preceding year. Lindex's strength is to be found in strong brands and attentiveness to what children and their parents are looking for. The aim is to offer a broad assortment of clothes for school, leisure time and play-time as well as more festive occasions.

Birth rate up again

The market for children's clothes is linked to a large degree to the birth rate generally. The weak market in recent years is due largely to a low birth rate in the middle and at the end of the 1990s. In recent years, however, the birth rate has once again increased, resulting in increased demand, particularly for clothes for small children.

New children's concept

During the year, Lindex launched a completely new children's concept. Lindex children's wear has been reviewed and the offer has been improved in several areas. The greatest change has taken place within the girls' department, where the assortment has been divided into three categories: preschool, school and teenage. The change has led to a fashion that has been better adapted, in particular towards younger teenagers who are otherwise a difficult target group. This new division has been received well by both parents and children.



Safer children's wear

Alongside the right degree of fashion, quality and price, safety is an important parameter in children's wear. Lindex has for many years been at the forefront when it comes to safe children's wear. To ensure the garment is as safe as possible, a detailed checklist is followed, which among other things governs the length of drawstrings, the placing of reflector strips and the use of hoods. In autumn 2006, a new European standard in children's clothes is expected to be ready. Lindex is one of the Swedish companies which, together with SIS, the Swedish Standards Institute, has been involved in producing the basis for the new rules.



Lindex children's wear

The interest in clothes and fashion is going down the age range. Children and teenagers are today very active and aware when it comes to clothes and what they wear. At the same time, quality and price are still very important. Children's wear accounts for approximately 29 per cent of the total Lindex sales.

To

All super-cool children

Brands within children's wear

Kids by Lindex

The brand Kids by Lindex is by far the largest and it caters for both boys and girls. The assortment includes fashionable, value-for-money basic garments but also the season's fashions and the very trendiest of garments.



Heartquake

Heartquake is the Lindex collection for the slightly older girl who loves clothes and accessories. The assortment includes garments that can be mixed and matched. The collection follows current trends and has the right details, making it possible to create your own style. Bags, belts, head bands and other accessories complement the garments and reinforce the look.

FIX

FIX is one of the strongest brands by far on the children's wear market. The brand has been in existence since the 1930s and is owned by Lindex since 1998. The clothes are made with children up to seven years of age in mind. This means classic colours and comfortable, high quality materials.

Bamse

Lindex Bamse clothes are the favourite among the very youngest children. Comfortable garments in classic colours with a high level of quality for both babies and young children.

Detroit

The Lindex brand for trousers in denim and other materials.

Softwear by Lindex

Comfortable lingerie, cosy pyjamas and socks.

Outwear by Lindex

Outdoor garments for both girls and boys.

Stuff by Lindex

Accessories for girls and boys.

Leading position in lingerie

The Lindex position in lingerie, socks and hosiery is hard to beat. In Sweden and Norway Lindex is the clear market leader within lingerie with a market share of approximately 20 per cent. Even in Finland the company has a strong position. Despite the fact that sales during 2005/2006 were in line with the preceding year, profitability continued to increase thanks to better adapted volumes.

A broad assortment

Lindex sells lingerie under its own brands and leading external brands. The aim is to offer all that is required for a varied lingerie wardrobe for all women. This includes everything from basic garments to more luxurious, sensual garments with a high degree of fashion. Breadth in the assortment is one of the primary Lindex strengths. Other features include good fit, high-quality and excellent value-for-money.

Increasing level of fashion even in lingerie

Compared with other types of garments, the market for lingerie is relatively stable. Once a customer has found her model she often sticks with it. In recent years, however, the trend has moved increasingly towards fashion even in lingerie. This is most noticeable on the foreign markets but also in Sweden. As a direct consequence, the demand for innovation and freedom of choice has increased substantially.

To satisfy the demand, the Ella M assortment, Lindex lingerie with luxury, flamboyance and a high degree of fashion, has been expanded and broadened during the year. The new assortment has been well received and adaptation will continue during the coming year.

A relaxing collection

Alongside the trend towards lingerie with more fashion the demand for basic garments in comfortable materials has increased. In our stressful

Our passion is to inspire women to look and feel great!

Lindex lingerie

Good fit, high-quality and the broadest range on the market have made Lindex the market leader in lingerie in Sweden, Norway and Finland. During the year the assortment has been complemented with more fashion as well as a completely new concept with comfortable garments in comfortable material for relaxing moments. Lingerie accounts for approximately 33 per cent of the total Lindex sales.

To

All women



daily life we long for moments when we have time to ourselves. This can be reflected in a visit to a spa, a yoga session or simply a relaxing moment to yourself. In autumn 2006, Lindex launched a collection of specially designed garments aimed specifically at such moments, Move Rest Sleep. The materials are soft, the garments are comfortable and the models are simple, with carefully selected details.

Successful investment in cosmetics

The Lindex investment in cosmetics has proved successful. Cosmetics fit well into the Lindex range and reinforce key values such as fashion, femininity and inspiration. The sales trend continued to be good and also contributed to increasing traffic into the stores. The focus is on make-up and skin and hair care products. During the year the range was expanded to include a number of peripheral products, including mirrors, brushes and toilet bags. In total, cosmetics are sold in around 135 stores in Sweden and Norway and the number will continue to increase.

Brands within lingerie

Lindex

Under the Lindex brand there is a wide range of basic and fashion garments for a broad target group.

Ella M

Ella M represents flamboyance and luxury. The collection includes sensual lingerie with a high degree of fashion.

So.U.

So.U. offers a trendy, value-for-money assortment directed primarily at a younger target group.

Move Rest Sleep

Comfortable garments in comfortable materials for moments of relaxation.



A key factor for success in the fashion industry is to design and purchase products that fit in with current fashions. Ensuring the right product reaches the right store at the right time requires a highly efficient purchasing process, an effective logistics system and a well-established IT platform.

Teamwork behind each new garment

In line with the fact that changes in fashion are nowadays much more rapid, the boundary between different seasons has diminished. For the world's fashion companies this has meant less focus on spring and autumn collections. Although the majority of new products are still presented in August and February, most innovations are nowadays spread relatively evenly throughout the year. Consumers today expect something new every time they enter a store.

Shorter lead times and increased flexibility

The increasing rate of change in fashion in combination with a high level of demand for innovation makes considerable demands on flexible purchasing processes and increasingly shorter lead times. It is consistently a question of having an assortment that remains in step with current fashions.

Depending on the type of garment, the time it takes from the garment being designed to being out in the stores can vary. For simpler fashion goods the lead time can be around six weeks whilst for more advanced garments, such as jackets, it could be up to six months. Just a few years ago the same process took ten months.

Full control over the whole purchasing chain

The work on a new collection is based on both monitoring trends and making a careful analysis of how existing garments are selling. Virtually all garments at Lindex have been designed in-house and it is at the purchasing department that the collections are created. Behind each garment there is a team made up of designers, purchasers, garment technicians, assistants and controllers. The team produces a picture of the assortment and how the balance between the different product groups should be. When the collection has been created it is time for the designer to make detailed sketches, for the garment technicians to draw up the size lists and for the buyers, together with the production offices, to choose the right supplier.

Local purchasing offices

When the sketches are ready and the garments have been designed, production documentation is sent to the local purchasing offices in Turkey, India, Pakistan, Bangladesh, China and Hong Kong. It is here that an important part of the purchasing work takes place as the offices are responsible for contact with suppliers and for the most part the handling of samples. The network of purchasing offices allows purchases to be directed to the right country in terms of price, quality and volume. Local operations also improve follow-up of quality and adherence to the code of conduct and environmental work.

Increased level of full-price sales

Alongside the creative work, a continuous analysis is made regarding sales of existing garments, the turnover rate in the stores and the level of inventories. This analysis forms the basis for decisions about which garments are to be reordered and the composition of future collections. One of the company's main challenges in recent years has been to adapt the volumes. This work has resulted in an increased level of full-price sales and is one of the primary reasons for improved margins and profitability.

New distribution centre outside Göteborg

The majority of the Lindex goods move from the supplier to the distribution centre before being sent out to the stores. The different products are labelled and packed by suppliers before being distributed to the stores by the distribution centre.

During the year it was decided to build a new distribution centre in Partille outside Göteborg. This facility will commence operations during winter 2007/2008 and will handle the allocation of goods to all Lindex stores. The aim is to facilitate a more efficient and more flexible allocation of goods.

Efficient IT system

To keep the purchasing and distribution processes together, a good business and IT system is crucial. Lindex has in recent years invested considerably in a new IT system, which has led to significantly better control and follow-up.





We love boobs!

The Lindex bra campaign "We love boobs" attracted a great deal of attention. The campaign was voted advertisement of the year by the Swedish readers of the newspaper Metro.

Pink Ribbon

Each year, around 6,500 women in Sweden are diagnosed with breast cancer. Lindex supports the Swedish Cancer Society in its work of increasing awareness of the most common form of cancer among women. During 2005/2006 a specially written book "Sköna bröst" and a specially designed T-shirt were sold in all Lindex stores and the proceeds went to breast cancer research.

The task of reinforcing and clarifying the Lindex brand was intensified during the year. This has left its mark on the whole of the company, from the choice of assortment and purchasing to store design and the production of campaign material. One of the main objectives has been to more explicit connect the Lindex brand with fashion.



Everything should have a spirit of fashion

A strong contributing factor to the success of Lindex has been an increased investment in marketing and communication. New for this year was the launch of the new Lindex marketing concept, Fashion Report, with Emma Wiklund as the focal figure. The concept brings together all the Lindex marketing activities and in doing so forms the marketing foundation. The first campaign, Fashion Report London, was launched in autumn 2005 and has since then been followed by a further five campaigns. The concept has been successful and has generated increased traffic into the stores as well as considerable attention in the media.

A feminine feeling

The aim behind Lindex marketing is to increase sales and to reinforce the brand in the long term. In addition to campaigns and offers, the work also involves designing stores and the way in which the garments are presented. As with communication in general, the stores shall signify fashion, femininity, inspiration and desire. The new store concept, which was launched during the year, has been produced to create a more feminine feeling.

A living relationship with the customers

The Lindex Club has been in existence since 1995 and is today one of the company's foremost marketing channels and is one of the Nordic region's largest customer clubs. Members regularly receive reports about the latest in fashion and information about offers. The Lindex Club keeps the relationship with the customers alive and makes it possible to direct the right offer to the right customer. In conjunction with each purchase information is gathered about the purchasing pattern, making it possible to adapt the offers to the target group and also measure the impact of different campaigns.

In Sweden, Norway and Finland the card functions both as a charge card and credit card as well as a pure benefit card without a credit function. In Germany, the card is a pure benefit card.



Emma Wiklund and Isabella Rosselini, the focal figures in one of the Lindex campaigns.

With 350 stores in Sweden, Norway, Finland, Germany, Estonia and Latvia, Lindex is one of the largest fashion chains in northern Europe. The aim is to continue to grow. Through to August 2009, 75–100 new stores will be opened. This expansion will take place on both existing and new markets.

Strong position in the Nordic region and the Baltic States



Sweden

- A positive sales trend and a considerable improvement in profits as a result of strong collections, extensive marketing and a focus on the store operations.
- Ten new stores were opened, two of which were Compact Stores.
- A clearer division between the parent company and Lindex Sverige AB.

2005/2006 was a new record year for Lindex in Sweden. Strong collections, increased marketing, inspiring stores and improved internal efficiency contributed to an increase in both sales and profits.

Established 1954
Sales SEK 3,018 m
Number of stores 188
Country manager Mats Gärdsell



Norway

- New record profits as a result of growth within women's wear and increased full-price sales.
- Market leader in lingerie.
- Two new stores opened.

As a result of stiff competition, sales in Norway fell during 2005/2006. However, thanks to good growth in women's wear, increased full-price sales and continued strict cost control, margins improved significantly, resulting in new record profits.

Established 1969
Sales NOK 1,063 m
Number of stores 86
Country manager Hanne Leino



Finland/Baltic States

- Strong growth in women's wear and children's wear.
- Five new stores opened in Finland and one new store in Estonia.
- Successful establishment in Latvia with three stores during the year.
- Establishment in Lithuania in 2007.

Expansion characterised the past year for Lindex in Finland and the Baltic States. In terms of sales and profits, 2005/2006 was a very good year. The largest rate of growth was noted in women's wear and children's wear, where Lindex's growth was twice that of the market in general.

Established 1987
Sales EUR 71 m
Number of stores 53
Country manager Ari Isohella



Germany

- Continued review of operations.
- Two new full-range stores opened.

In Germany, the task of improving profitability has continued. This involved all areas although there was a particular focus on increasing traffic into the stores. Inspiring window displays and effective prospecting of Lindex Club members have been key elements.

Established 1998
Sales EUR 30 m
Number of stores 23
Country manager Anita Strandberg

Yet another strong year for the clothing industry

Clothes sales continued to increase on all Lindex markets except for Germany during 2005 and the first half of 2006. The total value of the clothing markets where Lindex operate amounted to approximately EUR 72 billion.*

According to Euromonitor, clothes and shoe sales in Europe in 2004 totalled approximately USD 290 billion. Germany, the United Kingdom and France were the largest single markets. Even if Eastern Europe continued to account for a relatively small proportion of total European sales, growth over the past five years has been considerably stronger than for Europe as a whole, 11.3 per cent compared with 3.5 per cent.

Growth in all markets

For the third year in succession the Swedish clothing market, Lindex's largest single market, grew in terms of value, volume and number of employees. In total, clothes sales in Sweden rose by 4.3 per cent during the financial year. Accessories and shoes were among those areas that had the most rapid rate of growth. Even in Norway and Finland the rate of growth continued to be good. In Germany, the clothing market continued to decline albeit at a slower rate than previously. In total, the market fell by 0.2 per cent during the financial year.

Major similarities between the markets

The similarities with regard to consumer patterns, purchasing behaviour and market structure between the different Lindex markets are relatively large. All markets are characterised by structural changes, internationalisa-

* Source: Mintel

tion and sector movements. A clear trend is the fact that consumption is concentrated in the densely populated regions and at off-centre shopping centres outside big cities. Even from a fashion point of view there are few local variations. On the contrary, fashion is becoming increasingly international. The Nordic region is characterised by being a particularly homogeneous region, with a broad, diverse interest in fashion and trends. Sales on all markets are spread relatively evenly throughout the year, with peaks in the autumn and spring and around Christmas.

A strong brand is decisive

Competition within the clothing industry is tough and in recent years it has been intensified even further. The foremost competitors of Lindex include other retailers and fashion chains as well as department stores, supermarkets and mail-order companies.

In Sweden, Norway and Finland, Lindex competes mainly with H&M and KappAhl. On the Finnish market, Seppälä is among the foremost competitors whilst Cubus and Vero Moda are strong players in Norway. The toughest competition is in Germany, where virtually all the major international players are established. In lingerie, there is also competition from specialist stores.

In addition to competition from other players within the clothing industry, travel and electronics, among other things, also represent indirect competition. This keen competition makes considerable demands on the whole of the clothing industry. To outperform the market, strong brands, clear concepts and inspiring stores in the right locations are vital.



Record results in Sweden

2005/2006 was a new record year for Lindex in Sweden. Strong collections, increased marketing, inspiring stores and improved internal efficiency contributed to a substantial increase in both sales and profits. Same stores sales rose during the year by 5.4 per cent, which was better than the market as a whole. The increase in sales can be attributed largely to well-received collections with a good feeling for fashion. Increased marketing and a strong focus on creating inspiring stores has contributed to clarifying the image of Lindex and Lindex fashion. This has also contributed to an increase in traffic into the stores and in the number of customers.

Alongside the work with the collections, marketing and stores, purchasing and pricing routines have been improved, which has resulted in lower stock levels and a higher level of full-price sales.

Focus on cities

With 188 stores, a leading position in lingerie and with an increasingly clearer position in women's wear, the position of Lindex on the Swedish clothing market is unique. 60 per cent of all Swedish women visit a Lindex store each month. Among the prioritised objectives in the future is increasing sales in the city regions. Of the ten new stores that were

Improvement in profits in Norway

Sales in Norway fell during 2005/2006. However, thanks to good growth in women's wear, increased full-price sales and continued strict cost control, margins improved, which resulted in new record profits.

In line with the preceding year, the Norwegian market was characterised by stiff competition particularly within children's wear. In total, the Lindex sales in local currency fell by 2.4 per cent whilst the market as a whole increased by 1.5 per cent.

Strong headway in women's wear

Successful collections, increased marketing efforts and a major focus on inspiring stores contributed during the year to reinforcing the position of Lindex on the Norwegian market. Women's wear developed the best. The new collections were well received and were one of the principal reasons for the improvement in profits. The sales of accessories also developed well. Future potential is considered to be high in both segments.

During the year, Lindex retained its position as market leader in lingerie. After a challenging period for children's wear, sales are on the way up with the aid of the company's new, customer-adapted store concept.

Norway's third-largest store chain

Two new stores were opened during the year, in Finnsnes and Otta. The number of stores at the end of the year was 86, which makes Lindex Norway's third-largest store chain. The stores are spread throughout the country, from Kristiansand in the south to Alta in the north. Norway accounted for 24 per cent of the total Lindex sales in 2005/2006.



Better adapted marketing is one of the factors behind the record profits for Lindex in Norway. The high point of the year was Fashion Report Norway in May – an independent campaign for Norway with the Norwegian supermodel Vendela Kirsebom Thommessen.

opened in 2005/2006, half were in Stockholm. Six of the new stores were former Twilfit stores, which were taken over in conjunction with the sale of Twilfit in 2005. Two of the new stores are so-called Compact Stores, which are smaller stores that offer a limited range from all the business areas.

Separate company for Swedish store operations

As part of the process of delegating more responsibility to each country, Lindex store operations in Sweden became a separate company in September 2006. The separation from the Parent Company means that Lindex Sverige AB has complete responsibility for operations and development in the country. Following the change, the Parent Company, AB Lindex, comprises the group management, purchasing, marketing and support functions.

A strong year for the clothing sector

The clothing sector was the second-largest commercial sector in Sweden during 2005 with a value of approximately SEK 43 billion. According to the Swedish Trade Research Institute (HUI), the clothing trade in Sweden, the largest market of Lindex, increased as a whole during the period 1 September 2005–31 August 2006 by 4.3 per cent. Lindex sales in Sweden, excluding Twilfit, increased during the same period by 8.0 per cent. The Swedish market accounted in total for almost 60 per cent of the total Lindex sales.



Expansion in Finland and the Baltic States

Expansion characterised the past year for Lindex in Finland. Viewed in terms of sales and profits, 2005/2006 was a very good year. Total sales in local currency rose by 7 per cent. The largest increase was noted in women's wear and children's wear, where Lindex grew in percentage terms by twice as much as the market in general. In total, the Finnish clothing market increased by 4.5 per cent during the year.

In exactly the same way as on the other markets, Lindex has moved its positions forward considerably within women's wear. The increased feeling for fashion in the collections has been appreciated by the customers and contributed to the position of Lindex on the market being reinforced even further.

The position of Lindex in Finland is strong. The work in recent years on increasing awareness of the brand has produced results and Lindex today, together with H&M and Stockmann, is at the top in terms of awareness. One sign of the position of Lindex on the Finnish clothing market is the large number of members of the Lindex Club. In total, there are over 500,000 members, which means that one in three women in the age range 20–60 years is a member of the Lindex Club.

Rapid profitability in the Baltic States

The expansion of Lindex in the Baltic States continued during the year. One new store was opened in Tartu, Estonia. Lindex now has two stores in Estonia. The sales trend in both stores during the year continued to be good, particularly in women's wear and children's wear. Lindex also



opened its first three stores in Latvia, all located in Riga. As in Estonia, profitability was achieved within just a few months.

The Baltic States are an exciting and rapidly growing market. The clothing industry is growing strongly and the demand for fashion and accessories is high. Operations in the Baltic States are run as part of the Finnish operations. In 2006/2007, Lindex will continue its expansion in Estonia and Latvia. The first store in Vilnius, Lithuania will be opened in spring 2007. Finland and the Baltic States accounted in total for 13 per cent of the total Lindex sales.

Work continues in Germany

In Germany, work to achieve profitability continued. This work covered all areas although there was a particular focus on increasing traffic into the stores. Inspiring window displays and effective prospecting of Lindex Club members have been important elements in this work. Increased marketing, including the Lindex Fashion Report campaigns, have focused on reinforcing the position of Lindex as a fashion company.

As a result of poor autumn and winter sales the German market overall decreased. The weakest area was children's wear whilst Lindex women's wear developed well during the year. The demand for innovation was high and the move with early spring fashion in January proved successful.

Review of operations

The aim of achieving a positive result by October 2006 at the latest will not be achieved. As result of unsatisfactory results during the year, a review of operations will take place.

Two new, full-range stores were opened during the year, in Düren and in Nuremberg.

Largest market in Europe

Germany is the largest retail clothing market in Europe. The market is undergoing an extensive structural transformation, where traditional department stores and small stores are experiencing problems whilst chains and centrally located shopping centres are making strong headway.

Germany has for several years been characterised by a persistent recession. During 2005/2006, however, GNP rose by 2.0 per cent, which is the highest rate of growth since 2000. One of the factors behind this trend is the Football World Cup, which added impetus to investment and consumption in the country. As a whole, however, the clothing market continued to fall during the year. In total, the market decreased during the financial year by 0.2 per cent.

For several years Lindex has worked to reduce costs and improve efficiency within the organisation. Solid work on making the collections sharper and reinforcing the brand has also taken place and this has laid a good foundation for a growing Lindex. Lindex is planning to open approximately 75-100 new stores through to August 2009. Approximately half of the stores will be opened in the Nordic region, the remainder in Germany, Estonia, Latvia and on new markets on which Lindex is not yet established.

Lindex expanding

In spring 2006, Lindex opened its first stores in Riga, the capital of Latvia. Two years ago the first store was opened in Estonia and now it is soon the turn of Lithuania and the Czech Republic. Behind each establishment in a new country is more than a year of preparations. A great deal needs to be in place before it is time to open stores in a new market.

Establishment in a new market begins with a strategy meeting for the Lindex Board of Directors, where suitable markets are discussed. Purchasing power, the size of towns and cities, infrastructure, competition and level of unemployment in the country are factors that come into play when choosing a new market. For a market to be of interest there must also be potential to open stores in the country's other larger towns and cities and not just in the capital.

The right store location is crucial for a successful establishment. Consequently, there are always meetings with managers of shopping centres and property developers involved in the construction and development of shopping centres before the decision is taken to establish operations in a new country. At these meetings Lindex determines the potential and this is then followed by concrete discussions regarding premises and store locations.

Successful investment in the Baltic States

The Baltic States are an exciting and growing market, reminiscent of the Nordic market but with lower labour costs and a better competitive situation. The Lindex concept of combining women's wear and children's wear is unusual and attractive and this has resulted in positive development at

the stores in Estonia and Latvia. All the stores reported break-even after just a few months and Lindex is in the process of acquiring a strong position in the Baltic States

Cross-border co-operation

Establishment in Estonia and Latvia is a model of the procedure that is followed when Lindex enters a new market. Co-operation between the Lindex Group functions and the Finnish country office preceded the opening of the stores in Estonia and Latvia. Co-operation also ensures that the Lindex corporate culture and values are implemented from the outset.

The stores in the Baltic States are run from Finland. It is only when Lindex has a large number of stores in a new country that a separate office is opened.





Lindex seeks to inspire women to look and feel great.

In the stores the customers encounter Lindex fashion and employees each day. And it is here that Lindex has the opportunity to transform visitors into customers that return.

Everything is determined in the store

During the year Lindex has worked solidly to develop the stores. Several stores have been rebuilt or refurbished to ensure a feeling of fashion and femininity. Inspiring and attractive stores convey Lindex fashion and encourage people to buy.

Lindex is currently undergoing expansion and at a number of locations customers are encountering Lindex for the first time. This presents strict demands on creating even more inspiring stores to give a positive first impression. The key words in the stores are femininity, clarity and inspiration.

Lindex has approximately 3.2 seconds to attract the customer's attention. That is how little time a customer devotes to looking at the window display. It is a major challenge for Lindex to inspire customers quickly and guide them into and around the stores.

New store concept

During the year a new store concept was produced with the aim, using simple solutions, of creating a unique and more feminine look for Lindex. The new concept is flexible and is possible to adapt to each store depending on the store's individual needs.

The idea behind the store concept is to promote fashion with a neater, more feminine interior decoration. Fabrics, carpets, warm colours, painted walls, soft lighting, curtains and furniture in light materials create a sensual, feminine feeling and by that more eye-catching stores. The concept as a whole, or adapted to the needs of each store, will be applied in all newly opened and rebuilt stores in the future.

Children now also find it easier to find their way around a Lindex store. The customer's first encounter with the children's department should provide a clear image of what is important right now. It is here the whole look is presented along with inspiring ideas. There are now more display figures and the interior decoration highlights fashion better than previously.

Each time a customer enters a Lindex store she should feel she is in a familiar setting. But even if each individual store follows the Lindex

concept, the stores are still different. The size of the store and the geographical or strategic location determine its appearance and the range that suits that particular store. For example, Lindex is currently focusing on slightly smaller stores with a little less store space and a limited range taken from all the business areas, so-called Compact Stores. The aim is to be able to establish stores in smaller towns where there is not the purchasing power to justify a larger store. During the year, Lindex opened five Compact Stores.

Continuous surprises

Today there is a large range of fashion companies to choose from and the demands on the stores are increasing. Attractive stores and professional treatment of customers are increasingly important components in the face of keener competition. To really generate a flow of customers into the stores it is also necessary that the customer always encounters new experiences and surprises. During the year Lindex focused on visual merchandising, the store's visual look. Each time a customer enters a Lindex store she should find something new from which she can derive inspiration. This demands that Lindex has the latest fashion garments in the right store at the right time. To succeed with this, efficient goods flows are required, which makes it possible to differentiate the range in the stores based on demand.

Lindex starts e-commerce

Customers today demand more and more flexibility. Thanks to the Internet there is the opportunity to shop 24 hours a day. To offer yet another sales channel and increase sales and service to the customers, Lindex will commence e-commerce in Sweden in spring 2007. It will be possible to order selected items from the range found in all Lindex business areas – women's wear, children's wear and lingerie – through the Lindex online store. This is a channel with considerable potential and will probably expand in the next few years even if the stores will continue to be the main sales channel.



Lindex will be more attractive

During spring 2006 training started at the Lindex Academy for Lindex employees working with visual merchandising. The aim of the training programme is to create even better and more attractive stores based on available resources. By presenting Lindex fashion in an even more attractive way the customer will be inspired to buy.

Number of stores opened and closed

	Opened	Closed
Sweden	10	3
Norway	2	—
Germany	2	1
Finland	5	2
Estonia	1	—
Latvia	3	—
Total	23	6





With a passion for fashion



The capacity to attract new employees, retain them and contribute to their development is a prerequisite for achieving the company's vision and objectives.

A strong corporate culture

Lindex is focusing to a large extent on developing employees, recruiting the right people and creating even better leadership. Lindex is endeavouring to be an attractive employer. The most important quality in Lindex employees is that they feel a passion for fashion, customers and retailing.

Leadership development reinforces the company

It is strategically important to Lindex to invest in leadership development. Good leadership is a means of competition and it comes down to the capacity to inspire and motivate employees to achieve the business objectives of Lindex. Lindex managers should translate the company's overall objectives and strategies into clear activity plans to their particular area. Lindex runs different training programmes for managers and provides them with the tools necessary to exercise their role as a leader.

Commitment within the Lindex Academy

Since 2003, Lindex has carried on training aimed at company development within the framework of the Lindex Academy. These training programmes, which have been directed primarily at managers and key persons, are designed to create greater understanding, involvement and know-how in different areas, which are important to the development of Lindex.

Training through the development of knowledge and skills

The development of knowledge and skills is a continuous process. It is planned in the first instance during the appraisal discussion that takes place between manager and employee once a year. The discussion leads to an individual knowledge and skills plan.

The development of knowledge and skills takes place partly through training but primarily through an exchange of experience between employees in different functions in the company. The majority of training programmes are run by Lindex in-house and the areas covered include sales, businessmanship, service, languages, IT and leadership development and they contribute to the achievement of the company's business objectives. The employees must also be personally active and involved when it comes to assuming responsibility for their own development and acquisition of knowledge.

Strong corporate culture based on identity

During the year, Lindex has continued the work of reinforcing common values and building up a strong corporate culture. The corporate culture is based on three key values: inspiration, simplicity and creating together. All this with the Lindex identity as a starting point. The Lindex culture should be characterised by clarity and commitment to the company's objectives.

In-house recruitment to retain expertise

To increase and capitalise on the knowledge and experience of employees and to create a better understanding throughout the organisation, Lindex focuses in the first instance on in-house recruitment and works to stimulate and encourage internal mobility.

Diversity as a competitive advantage

Lindex is endeavouring to increase diversity throughout the whole organisation. Ethnic and cultural diversity represents a competitive advantage for Lindex as it entails a variety of experience, know-how and approaches which are important in achieving success. The Lindex diversity and equality work is laid down in a plan, which is measured and followed up continuously. Among other things, all employees in Sweden have attended a programme during the year in counteracting discrimination.





We share the earth with over 6 billion other people. Together we have a shared responsibility to take care of each other and our environment and to create a good world in which to live. For Lindex this means meeting customers, employees, investors, shareholders and suppliers with respect and care for our world.

With respect and care

Lindex does not own any factories but instead works with independent textile producers in Europe and Asia. In several of the countries where Lindex produces clothes, views on working conditions and environmental issues differ from those of the Western world. Producing clothes and other goods in developing countries creates job opportunities and production conditions should naturally be good. At Lindex it is self-evident that suppliers offer their employees a good working environment and good social conditions.

Code of conduct for better working conditions

At Lindex we know that it is possible to produce fashion under good social conditions. This requires long-term co-operation with suppliers to improve working conditions. This work requires patience and long-term thinking.

The tool used by Lindex when working with its textile suppliers is the company's code of conduct, which has been implemented for many years. Since spring 2004 it has been part of the large European collaborative undertaking BSCI – Business Social Compliance Initiative – which involves several European retailers, all of which have the ambition to improve the social situation and working conditions in the producing countries. Through the BSCI code of conduct all members make the same demands on suppliers. In doing so, the member companies can together influence suppliers to a greater extent than previously.

A common code of conduct also makes it easier for the suppliers to follow the code. Each supplier often produces goods for several different fashion companies and previously this also meant many different codes of conduct, each varying in content and demands.

Co-operation and respect are key words in the work surrounding the Lindex Code of Conduct. Through respect for human rights, respect for different cultures and co-operation with suppliers, Lindex is endeavouring to bring about improvement. This work is based on the conviction that the only way to bring about a change is to do it step by step and to combine demands and controls with education.

Independent checks

To check that Lindex's suppliers are complying with the demands that have been presented, regular inspections are made at the factories. These take place through announced and unannounced visits by the inspectors

of Lindex or independent inspectors approved by BSCI. The results from the independent inspections carried out according to BSCI are stored in a database and are available to all members. By signing the code of conduct, suppliers undertake to comply with the demands of Lindex. Should there be repeated infringements of the code of conduct, Lindex will consider terminating co-operation with the supplier.

The social differences at the suppliers of Lindex vary from country to country and also between different regions within the same country. The biggest problems in the textile industry today are excessively long working hours and in some cases inadequate payment. Belonging to a trade union is a difficult issue in certain countries and regions as it is an unknown concept or quite simply forbidden. Lindex is careful to ensure that child labour is not allowed at the company's suppliers.

Clear ethical position

Honesty, integrity and playing by the rules should always characterise Lindex's operations. It is equally important that all employees – President and store personnel alike – have a clear position when it comes to bribes, gifts, business entertainment and confidential company information. Through the Lindex Code of Ethics, Lindex works to counteract all forms of corruption, including extortion and bribes. The Lindex Code of Ethics also applies to contacts with the company's suppliers.

A sustainable environment

Lindex both can and wants to assume responsibility for sustainable development and within the company there is considerable commitment to environmental issues. It is possible to influence the environment, both in the immediate surroundings and at the suppliers. Producing fashion is a complicated process and Lindex must ensure that it does so in a good way which does not jeopardise the environment or people's well-being. At the same time Lindex must provide customers with good-quality fashion at a good price.

Lindex has for a long time had a well-established environmental programme with guidelines that follow the principles in ISO 14001. The Lindex environmental work is an integral part of the day-to-day work and environmental thinking should permeate all processes. In this work the employees' knowledge and commitment are extremely important.

Internal environmental objectives are set every second year. One example of such an objective is to make environmental demands in the procurement of construction materials, office materials and IT products. This objective should be fully achieved in 2007 but even now Lindex is making certain demands on the construction materials used in the stores and the IT equipment that is being purchased. Previous environmental objectives have, among other things, led to a policy that includes environmental demands for packaging, reduced paper consumption and changes in packaging routines, which have in turn reduced the volume of packaging.

Environmentally aware suppliers

When it comes to environmental impact at the textile suppliers, environmental demands are made through the Lindex Code of Conduct, where demands are made on, among other things, water purification and waste and chemical handling.

Lindex co-operates with a local environmental organisation and a textile supplier in Bangladesh in order to together find ways of reducing the factory's environmental impact. By studying water purifications and the handling of chemicals, Lindex and the local environmental organisation will produce concrete proposals on how the factory's environmental impact can be reduced. This type of project gives both Lindex and the supplier greater knowledge and insight into the impact of the textile industry on the environment.

Restrictive chemical list for suppliers

Certain chemicals which are used in textile manufacturing could be harmful to human beings and to the environment. Lindex therefore makes very strict demands on suppliers with regard to the chemicals used in production. The Lindex blacklist includes chemicals which may not be used at all and chemicals which may only be used below a certain limit. Lindex carries out regular chemical inspections to ensure that the suppliers comply with the company's restrictions.

Lindex supports The Global Compact

The Global Compact was founded by the UN and is aimed at promoting responsible business practice throughout the world. Through affiliation to The Global Compact Lindex undertakes to realise and integrate ten important principles regarding human rights, working conditions and the environment in the day-to-day work.

Less environmental impact through green electricity

All Lindex stores and offices use green electricity. Green electricity comes from renewable energy sources such as the sun, wind, water and bio-fuels. Green electricity has less impact on the greenhouse effect than normal electricity and by choosing this alternative Lindex is contributing to more sustainable development of the environment.

Eco-friendly packaging

Lindex has a packaging policy with requirements and instructions that apply to all packagings and labels used to sell and represent Lindex products.

No environmental disputes

Lindex is not involved in any environmental disputes. Lindex operations do not entail any environmental risks other than what have been mentioned. In the opinion of the Company Management there is no significant risk of future costs to rectify environmental damage.

Approved by Robur

Thanks to the fact that Lindex has worked for many years with environmental issues and evaluated its suppliers based on the code of conduct, the company has been approved for investment in all Robur's environmental funds and ethical funds.



The history of Lindex

1954 Ingemar Boman and Bengt Rosell open the lingerie store Fynd in Alingsås. Shortly after, Lindex in Göteborg is acquired, giving the name to the stores that were to follow.

1969 The number of stores in Sweden is now 27. Sales are SEK 25 million and the first store in Norway is opened.

1970s Lindex continues to expand in Sweden and Norway.

1982 Lindex is purchased by ICA Eol. Lindex is established in Denmark, Finland and the UK.

1988 Men make their appearance in the stores through the acquisition of Gulins.

1989 Operations are focused on Sweden, Norway and Finland. At the end of the 1980s there are 227 stores and sales are SEK 2.2 billion.

1993 Lindex is acquired by Industri Kapital and Gulins is sold to the Norwegian company Adelsten.

1995 Lindex is listed on the Stockholm Stock Exchange. The Lindex Club is started.

1998 Lindex is established in Germany. Cosmetics begin to be sold in selected stores and the FIX brand is acquired.

2003 The head office is moved to Göteborg.

2004 Lindex celebrates its 50th anniversary and Göran Bille is appointed as the new president. The first store in Estonia is opened.

2005 There are now 333 stores and sales are SEK 5.2 billion. The Twilfit chain is sold on September 1.

2006 The first stores in Latvia are opened. The number of stores is now 350.

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