Lindex Report

Annual Report 2005/2006 • Financial Report

Contents

LINDEX

Directors' Report

The Board of Directors and the President of AB Lindex (publ), (registration number 556452-6514, registered office in Göteborg), hereby present the Annual Report and Consolidated Accounts for the financial year 1 September 2005–31 August 2006.

Company information

Lindex has 350 stores, of which 322 are in the Nordic market, five in the Baltic States and 23 in Germany, making Lindex one of the largest fashion chains in northern Europe. Lindex inspires women and their children with co-ordinated, value-for-money fashion. The Lindex business areas are lingerie (including cosmetics), women's wear and children's wear. Lindex is the market leader in lingerie in Sweden and Norway and among the leaders in women's wear and children's wear.

In order to increase the focus on the Lindex chain brand and stores, Twilfit operations have been divested. The sale was completed on 1 September 2005, which means that no sales or profits that are attributable to Twilfit are included in the outcome for the year. The impact of the sale on results was reported in the Group during 2004/2005.

Key events

Growth in the retail clothing markets in which Lindex operates has been generally positive during the financial year. All markets have grown during the year, with particularly good results on the Nordic market as a whole. Lindex Group sales, excluding the divested Twilfit chain, increased during the year by 6.5 per cent. Including Twilfit, sales increased by 0.2 per cent and same stores sales, excluding currency effects, increased by 2.9 per cent. The growth in sales was mainly derived from improvements within the assortment, which resulted in an increase in the proportion of full-price sales.

During the financial year, Lindex successfully established a new marketing concept, Fashion Report. The concept has meant increased clarity in communication with the customers and it has also meant that Lindex has to an increasing extent acquired a higher standing as a fashion company. As a result, the negative trend from the previous year with regard to the number of visitors to the Lindex stores has been broken.

Lindex continued during the year to work on adapting goods volumes, reducing the proportion of clearance sale goods and in doing so reinforcing the gross margin. The costs within logistics operations also continued to fall as a result of the decrease in volumes, particularly during the first half of the financial year, which also strengthened the gross margin. In addition, significant improvements in the assortment, particularly in the women's wear business area, resulted in an increased proportion of full-price sales, which also had a positive impact on the gross margin.

The gross margin for the year was 59.0 per cent, which meant that Lindex exceeded its financial objective of achieving a gross margin of 56–57 per cent for the 2005/2006 financial year.

The new financial objective of Lindex is to achieve a sustainable gross margin of 59–60 per cent by August 2009 at the latest.

Operating costs also continued to decrease during the 2005/2006 financial year. Personnel costs fell in relation to the previous year as a result of a lower number of hours worked in the Lindex stores and the fact that Twilfit operations were included in the Group during the previous year. Other external costs were in line with the previous year. Marketing-related costs and costs attributable to the opening of stores increased whilst other remaining costs fell.

In total, this meant that profitability was reinforced substantially during the year and both Nordic operations and the Group as a whole reported a considerably improved operating profit before financial items, taxes and impairments, if any, of brand names and goodwill, EBITA. The EBITA margin in the Nordic region was 13.1 per cent (11.1). The EBITA margin for the Group as a whole was 11.5 per cent (8.5).

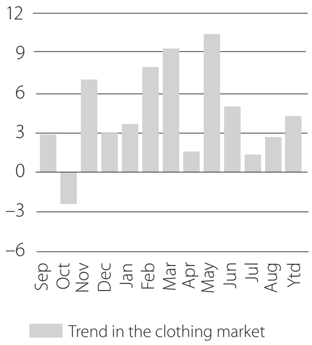
This meant that Lindex exceeded its financial objective, which for the 2005/2006 financial year was to achieve an EBITA margin in its Nordic operations of 12 per cent.

The new financial objective of Lindex is to achieve a sustainable EBITA margin in the Group of 14–15 per cent by August 2009.

During the year, Lindex decided to open 75–100 stores over the next three years, which means approximately 25–30 stores per year. Approximately half of the stores will be opened in the Nordic region. During the year, Lindex opened stores in yet another market, Latvia, and reached a decision to also open stores in Lithuania and the Czech Republic.

Market trend

Trend in the clothing market in Sweden 2005/2006



Source: HUI

The graph shows the trend in the clothing market in Sweden during the operating year. Viewed over the whole year the Swedish market developed very positively.

Volume and price changes

Volume and price changes in the clothing sector, 2005

%	Volume change	Price change	Total annual change
2005	5.0	0.7	5.7
2004	8.2	– 3.2	5.0
2003	3.6	– 0.7	2.9
2002	– 2.4	2.2	– 0.2
2001	– 2.5	0.0	– 2.5
2000	2.5	0.5	3.0
1999	3.5	2.0	5.5
1998	8.0	– 0.5	7.5
1997	1.5	3.0	4.5
1996	2.0	0.0	2.0
1995	– 5.5	– 0.5	– 6.0
1994	– 4.5	6.5	2.0

Source: HUI

The table shows volume and price changes on the Swedish clothing market during the latter half of the 1990s and the first half of the 2000s. Throughout most of the 1990s, the Swedish clothing market increased in terms of both price and volume. In conjunction with the recession in the middle of the 1990s, however, the development was negative. During 2001 and 2002 there was negative growth in volume on the clothing market. Between 2003 and 2005, the pattern was broken and volumes increased once again.

Logistics is part of the Lindex core operations and the Company has therefore decided to in the future run its own distribution centre (DC). A DC will be built in Partille, just outside Göteborg. Lindex will lease the property although run the operations under its own auspices, commencing in winter 2007/2008. Lindex is of the opinion that the supply of goods can in this way be handled more cost-effectively with greater flexibility and control over the total goods supply chain.

The total investment will be approximately SEK 100 m, the majority of which will be reported during the 2006/2007 financial year.

Lindex also reached a decision to start e-commerce in Sweden in spring 2007. The aim is to offer the customers another sales channel and thus increase sales and service.

Sales and results

Consolidated net sales, excluding the divested Twilfit chain, increased by 6.5 per cent. Including Twilfit, sales increased by 0.2 per cent (–2.8) to SEK 5,212 m (5,202). Other operating income amounted to SEK 68 m (79). Same store sales rose by 4.4 per cent (–0.6). Excluding currency effects, same store sales rose by 2.9 per cent (–1.4). New stores made a positive contribution to sales to the amount of SEK 192 m (29).

The result from the German operations was in line with the previous year and affected the profit after financial items to the amount of SEK –50 m (–50). In the light of the poor development in the German operations, the target of achieving a positive result before tax by the first quarter of 2006/2007 will not be possible in Germany. The German operations are now undergoing a review with the aim of producing measures to further ensure the profitability of the Lindex Group.

Sales for the financial year in Sweden, excluding Twilfit, increased by 8.0 per cent to SEK 3,018 m (2,795). In Norway, sales fell by –2.4 per cent (–2.7) to NOK 1,063 m (1,089). Sales in Finland, including Estonia and Latvia, increased by 7.6 per cent (3.1) to EUR 71 m (66). In Germany, sales increased by 3.4 per cent (–29.3) to EUR 30 m (29).

Results

Consolidated gross profit increased by 2.8 per cent (5.1) during the 2005/2006 financial year to SEK 3,075 m (2,991). The gross profit was affected positively by a higher average price due to lower clearance sale volumes and a higher proportion of full-price sales. Gross profit improved particularly well in women's wear. The gross margin improved significantly throughout the financial year and rose to 59.0 per cent (57.5).

Store and office costs fell by 2.2 per cent (–8.8) to SEK 2,403 m (2,457). The proportion of sales attributable to these costs was 46.1 per cent (47.3). Store and office costs were affected positively by better-adapted volumes, which have led to fewer hours worked in the stores. Other costs were in line with the previous year.

Operating profit increased by 43.4 per cent and amounted to SEK 598 m (417). The operating margin rose considerably to 11.5 per cent (8.0).

Financial income and expenses amounted to SEK 2 m (0).

During the financial year, interest-bearing liabilities averaged SEK 48 m (37). Interest expenses and similar profit/loss items amounted to SEK 2 m (2) during the same period.

Profit after financial items increased to SEK 600 m (417), equivalent to a profit margin of 11.5 per cent (8.0).

Paid and deferred taxes amounted to SEK 96 m (90).

The net result for the year increased by 54.2 per cent to SEK 504 m (327).

During the financial year, return on equity amounted to 59.4 per cent (33.7). Return on capital employed in operations amounted to 87.5 per cent (59.8) during the same period and the interest coverage ratio was 365.7 (190.0) times.

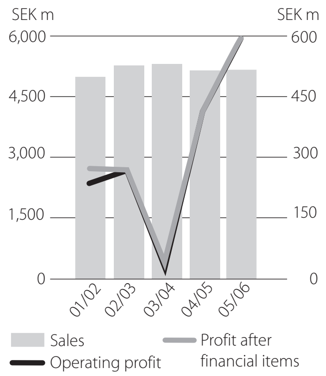
Taxes

During the financial year, AB Lindex won a tax case in the County Administrative Court with regard to tax deductions for losses in Lindex's German operations totalling SEK 485 m. The National Swedish Tax Board appealed to the Administrative Court of Appeal, where the case is still being heard. During the first quarter the deficit of SEK 136 m was utilised and at the same time the previously recorded tax asset of SEK 60 m was written off.

Lindex has also claimed a tax deduction for the tax assessments for 2005 and 2006 totalling SEK 250 m, which has not had an impact on the consolidated profit. Lindex is awaiting a decision from the County Administrative Court and the National Swedish Tax Board regarding these assessments.

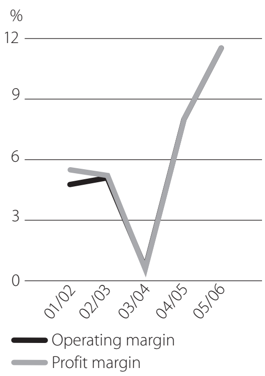
Profit

Sales, operating profit and profit after financial items



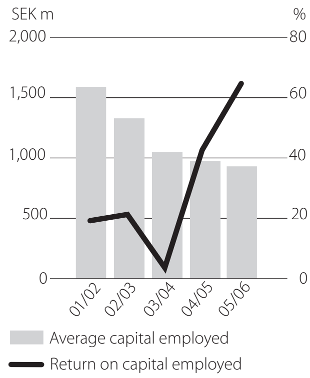
Margin

Operating margin and profit margin



Capital employed

Average capital employed and return on capital employed



The tax authority in Germany has decided to increase the tax assessments for AB Lindex's German subsidiary by a total of EUR 91 m for the fiscal years 2002–2005. The decision did not have any impact on the consolidated profit or balance sheet. The tax authority is of the opinion that the costs for Lindex's establishment in Germany should essentially be charged to the Swedish Parent Company. The transfers of value which AB Lindex has made to its German subsidiary have therefore been regarded as taxable income in Germany. Lindex is considering future proceedings.

In addition to these tax cases, Lindex, through its subsidiary Espevik i Sverige AB, has commenced proceedings with the National Swedish Tax Board regarding a claim for a deduction for losses acquired totalling SEK 631 m. The National Swedish Tax Board has rejected the claim and no tax income or tax asset has been entered into the accounts with regard to this matter. Lindex is also in this context considering future proceedings.

The tax rate of the Group was 16.0 per cent for the financial year.

Comments on the Balance Sheet

Inventories as of 31 August 2006 amounted to SEK 724 m compared with SEK 701 m as of 31 August 2005. The turnover rate was 3.1 (3.0) times per year. This means that Lindex did not achieve its financial objective, which during the financial year was to achive a turnover rate of four times per year.

Accounts receivable amounted to SEK 10 m (8).

The Group's investments in fixed assets amounted to SEK 138 m (117) during the financial year. Most of this relates to investments in stores.

On 31 August 2006, interest-bearing liabilities amounted to SEK 150 m (10).

Financial position

The cash flow from current operations amounted to SEK 581 m (527) for the financial year. Cash flow after investments amounted to SEK 459 m (410).

The total cash flow was influenced positively by the improvement in earnings. The cash flow was, however, affected negatively by the redemption of shares amounting to SEK 550 m and the extra dividend paid during the year amounting to SEK 327 m.

As of 31 August 2006, liquid funds amounted to SEK 107 m compared with SEK 384 m on 31 August 2005.

As of 31 August 2006, net borrowing amounted to SEK 43 m compared with SEK –374 m as of 31 August 2005.

During the period, the net debt/equity ratio changed from –36.3 per cent to 6.4 per cent and the equity ratio decreased to 41.6 per cent (53.8).

As of 31 August 2006, Lindex's total credit facilities amounted to SEK 1,273 m, including letters of credit and forward exchange agreement limits. Of the total credit facilities, SEK 360 m was utilised at the end of the financial year.

Staff

The number of employees, calculated on a full-time basis, was 2,823 during the financial year, compared with 2,978 during the 2004/2005 financial year.

Risks and risk control

For a description of risk exposure and risk management, see Note 16 and Note 25.

Lindex Group's future development

Lindex will continue to pursue the strategy laid down by the Board of Directors and focus on expansion and growth. Lindex expects to open 25 to 30 new stores per year during the next few years. Expansion will take place on existing and new markets. The company expects to grow with increased profitability and stability based on stable Nordic operations.

Key events after the year-end

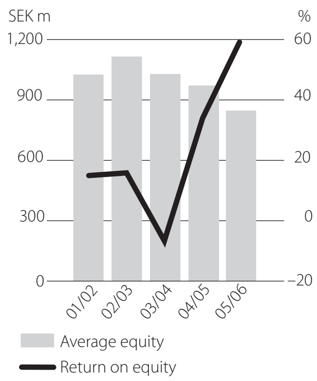
For a description of key events after the year-end, see Note 26.

Parent Company

Sales for the financial year decreased by SEK 86 m, equivalent to 2.8 per cent, to SEK 3,018 m (3,104). The profit after financial items increased to SEK 517 m (367). Investments in tangible and intangible fixed assets were made totalling SEK 80 m (103). Profit after tax was SEK 544 m (580). Net borrowing by the Parent Company amounted to SEK 176 m (–194) as of 31 August 2006.

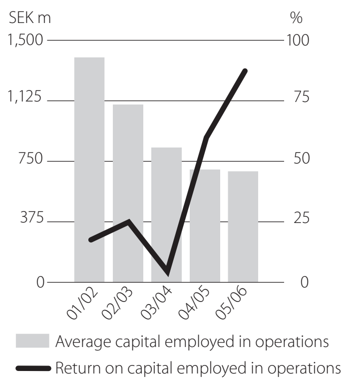
Equity

Average equity and return on equity



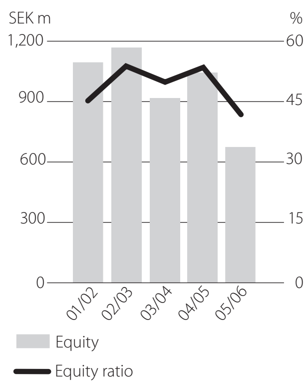
Capital employed in operations

Average capital employed in operations and return on capital employed in operations



Equity ratio

Equity and equity ratio



On 1 September 2006, AB Lindex transferred its Swedish store operations into a separate company.

Statement issued by the Board of Directors regarding the proposed dividend

AB Lindex's dividend policy states that at least 50 per cent of the profit after tax shall be transferred to the owners. The proposed dividend for the financial year 2005/2006 amounts to SEK 5.00 per share, which is equivalent to SEK 344 m. The Group's equity attributable to the Parent Company's shareholders as of 31 August 2006 was SEK 667 m and the unrestricted equity in the Parent Company was SEK 595 m.

With reference to the above and to what has come to the knowledge of the Board of Directors in other respects, it is the opinion of the Board that the proposed dividend is justified in the light of the demands which the nature, scope and risks of the Company's operations make on the size of the Company's and the Group's equity as well as the Company's and the Group's consolidation requirements, liquidity and position in general.

Proposal for distribution of profit

The following funds are at the disposal of the Annual General Meeting:

Profit brought forward from the previous year	51,424,183
Net profit for the year	543,947,936
SEK	**595,372,119**

The Board of Directors proposes that SEK 251,622,119 be carried forward.

The Board of Directors proposes that a dividend of SEK 5.00 per share be paid to the shareholders for the 2005/2006 financial year, which is equivalent to SEK 343,750,000.

The Board of Directors and the President hereby certify that the Annual Report has been prepared in accordance with generally accepted accounting principles for listed companies. The information provided concurs with the actual operating conditions and nothing of significance has been excluded that could influence the picture of the Group and the Parent Company as created by the Annual Report.

For information about the work of the Board during the year and the Corporate Governance Report, see Corporate Governance chapter.

The Annual Accounts and the Consolidated Accounts were approved for publication by the Board of Directors and the President on 19 October 2006. The Consolidated Income Statement and Balance Sheet and the Income Statement and Balance Sheet for the Parent Company will be the subject of adoption at the Annual General Meeting on 19 December 2006.

Göteborg, 19 October 2006

Lars Förberg	Nora Förisdal Larssen	Christer Gardell *Chairman*
Conny Karlsson	Bengt Larsson	Karin Larsson
Rigmor Lindbäck	Lars Otterbeck	Göran Bille *President*

Our audit report was submitted on 19 October 2006
Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Authorised Public Accountant

Consolidated Income Statements

SEK k	Note	2005/2006	2004/2005
Net sales	2	5,211,976	5,201,676
Other operating income	2	67,597	79,338
Total operating income		**5,279,573**	**5,281,014**
Operating expenses			
Goods for resale		– 2,137,215	– 2,210,562
Other external costs	4, 5	– 1,249,501	– 1,253,269
Personnel costs	6, 7, 8	– 1,153,836	– 1,204,595
Depreciation and impairments of tangible and intangible fixed assets	13, 14	– 141,066	– 195,631
Total operating costs		**– 4,681,618**	**– 4,864,057**
Operating profit		**597,955**	**416,957**
Profit/loss from financial investments			
Financial income		3,993	1,873
Financial expenses		– 1,646	– 2,204
Total profit/loss from financial investments		**2,347**	**– 331**
Profit after financial items		**600,302**	**416,626**
Income taxes	12	– 95,806	– 89,524
Net profit for the year		**504,496**	**327,102**
of which attributable to the Parent Company's shareholders		504,496	327,102

Number of shares after split and redemption	68,750,000	68,750,000
Profit per share after split and redemption, SEK	7.30	4.80
Number of shares before split and redemption	13,750,000	13,750,000
Profit per share before split and redemption, SEK	36.70	23.80
Dividend per share, SEK	9.75[1)]	0.00

1) Of which SEK 4.75 per share was decided at the extraordinary general meeting of the shareholders on 26 June 2006 and SEK 5.00 refers to the proposed dividend.
There were no dilution effects.

Consolidated Balance Sheets

SEK k	Note	31-8-2006	31-8-2005
ASSETS			
Fixed assets			
Intangible assets	13		
Brand names		173,319	173,319
Renting rights		705	21,541
Goodwill		71,759	71,759
Development costs for data systems		93,613	—
Tangible fixed assets	14	263,460	374,672
Financial assets			
Other long-term security holdings		64	164
Other long-term receivables		27,250	10,478
Deferred tax asset	12	22,381	88,525
Total fixed assets		**652,551**	**740,458**
Current assets			
Inventories	17	723,642	701,205
Financial assets			
Accounts receivable		10,427	8,043
Other current receivables	18	109,564	84,193
Liquid funds		107,011	384,043
Total current assets		**950,644**	**1,177,484**
Total assets		**1,603,195**	**1,917,942**
EQUITY AND LIABILITIES			
Shareholders' equity			
Equity attributable to the Parent Company's shareholders		666,997	1,031,938
Total equity		**666,997**	**1,031,938**
Long-term liabilities			
Long-term provisions	21	59,292	68,320
Total long-term liabilities		**59,292**	**68,320**
Current liabilities			
Current provisions	21	4,541	7,756
Short-term borrowing	16	149,704	9,513
Current tax liabilities		85,181	166,534
Accounts payable		228,382	179,853
Other current liabilities	18	409,098	454,028
Total current liabilities		**876,906**	**817,684**
Total equity and liabilities		**1,603,195**	**1,917,942**
Pledged assets	22	**33,217**	**30,954**
Contingent liabilities		**None**	**None**

Consolidated Cash Flow Statements

SEK k	Note	2005/2006	2004/2005
Current operations			
Payments from customers		5,255,276	5,279,294
Payments to suppliers and employees		– 4,560,616	– 4,630,653
Cash flow from current operations before interest paid and income taxes		**694,660**	**648,641**
Interest received		3,993	1,873
Interest paid		– 1,646	– 2,204
Income taxes paid		– 115,600	– 121,341
Cash flow from current operations		**581,407**	**526,969**
Investment operations			
Investments in intangible fixed assets	13	– 6,559	– 195
Investments in tangible fixed assets	14	– 131,808	– 113,251
Intangible and tangible fixed assets sold	13, 14	29,902	1,413
Investments in other financial fixed assets	15	– 15,000	– 5,299
Divestment/amortisation of other financial fixed assets		1,398	—
Cash flow from investment operations		**– 122,067**	**– 117,332**
Cash flow after investment operations		**459,340**	**409,637**
Financial operations			
Increase in financial liabilities		140,191	3,466
Dividend paid		– 326,563	– 206,250
Redemption of shares		– 550,000	—
Cash flow from financial operations		**– 736,372**	**– 202,784**
Cash flow for the year		**– 277,032**	**206,853**
Liquid funds at the beginning of the year		384,043	177,190
Liquid funds at the year-end		107,011	384,043
Change in net debt			
Interest-bearing debt		149,704	9,513
Liquid funds		– 107,011	– 384,043
Net debt		**42,693**	**– 374,530**
Change in net debt		**417,223**	**– 203,387**

Changes in Consolidated Shareholders' equity

SEK k	Share capital	Contributed capital	Hedging reserve	Accumulated translation differences	Total other reserves	Retained earnings	Total
SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT COMPANY'S SHAREHOLDERS							
Opening balance as of 1 September 2004	27,500	247,500	—	—	—	623,172	898,172
Change in accumulated translation differences	—	—	—	12,914	12,914	—	12,914
Income and costs for the period reported directly in equity	**—**	**—**	**—**	**12,914**	**12,914**	**—**	**12,914**
Profit for the year	—	—	—	—	—	327,102	327,102
Total income and costs for the period	**—**	**—**	**—**	**12,914**	**12,914**	**327,102**	**340,016**
Dividend	—	—	—	—	—	– 206,250	– 206,250
Total transactions with shareholders	**—**	**—**	**—**	**—**	**—**	**– 206,250**	**– 206,250**
Closing balance as of 31 August 2005	**27,500**	**247,500**	**—**	**12,914**	**12,914**	**744,024**	**1,031,938**
Opening balance as of 1 September 2005	27,500	247,500	—	12,914	12,914	744,024	1,031,938
Effect of change in accounting principle	—	—	5,563	—	5,563	—	5,563
Adjusted opening balance	27,500	247,500	5,563	12,914	18,477	744,024	1,037,501
Change in accumulated translation differences	—	—	—	– 5,498	– 5,498	—	– 5,498
Change in hedging reserve	—	—	7,061	—	7,061	—	7,061
Income and costs for the period reported directly in equity	**—**	**—**	**7,061**	**– 5,498**	**1,563**	**—**	**1,563**
Profit for the year	—	—	—	—	—	504,496	504,496
Total income and costs for the period	**—**	**—**	**7,061**	**– 5,498**	**1,563**	**504,496**	**506,059**
Dividend/redemption	—	—	—	—	—	– 876,563	– 876,563
Total transactions with shareholders	**—**	**—**	**—**	**—**	**—**	**– 876,563**	**– 876,563**
Reduction in contributed capital decided at the ordinary Annual General Meeting	—	– 235,000	—	—	—	235,000	0
Closing balance as of 31 August 2006	**27,500**	**12,500**	**12,624**	**7,416**	**20,040**	**606,957**	**666,997**

Income Statements, Parent Company

SEK k	Note	2005/2006	2004/2005
Net sales		3,018,450	3,104,064
Other operating income		426,758	498,229
Total operating income	3	**3,445,208**	**3,602,293**
Operating expenses			
Goods for resale		– 1,303,220	– 1,421,209
Other external costs	4, 5	– 894,887	– 987,258
Personnel costs	6, 7, 8	– 729,430	– 796,535
Depreciation of tangible and intangible fixed assets	13, 14	– 115,770	– 121,833
Total operating costs		**– 3,043,307**	**– 3,326,835**
Operating profit		**401,901**	**275,458**
Profit/loss from financial investments			
Profit from participations in subsidiaries	9	114,538	90,091
Other interest income and similar profit/loss items	10	4,850	3,545
Interest expenses and similar profit/loss items		– 4,349	– 2,349
Total profit from financial investments		**115,039**	**91,287**
Profit after financial items		**516,940**	**366,745**
Appropriations	11	—	345,720
Tax on profit for the year	12	27,008	– 132,430
Profit for the year		**543,948**	**580,035**

Balance Sheets, Parent Company

SEK k	Note	31-8-2006	31-8-2005
ASSETS			
Fixed assets			
Intangible fixed assets	13		
Brand names		135,209	154,319
Renting rights		1,994	6,491
Goodwill		43,446	49,652
Development costs for data systems		92,487	—
Total intangible fixed assets		**273,136**	**210,462**
Tangible fixed assets			
Equipment	14	141,605	257,718
Total tangible fixed assets		**141,605**	**257,718**
Financial fixed assets			
Participations in subsidiaries	15	165,727	173,405
Other long-term security holdings		7	1,380
Other long-term receivables	15	24,514	7,143
Deferred tax asset	12	—	1,120
Total financial fixed assets		**190,248**	**183,048**
Total fixed assets		**604,989**	**651,228**
Current assets			
Inventories			
Goods for resale		543,971	502,404
Current receivables			
Accounts receivable		5,866	7,623
Receivables from subsidiaries		168,704	215,092
Other receivables		13,554	9,554
Prepaid expenses and accrued income	19	46,239	44,093
Total current receivables		**234,363**	**276,362**
Cash and bank		**27,828**	**282,656**
Total current assets		**806,162**	**1,061,422**
Total assets		**1,411,151**	**1,712,650**

Balance Sheets, Parent Company

SEK k	Note	31-8-2006	31-8-2005
EQUITY, PROVISIONS AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital		27,500	27,500
Statutory reserve		12,500	247,500
Total restricted equity		**40,000**	**275,000**
Non-restricted equity			
Profit brought forward		51,424	112,952
Net profit for the year		543,948	580,035
Total non-restricted equity		**595,372**	**692,987**
Total equity		**635,372**	**967,987**
Untaxed reserves	20	**42,731**	**42,731**
Provisions			
Other provisions		—	4,000
Total provisions		**—**	**4,000**
Long-term liabilities			
Liabilities to subsidiaries		351	359
Total long-term liabilities		**351**	**359**
Current liabilities			
Overdraft facilities	16	203,562	88,182
Accounts payable		180,217	151,771
Liabilities to subsidiaries		25,025	23,618
Tax liabilities		34,057	110,581
Other liabilities		29,205	28,669
Accrued expenses and prepaid income	19	260,631	294,752
Total current liabilities		**732,697**	**697,573**
Total liabilities		**733,048**	**697,932**
Total equity, provisions and liabilities		**1,411,151**	**1,712,650**
Pledged assets	22	**22,857**	**20,326**
Contingent liabilities	23	**365,382**	**342,125**

Cash Flow Statements, Parent Company

SEK k	Note	2005/2006	2004/2005
Current operations			
Payments from customers		3,489,352	3,387,155
Payments to suppliers and employees		– 2,971,795	– 2,964,011
Cash flow from current operations before interest paid and income taxes		**517,557**	**423,144**
Interest received		4,850	3,545
Dividends received	9	175,758	162,228
Interest paid		– 4,349	– 2,350
Income taxes paid		– 53,516	– 99,731
Cash flow from current operations		**640,300**	**486,836**
Investment operations			
Investments in intangible fixed assets	13	– 5,358	– 2,127
Investments in tangible fixed assets	14	– 74,487	– 100,943
Intangible and tangible fixed assets sold		14,800	3,910
Investments in other financial fixed assets	15	– 68,641	– 60,822
Divestment/amortisation of other financial fixed assets		100	255
Cash flow from investment operations		**– 133,586**	**– 159,727**
Cash flow after investment operations		**506,714**	**327,109**
Financial operations			
Amortisation of liability		—	—
Increase in financial liabilities		115,021	88,041
Group contributions paid/received		—	– 1,500
Dividend paid		– 326,563	– 206,250
Redemption of shares		– 550,000	—
Cash flow from financial operations		**– 761,542**	**– 119,709**
Cash flow for the year		**– 254,828**	**207,400**
Liquid funds at the beginning of the year		282,656	75,256
Liquid funds at the year-end		27,828	282,656
Change in net debt			
Interest-bearing liabilities		203,562	88,182
Liquid funds		– 27,828	– 282,656
Net debt		**175,734**	**– 194,474**
Change in net debt		**370,208**	**– 119,578**

Changes in Shareholders' equity, Parent Company

SEK k	Share capital [1]	Statutory reserve	Non-restricted equity	Total
Opening balance as of 1 September 2004	27,500	247,500	320,282	595,282
Group contributions paid/received			– 1,500	– 1,500
Tax effect, group contributions paid/received			420	420
Dividend			– 206,250	– 206,250
Profit for the year			580,035	580,035
Closing balance as of 31 August 2005	**27,500**	**247,500**	**692,987**	**967,987**
Opening balance as of 1 September 2005	27,500	247,500	692,987	967,987
Reduction in statutory reserve decided at the Annual General Meeting		– 235,000	235,000	—
Dividend/redemption			– 876,563	– 876,563
Profit for the year			543,948	543,948
Closing balance as of 31 August 2006	**27,500**	**12,500**	**595,372**	**635,372**

1) Change in Shareholders' equity and number of shares in conjunction with split/redemption

	Share capital, SEK	Number of shares
Beginning of financial year	27,500,000	13,750,000
Change during the year:		
Bonus issue	5,500,000	—
Share split 6:1	—	68,750,000
Redemption	– 5,500,000	– 13,750,000
New issue	5,500,000	13,750,000
Reduction in share capital	– 5,500,000	– 13,750,000
End of financial year	**27,500,000**	**68,750,000**

Quotient value of SEK 0.40 (2.00). Each share carries entitlement to one vote at the General Meeting and all shares carry the equal rights to a share of the Company's assets and profit. There were no dilution effects during the year.

Notes

Note 1 Accounting and valuation principles

Compliance with norms and legal requirements

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC), as approved by the EC Commission for application within the EU. These consolidated accounts are the first complete consolidated accounts to be prepared according to IFRS.

In conjunction with the transition from accounting principles applied previously to accounts according to IFRS, the Group has applied IFRS 1, which is the standard that describes the reporting procedure for the transition to IFRS. In addition, Swedish Financial Accounting Standards Council recommendation RR 30 – Additional accounting rules for group companies, has been applied.

Note 27 contains a list of explanations regarding how the transition to IFRS has affected the Group's financial results and position.

The Parent Company, AB Lindex, applies the same accounting principles as the Group, with the exceptions stated under the section "Parent Company's accounting principles". The Parent Company has prepared its Annual Report in accordance with the Annual Accounts Act and according to Swedish Financial Accounting Standards Council recommendation RR 32 – Accounting for legal entities. RR 32 means that in the Annual Report for the legal entity the Parent Company applies all EU-approved IFRS according to the Group's application of these principles and statements, as far as this is possible within the framework of the Annual Accounts Act and the Safeguarding of Pension Commitments Act, with consideration given to the link between accounting and taxation.

Prerequisites in conjunction with the preparation of the Parent Company's and the Group's financial reports

The Parent Company's functional currency is Swedish kronor, which is also the report currency for the Group. This means that the financial reports are presented in Swedish kronor. All amounts are given in SEK 1,000 unless stated otherwise.

Assets and liabilities are reported at the historical acquisition values with a deduction for depreciation and impairments where applicable. Derivatives are valued at the fair value.

Fixed assets and long-term liabilities comprise amounts which are expected to be recovered or paid later than 12 months, calculated from the balance sheet date. Current assets and current liabilities comprise amounts which are expected to be recovered or paid within 12 months, calculated from the balance sheet date.

The following accounting principles for the Group have been applied consistently to all periods presented in the Group's financial reports unless stated otherwise below, and in conjunction with the preparation of the Group's opening balance according to IFRS on 1 September 2004.

Significant estimates and assessments

The Board of Directors and the Company Management have together identified a number of areas that could be of special significance when assessing the Group's results and position. The development within these areas, which are listed below, is monitored continuously by the Company Management and the Board of Directors' Audit Committee.

Inventories

The inventories constitute a significant part of the Group's asset mass and the value of the inventories is monitored and reviewed continuously based on, among other things, the current volume, forecast sales, future incoming deliveries and the composition of the inventories. The inventories are also monitored continuously based on markets, business areas and product groups.

Taxes

The value of deficit deductions and deduction rights related to value transfers made to the German subsidiary are reviewed continuously. The way things are developing in current proceedings at the National Swedish Tax Board and in the court system form, among other things, the basis for the assessment. The total amount which the Group has recorded as income as a result of legal proceedings is approximately SEK 200 m. For further information regarding taxes see Directors' Report and Note 12.

Goodwill and brand names

As regards brand names and goodwill, it is the assessment of the Board of Directors and the Company Management that these values are well justified by the Group's future earnings.

Reporting of business areas and geographical areas

Based on the Group's operational structure, Lindex has chosen geographical markets as its primary segment. The geographical segmentation is done using similarities and differences in the markets' purchasing pattern, assortment and competitive situation as a basis. As a secondary segment, the business areas are reported.

Assets, liabilities, income and costs which are common to more than one segment are allocated to the segments based on the type of cost, the segment's proportion of total operations etc.

Consolidation principles

Subsidiaries are all the companies in which the Group has the right to formulate financial and operating strategies in a manner which normally ensues from a shareholding amounting to more than half the voting rights. Subsidiaries are included in the consolidated accounts from and including the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated accounts from and including the date on which the controlling influence ceases.

Subsidiaries are reported according to the acquisition method. The acquisition cost of an acquisition comprises the fair value of assets provided as payment, equity instruments issued and liabilities which have arisen or which have been taken over as of the transfer date, as well as additional costs which are directly attributable to the acquisition. Any surplus comprising the difference between the acquisition value and the fair value of the Group's share of identifiable acquired net assets and contingent liabilities is reported as Group goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, the difference is reported directly in the Income Statement.

Intra-group transactions and balance sheet items as well as unrealised profits on transactions between Group companies are eliminated.

Foreign currency

Transactions, assets and liabilities in foreign currency

Items which are included in the financial reports for the different units in the Group are valued in the currency used in the financial environment where each company has its primary operations (functional currency). In the consolidated final accounts Swedish kronor is used as it is the Parent Company's functional currency and report currency.

Receivables and liabilities in foreign currency are valued at the balance sheet date rate and any effects which arise as a result of exchange rate fluctuations are reported as part of the operating result.

Translation of foreign companies' financial reports

The current method is used when translating foreign subsidiaries' final accounts into Swedish kronor for inclusion in the consolidated accounts.

The Income Statements have been translated at the average rate based on the exchange rate on the last day of each month.

The Balance Sheets have been translated at the balance sheet date rate. The translation differences which arise when translating the Balance Sheets are reported directly under Shareholders' equity and thus do not affect the net result for the year.

Income

Income comprises the fair value of goods sold, excluding VAT and discounts and following elimination of intra-group sales. The Group's net sales comprise income from store sales and usually take the form of cash payment or payment by credit card. This income is reported in conjunction with sale/delivery to the customer. The net sales and costs for goods for resale have been reduced by an amount which has been repaid to the customer in conjunction with them exercising the right to purchase on a sale return basis. The experience acquired is used to assess and make provisions for such returns at the time the sale is made.

Operating costs

The Income Statement has been prepared according to the type of cost.

Intangible assets and tangible fixed assets

Intangible assets consist of consolidated goodwill that has arisen in conjunction with company acquisitions, goodwill arising from transfers of assets and liabilities, brand names, renting rights and data systems. Tangible fixed assets comprise offices and store equipment as well as computers.

Expenses for data systems which were developed or which were adapted extensively on behalf of the Group, are carried forward as an intangible asset if they have probable financial benefits which after one year exceed the cost.

Internally generated expenses which are linked directly to identifiable and unique data systems which are controlled by the Group and which have probable financial benefits, are also carried forward as an intangible asset. Direct costs include personnel costs and a reasonable proportion of relevant indirect costs.

Data systems were reclassified during 2005/2006 from tangible fixed assets to intangible assets.

Intangible assets and tangible fixed assets are valued at the acquisition value, reduced by depreciation and possible impairments.

Acquisition values

The acquisition value includes costs which can be directly attributable to the asset.

Additional expenses are added to the reported value of the asset or reported as a separate asset, depending on whether it comprises a separate component or not and only when it is probable that the future financial benefits which are associated with the asset will be of benefit to the Group and the acquisition value of the asset can be measured reliably. All other forms of repairs and maintenance are reported as costs in the Income Statement during the period they occur.

Depreciation

Fixed assets are divided into those that have a determinate useful life that can be specified and those which have an indeterminate useful life. Goodwill and Lindex current brand names have been assessed to have an indeterminate useful life, which is justified by the fact that the Lindex brand name has been in existence for over 50 years and operations in the future will continue to be run under this brand name. These have therefore not been charged with current depreciation. Goodwill and brand names are thus reported in the Balance Sheet at the acquisition value with a deduction for impairments, if applicable.

Other intangible assets and tangible fixed assets are depreciated systematically during the assessed useful life of the assets. In this connection the following depreciation periods are used:

Renting rights	5 years
Equipment	5 years
Computers	3 years
ERP/data systems	7 years

The useful life of the assets is examined on each balance sheet date and adjusted when necessary.

Impairments

Assets which have an indeterminate useful life are not depreciated but are instead examined annually and, in the event of an indication of a fall in value, for possible impairment requirements. Assets which are depreciated are assessed with regard to the reduction in value whenever events or changes in circumstances indicate that the reported value is not recoverable. Impairment is made to an amount at which the asset's reported value exceeds its recoverable value. The recoverable value is the higher of the asset's fair value reduced by the sales costs and value in use. When assessing impairment requirements, assets are grouped on the lowest levels where there are separate identifiable cash flows (cash-generating units).

Leasing

Leasing where a significant part of the risks and benefits of ownership are retained by the lessor are classified as operational leasing. Payments which are made during the leasing period are expensed in the Income Statement as an operating cost on a straight-line basis during the leasing period. All current Lindex leasing contracts have been classified as operational leasing and refer essentially to the leasing of premises.

Financial assets and liabilities and other financial instruments

Financial instruments which are reported in the Balance Sheet include, on the asset side, liquid funds, current investments and derivatives. Liabilities include accounts payable, loan liabilities and derivatives.

A financial asset or financial liability is recorded in the Balance Sheet when Lindex becomes a party to the contractual terms and conditions of the instrument. A financial asset is removed from the Balance Sheet when the rights in the agreement are realised, fall due or the company loses control over them. A financial liability is removed from the Balance Sheet when the obligation in the agreement is discharged or cease in another manner. Purchases and sales of financial instruments are reported on the transaction date – the date on which Lindex undertakes to purchase or sell the asset. Financial instruments are reported at the accrued acquisition value or fair value depending on the initial categorisation under IAS 39 (see below).

On each reporting occasion an evaluation is made of whether there are any objective indications that a financial asset is in need of impairment.

Liquid funds and short-term investments

Liquid funds comprise cash in hand and immediately available holdings at banks and equivalent institutions as well as current liquid investments with a term, calculated from the acquisition date, of less than three months, and which are only exposed to an insignificant risk of fluctuations in value.

Other financial liabilities

Other financial liabilities comprise mainly loan liabilities to credit institutions and accounts payable. Loan liabilities are reported in the Balance Sheet at the accrued acquisition value. Interest expenses are reported on a continuous basis in the Income Statements according to the effective interest method.

Accounts payable have a short expected term and are valued without discounting at the nominal amount.

Derivatives

Derivatives comprise forward agreements, options and swaps which are used to cover risks related to changes in exchange rates and electricity prices (see Note 16 for further details of the Group's financial risks). Currency and electricity derivatives refer to hedging of forecast flows, i.e. cash flow hedging.

All derivatives are reported at the fair value on the acquisition date and thereafter. Derivatives with positive values are reported as current assets in the Balance Sheet and derivatives with negative values as current liabilities. Changes in the market value are reported under Hedging reserve in shareholders' equity to the extent the derivative satisfies the requirements for hedge accounting. The result of hedging is reported under Operating result in conjunction with the realisation of the underlying commercial flows by the accumulated changes in value of the hedging instrument being transferred to the Income Statement, where they meet and match the result effects of the hedged transaction. The realisation of the derivative thus occurs in conjunction with the sale of goods in store.

Derivatives that do not satisfy the demands for hedge accounting are valued at the market value and the change in value is reported directly in the Income Statement as goods for resale and other external costs. The majority of the Group's derivatives qualify for hedge accounting.

Lindex has chosen to apply the possibility in IFRS 1 not to translate the comparison year to IAS 39, which means that the comparison year is calculated based on the principles applicable at that time. This means that derivatives that have been entered into were not valued at the market value during the term of the derivative. In addition, the result of the hedging were accounted for in the Income Statement at an earlier point in time than according to IAS, as the transaction according to earlier principles was reported in the Income Statement in conjunction with the valuation of the underlying account payable instead of in conjunction with the sale of the goods in store.

Inventories

Inventories comprise clothes, cosmetics and accessories for resale. Valuation is made according to the lowest value principle, which means the lower of the acquisition value and the net realisable value. The acquisition value is made up of weighted average prices.

The net realisable value is the estimated sales price following a deduction for estimated costs to bring about a sale.

Receivables

Receivables are reported at the acquisition value with a deduction for possible impairments following individual examination.

Provisions

Provisions refer mainly to restructuring projects, deferred tax liabilities and pension commitments. Provisions are reported when the Group has an existing legal or informal obligation as a result of earlier events, where it is more likely than not that an outflow of resources is required to settle the commitment and a reliable estimate of the amount can be made. No provisions have been made for future operating losses.

Provisions are classified as a long-term or current liability depending on whether the commitment is expected to be settled within 12 months.

Taxes

The tax expense or tax income for the period comprises current tax and deferred tax. Current tax is based on the taxable profit for the year. Deferred tax is tax attributable to taxable or deductible temporary differences that give rise to or reduce tax in the future. Deferred tax is calculated according to the balance sheet method based on temporary differences between reported and taxable values of assets and liabilities. The amounts are calculated based on the tax rates and tax rules that have been decided or notified as of the balance sheet date. Deferred tax assets attributable to tax deficits and deductible temporary differences are only reported to the extent it is probable that there will be a taxable surplus available in the future against which the temporary differences and deficit deductions can be utilised. Deferred tax is reported as income or a cost in the Income Statement except from those cases where they refer to transactions which have been reported directly against equity. In these cases a possible tax effect is also reported directly against equity. Deferred tax assets and tax liabilities are then set off when they refer to income tax which has been charged by the same tax authority and when the Group intends to settle the tax at a net amount.

Employee Benefits

Payments to employees in the form of e.g. salaries, paid holiday, paid sick leave and pensions are reported as they are earned. As regards pensions and other payments following conclusion of employment, these are classified as defined benefit or defined contribution pension plans.

Provisions for commitments related to remuneration following completion of employment arise as the commitments are defined benefit. These obligations and costs in respect of employment during the current period are calculated actuarially using the projected unit credit method. A calculation is made each year for the Group's

Note 1 cont'd

defined benefit plans with the aid of an external actuary. The provision in the Balance Sheet comprises the current value of the defined benefit commitments with an adjustment for unreported actuarial gains and losses. Actuarial gains and losses arise mainly in conjunction with changes in actuarial assumptions and in conjunction with differences between the actuarial assumptions and the actual outcome. The part of the accumulated amount that exceeds ten per cent of the higher of the current value of the obligations and the market value of the managed assets – the corridor – at the end of the preceding year, are reported in the Income Statement for the expected average period of employment for the persons covered by the plan. For all defined benefit plans the actuarial cost, which is charged to profit, comprises the cost of employment during the current period, interest cost, cost of employment during earlier periods and amortisation of actuarial gains and losses. Tax payable on pension costs, such as the special employer's contribution on pension costs, has been taken into account in the above calculation, which is in accordance with URA 43 – Reporting of special employer's contribution and tax on returns.

Within the Lindex Group there are a number of Swedish employees who have defined benefit ITP plans with continuous payment to Alecta. The ITP plan, which is financed through insurance with Alecta, is a defined benefit pension plan that covers several employers according to URA 42 – Classification of the ITP plans financed through insurance with Alecta. For this pension plan this means that a company should as a main rule report its part of the defined benefit pension commitment and managed assets and costs that are linked to the pension plan. In the accounts, information should also be provided according to the requirements for defined benefit pension plans. As the information required cannot be obtained at present from Alecta, these pension commitments are reported as a defined contribution pension plan according to point 30 in IAS 19. This means the premiums paid to Alecta are reported on a continuous basis as a cost.

The Group's payments for defined contribution plans are reported as a cost during the period they arise. Lindex pays fixed charges to separate legal entities and thus has no commitments to pay further charges.

Share-based compensation

Lindex applies IFRS 2 – Share-based payments. IFRS 2 makes a distinction between payments which are made in cash and payments which are made as equity instruments. The programmes which are current for Lindex refer to the latter. In conjunction with a share-based payment the market value shall be determined on the allocation/acquisition date and recorded as a cost over the earning period against equity. Social security contributions payable are reported as a liability with continuous revaluation according to URA 46 (Statement by the Swedish Financial Accounting Standards Council Emerging Issues Task Force).

There are currently two different programmes which affect Lindex: one where Lindex has decided to issue options and one where Cevian Capital has offered certain employees the opportunity to acquire options. The Lindex programme has not had any impact on the accounts for 2005/2006 as the allocation of the options did not take place during this financial year. Allocation will take place during 2007. Nor has Cevian Capital's programme affected the accounts for 2005/2006 as the options were acquired by the persons concerned at the market value. For further information, reference can be made to Note 6.

Cash Flow Statement

The cash flow statement is prepared according to the direct method in accordance with IAS 7 – Cash Flow Statements.

Liquid funds in the cash flow statement include short-term bank deposits.

Dividend

A dividend paid to AB Lindex shareholders is reported as a liability in the consolidated financial statements for the period when the dividend is confirmed by the AB Lindex shareholders.

Parent Company – Accounting principles

The Parent Company applies the Annual Accounts Act and RR 32 – Accounting for Legal Entities, and from this it ensues that the Parent Company mainly applies the principles which are applicable to the Group with the following exceptions.

Intangible fixed assets

The Parent Company applies amortisation according to plan to goodwill and brand names, which is not done in the consolidated accounts. Amortisation takes place on a straight-line basis over 20 years. Brand names and goodwill reflect the long-term strength of Lindex's operations, which justifies the depreciation period of 20 years.

Financial assets and liabilities and other financial instruments

The Parent Company values financial fixed assets at the acquisition value, minus any impairment, and financial current assets according to the lowest value principle. If the reason for impairment ceases the impairment is reversed.

Derivative and hedge accounting

For derivatives used for hedging, the reporting is governed by the hedged item, which means that the derivative is treated as an off-balance sheet item as long as the hedged item is reported at the acquisition value or is not included in the Balance Sheet. Receivables and liabilities in foreign currency which have been hedged through forward agreements are valued at the forward rate.

Untaxed reserves

The amount allocated to untaxed reserves comprises taxable temporary differences. In the Parent Company the deferred tax liability is reported as part of the untaxed reserves as a result of the link between accounting and taxation.

Group contributions and shareholders' contributions

Group contributions and shareholders' contributions are reported according to the Swedish Financial Accounting Standards Council Emerging Issues Task Force statement URA 7.

Pensions

The Parent Company's pension commitments have been calculated and reported based on the Safeguarding of Pension Commitments Act. The application of the Safeguarding of Pension Commitments Act is a prerequisite for the right to make a tax deduction.

New accounting principles 2006/2007

With effect from 2006/2007 the Parent Company will apply IAS 39.

New IFRS principles and interpretations are not expected to have any significant impact on the Lindex Group's accounts in 2006/2007.

Note 2 Segment reporting

Primary segment	Nordic countries 2) 4)		Germany		Total	
	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Income						
Net sales	4,931,802	4,935,754	280,174	265,922	5,211,976	5,201,676
Other operating income	66,305	77,890	1,292	1,448	67,597	79,338
Total income	**4,998,107**	**5,013,644**	**281,466**	**267,370**	**5,279,573**	**5,281,014**
Operating profit/loss						
Result	647,676	464,317	– 49,721	– 49,528	597,955	414,789
Undistributed items					—	2,168
Financial income					3,993	1,873
Financial expenses					–1,646	–2,204
Profit after financial items					**600,302**	**416,626**
Income tax					– 95,806	– 89,524
Net profit for the year					**504,496**	**327,102**
Other information						
Assets	1,713,209	1,873,852	106,918	197,579	1,820,127	2,071,431
Undistributed items					– 216,932	– 153,489
Total assets					**1 603 195**	**1 917 942**
Liabilities	911,128	843,372	80,441	105,508	991,569	948,880
Undistributed items					– 55,371	– 62,876
Total liabilities					**936 198**	**886 004**
Investments	133,680	112,232	4,687	1,214	138,367	113,446
Depreciation and impairments	122,556	175,849 1)	18,510	19,782	141,066	195,631

1) Of which SEK 27 m refers to impairment of goodwill attributable to Twilfit operations.
2) Includes Estonia and Latvia.

Secondary segment	Lingerie 3) 4)		Children's wear		Women's wear 4)		Total	
	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Net sales	1,743,357	1,913,000	1,529,647	1,472,676	1,938,972	1,816,000	5,211,976	5,201,676
Assets	537,070	705,354	469,736	542,999	596,389	669,589	1,603,195	1,917,942
Investments	46,206	41,722	40,413	32,118	51,748	39,606	138,367	113,446

3) Include cosmetics.
4) The preceding year includes Twilfit.

Note 3 Intra-group sales

Intra-group transactions in the Parent Company refer to Group costs which have been allocated to other Group companies, SEK 150 m (172).

In addition, sales by Lindex H.K. Ltd and Shanghai Lindex Consulting Company Ltd to the Parent Company amount to SEK 113 m (98).

Note 4 Audit fee

The fee paid to Öhrlings PricewaterhouseCoopers for the audit and audit-related services during the financial year amounted to SEK 2,405 k (2,364) and other remuneration amounted to SEK 1,866 k (3,932).

Note 5 Leasing charges for operational leasing

The Group and the Parent Company have entered into lease agreements regarding stores and offices with the following rental undertakings. For lease agreements based on sales, only the agreed basic rent is stated. In addition, the Group and the Parent Company have leasing agreements for equipment and office equipment.

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Leasing charges expensed during the financial year	546,088	575,093	274,648	306,156

Agreed future leasing charges	Group	Parent Company
2006/2007	525,251	261,866
2007/2008	433,039	208,383
2008/2009	358,132	164,537
2009/2010	248,755	110,808
2010/2011	176,185	78,428
2011/2012 and later	220,228	129,308

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Leasing income during the financial year	20,900	20,081	194	194

Leasing income comprises income from the sub-letting of premises.

Note 6 Cost of payment to employees

	2005/2006		2004/2005	
	Salaries and other remuneration	Payroll overheads (of which pension costs)	Salaries and other remuneration	Payroll overheads (of which pension costs)
Parent Company	510,485	215,745	554,541	243,638
		(33,165)		(41,596)
Subsidiaries	339,996	69,635	332,773	68,607
		(21,522)		(19,496)
Group	850,481	285,380	887,314	312,245
		(54,687)		(61,092)

The Parent Company's pension costs for the President amount to SEK 1,673 k (1,113).

	Board and Presidents (of which bonus, etc)		Other employees		Total	
	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Parent Company						
AB Lindex	6,038	5,145	504,447	549,396	510,485	554,541
	(—)	(700)			(—)	(700)
Subsidiaries						
Lindex AS, Norway	1,091	943	198,372	195,683	199,463	196,626
	(83)	(77)			(83)	(77)
Lindex Oy, Finland	1,444	1,349	77,797	69,563	79,241	70,912
	(264)	(168)			(264)	(168)
Lindex H.K. Ltd, Hong Kong	—	2,028	14,382	16,475	14,382	18,503
	(—)	(—)			(—)	(—)
Shanghai Lindex Consulting Company Ltd	838	—	1,257	1,286	2,095	1,286
	(—)	(—)			(—)	(—)
Lindex GmbH, Germany	1,244	1,117	43,571	44,329	44,815	45,446
	(82)	(78)			(82)	(78)
Total	**10,655**	**10,582**	**839,826**	**876,732**	**850,481**	**887,314**
	(429)	**(1,023)**			**(429)**	**(1,023)**

Benefits for the Board of Directors and senior executives

The Lindex Board of Directors has appointed a Remuneration Committee consisting of the deputy Chairman of the Board, Conny Karlsson, and Board member Bengt Larsson. The task of the Committee is to formulate proposals to the Board of Directors relating to principles for remuneration and other conditions of employment for the Company Management.

The salary for the President, Göran Bille, consists of a fixed basic salary, amounting to SEK 4,350 k (3,360). With effect from 2005/2006, the President does not receive a flexible part, the bonus, in his remuneration solution. During the preceding year, the President received a bonus amounting to SEK 700 k.

The President holds 100,000 call options issued by Cevian Capital.

The retirement age for the President is 60. The President is also covered by a general pension plan. In addition, extra pension premiums are paid amounting to 30 per cent of the pensionable salary. The pensionable salary includes basic salary, holiday pay and a mileage allowance. On termination of employment by the employer, unchanged salary will be paid for 12 months as well as severance pay amounting to 12 months' salary.

Board of Directors

Fees to the Board of Directors for the financial year amounted to SEK 1,688 k (1,381), of which the Chairman's fee amounted to SEK 367 k (313) and fees to other Board members amounted to SEK 1,321 k (1,068). A consultant's fee of SEK 97 k (255) was paid to Board member Bengt Larsson, B Larsson Senior Adviser HB. A consultant's fee of SEK 100 k (659) was paid to Board member Conny Karlsson, Conny Karlsson Securera AB. The fee for the preceding year comprised consulting services and remuneration for the period Conny Karlsson was Acting President of the company (1 September–10 October 2004).

Apart from what was decided at the Annual General Meeting on 20 December 2005, no other payments have been made.

Other members of the Company Management

Salaries paid to the other members of the Company Management consist of a fixed part, a basic salary, and a flexible part, a bonus. The bonus is dependent on targets achieved for the company and for the individual. For members of the Company Management, the bonus could amount to a maximum of four months' salary. Basic salaries have been paid to the 14 members of the Company Management during the year, excluding the President, totalling SEK 14,980 k (15,891), of which dismissal and severance pay amounted to SEK 0 k (0). Bonuses have been paid totalling SEK 3,568 k (2,188). The pension benefits are premium-based and are based on a national pension plan. On termination of employment by the employer, an unchanged salary is paid for 12–18 months.

Share-based option programme

Options issued by Lindex

The proposal presented by the Board of Directors to introduce an option programme for senior executives at Lindex was adopted at an extraordinary general meeting of the shareholders on 26 June 2006.

The programme comprises three option series, with an annual allocation starting in 2007 and with a term of approximately three years. The programme means that senior executives are offered the opportunity to acquire subscription options subject to market terms and conditions. Market terms and conditions are defined as the market value at the time of acquisition, calculated according to the Black & Scholes valuation method.

The number of subscription options which are offered is subject to a figure where the total premium is equivalent to the bonus after the deduction of tax for the preceding financial year although subject to a ceiling, which is decided by the number of available options. The programme means that a maximum of 2,250,000 shares can be allocated to the employees.

The option programme did not have any impact on the financial accounts for 2005/2006. The Group's profit per share is not affected as long as the current redemption price of the option rights exceeds the current market price at the time of issue. In the event of full subscription for the options and in conjunction with an adopted subscription price of SEK 126.5, the Group will receive an issue sum of SEK 285 m.

The cost is estimated at approximately SEK 15 m for all three series during the period 2007–2012. The cost will be classified as personnel costs and will be reported directly against equity. The cost arises in the event of an increase in the share price and will be reviewed continuously during the term of the options. In addition to the above, there will in the event of an increase in the share price be additional costs for payroll overheads, which will be expensed during the term of the options based on the change in value.

Options issued by Cevian Capital

In January 2004, the President at the time and the majority of the Lindex Company Management acquired a total of 400,000 options (recalculated following a split and redemption) from Cevian Capital. Later the same year, the newly appointed President Göran Bille and Board member Conny Karlsson acquired a further 500,000 options. The programme runs from 24 January 2004 until 23 January 2007 and falls due at four different time intervals, where the final redemption date is 23 January 2007. The other three redemption periods have passed before the end of this financial year and thus all that remains is one redemption period after the end of the financial year.

During the 2005/2006 financial year a further 115,000 options were acquired by a total of five people who were newly employed in the Group or who took up new positions. This programme runs from 27 October 2005 and is identical to the programme which the other members of the Company Management were offered previously, the difference being that it runs until 23 January 2008.

According to the programmes adopted, the option-holder is entitled to gradually redeem the options and gradually transform them into equity instruments, shares.

The option price at the time of acquisition is based on the Black & Scholes option valuation model and for the options which were acquired during the period the redemption price was calculated based on an annual upward adjustment of 10 per cent and a volatility of 20 per cent.

Number of options at the beginning of the financial year	715,625
Redeemed during the period	– 519,375
Allocated during the period	115,000
Number at the end of the financial year	311,250

The average redemption price for options at the end of the financial year was SEK 43.13 per share, which will be adjusted in the event the proposed dividend of SEK 5.00 per share is adopted at the Annual General Meeting.

Of the options at the end of the financial year, the Present holds 100,000 and Board member Conny Karlsson holds 50,000.

Note 7 Absence due to illness and age distribution

Absence due to illness, %	Parent Company 2005/2006	Parent Company 2004/2005
Total absence due to illness as a proportion of normal working hours	4.8	5.3
Absence due to illness of 60 days or more, proportion of total absenteeism	60	59
Absence due to illness of up to 60 days, proportion of total absenteeism	40	41
Absence due to illness by gender [1]		
Men	2.1	1.7
Women	4.9	5.4
Absence due to illness by age group [1]		
–29 years	2.2	2.9
30–49 years	5.2	5.8
50 years–	8.9	8.8

1) Absenteeism as a percentage of the total normal working hours for each group.

Age distribution, %	Group 2005/2006	Group 2004/2005	Parent Company 2005/2006	Parent Company 2004/2005
–29 years	31	30	20	23
30–49 years	53	53	60	57
50 years–	16	17	20	20
Total	**100**	**100**	**100**	**100**

Note 8 Average number of employees

The average number of employees in the Group is shown in the following table. The average number of employees has been calculated by relating the number of hours worked to the standard number of hours worked each year in each country.

	2005/2006		2004/2005	
	Average number of employees	Of whom men	Average number of employees	Of whom men
Parent Company				
AB Lindex, Sweden	1,682	72	1,905	71
Subsidiaries				
Lindex AS, Norway	515	6	493	6
Lindex Oy, Finland	364	6	316	6
Lindex H.K. Ltd, Hong Kong	110	51	117	54
Shanghai Lindex Consulting Company Ltd	13	2	12	1
Lindex GmbH, Germany	139	6	135	4
Total	**2,823**	**143**	**2,978**	**142**

Distribution of senior executives

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Women				
Board members	8	9	3	4
Other persons in the Company Management, including the President	9	8	8	8
Men				
Board members	29	26	5	5
Other persons in the Company Management, including the President	7	7	7	7
Total	**53**	**50**	**23**	**24**

Note 9 Results from participations in subsidiaries

	Parent Company	
	2005/2006	2004/2005
Dividends [1]	175,758	162,228
Impairment of shares [2]	– 61,220	– 72,137
Total	**114,538**	**90,091**

1) Of which SEK 98,034 k (99,476) refers to anticipated dividends.

2) Impairment of shares refers to Lindex GmbH to the amount of SEK 61,220 k (48,652) and Lindex Financial Services AB to the amount of SEK 0 k (23,485). The impairment of shares in Lindex GmbH is a consequence of the shareholders' equity in the Company being charged with operating losses. The preceding year's impairment of shares in Lindex Financial Services AB was made after Twilfit operations were transferred to the Parent Company.

Note 10 Other interest income and similar profit items

	Parent Company	
	2005/2006	2004/2005
Interest	4,850	3,545
Total	**4,850**	**3,545**
of which refer to Group companies	1,503	2,273

Note 11 Appropriations

	Parent Company	
	2005/2006	2004/2005
Change in tax allocation reserve (assessment years 2001–2005)	—	345,720
Total	**—**	**345,720**

Note 12 Tax on profit for the year and deferred tax

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Current tax	– 34,006	– 187,422	28,128	– 133,550
Deferred tax	– 61,800	97,898	– 1,120	1,120
Total	**– 95,806**	**– 89,524**	**27,008**	**– 132,430**

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Profit before taxes	600,302	416,626	516,940	712,464
Tax in accordance with the current tax rate, 28%	– 168,085	– 116,655	–144,743	– 199,490
Tax effect of non-deductible costs				
Impairment of fixed assets	—	– 7,421	– 17,142	– 20,198
Other non-deductible costs	– 3,087	– 4,705	– 1,681	– 3,099
Tax effect of non-taxable income				
Dividend	—	—	49,212	45,424
Other non-taxable income	3,382	—	3,382	—
Tax effect of changed taxation in previous years	2,105	–1,355	2,164	– 4,567
Adjustment for different tax rates in foreign subsidiaries	8,116	4,979	—	—
Tax on unutilised losses carried forward in subsidiaries	– 14,053	– 13,867	—	—
Revaluation of tax assets	75,816	49,500	135,816	49,500
Tax on the profit for the year in accordance with the Income Statement	**– 95,806**	**– 89,524**	**27,008**	**– 132,430**

	Group		Parent Company	
	2005/2006	2004/2005	2005/2006	2004/2005
Deferred tax assets relate to the following				
Accumulated losses carried forward	—	62,164	—	—
Temporary differences	22,381	26,361	—	1,120
Total	**22,381**	**88,525**	**—**	**1,120**
Deferred tax liabilities relate to the following				
Untaxed reserves	11,965	11,965	—	—
Temporary differences	3,616	4,724	—	—
Total	**15,581**	**16,689**	**—**	**—**

Valuation of deficit and tax assets

Total fiscal deficits within the Group amount to SEK 107 m (910). The deficits refer entirely to the German subsidiary and have no specific due date. The change in the size of the deficit is attributable to the fact that a further assessment year has been added in combination with the German tax authority increasing the tax assessment for Lindex to the amount of EUR 91 m as a result of a tax audit, see Directors' Report.

During the year the tax assets were revalued positively in the Group to the amount of SEK 76 m as a result of a judgment in the County Administrative Court, see Directors' Report. The equivalent amount in the Parent Company is SEK 136 m, which explains why the Parent Company has a positive tax for the financial year as a whole.

Temporary differences

Deferred tax assets arising from temporary differences relate, among other things, to differences between the book values and the fiscal values of inventories and pension provisions. These are attributable in full to Lindex AS.

Note 13 Intangible assets/fixed assets

Brand names	Group 31-8-2006	Group 31-8-2005	Parent Company 31-8-2006	Parent Company 31-8-2005
Acquisition value brought forward	173,319	173,319	382,212	382,212
Capitalised expenditure for the year	—	—	—	—
Accumulated acquisition values carried forward	**173,319**	**173,319**	**382,212**	**382,212**
Depreciation brought forward	—	—	227,893	208,783
Depreciation for the year	—	—	19,110	19,110
Accumulated depreciation carried forward	**—**	**—**	**247,003**	**227,893**
Residual value according to plan carried forward	**173,319**	**173,319**	**135,209**	**154,319**

Renting rights	Group 31-8-2006	Group 31-8-2005	Parent Company 31-8-2006	Parent Company 31-8-2005
Acquisition value brought forward	83,760	88,622	32,943	27,438
Capitalised expenditure for the year	380	195	380	195
Acquisition values taken over from another Group company	—	—	—	6,910
Sales and disposals for the year	– 49,160	– 5,057	– 9,860	– 1,600
Accumulated acquisition values carried forward	**34,980**	**83,760**	**23,463**	**32,943**
Depreciation brought forward	62,219	52,127	26,452	18,997
Sales and disposals for the year	– 30,623	– 2,883	– 6,462	– 1,065
Depreciation taken over from another Group company	—	—	—	4,978
Depreciation for the year	2,679	12,975	1,479	3,542
Accumulated depreciation carried forward	**34,275**	**62,219**	**21,469**	**26,452**
Residual value according to plan carried forward	**705**	**21,541**	**1,994**	**6,491**

Sales and disposals of intangible assets are mainly attributable to the divestment of Twilfit operations.

Goodwill	Group 31-8-2006	Group 31-8-2005	Parent Company 31-8-2006	Parent Company 31-8-2005
Acquisition value brought forward	98,261	98,261	124,131	124,131
Sales and disposals for the year	—	—	—	—
Accumulated acquisition values carried forward	**98,261**	**98,261**	**124,131**	**124,131**
Depreciation/impairments brought forward	26,502	—	74,479	68,273
Sales and disposals for the year	—	—	—	—
Depreciation for the year	—	—	6,206	6,206
Impairments for the year	—	26,502	—	—
Accumulated depreciation and impairments carried forward	**26,502**	**26,502**	**80,685**	**74,479**
Residual value according to plan carried forward	**71,759**	**71,759**	**43,446**	**49,652**

The impairment of goodwill for 2004/2005 refers to Twilfit operations.

Development costs for data systems	Group 31-8-2006	Group 31-8-2005	Parent Company 31-8-2006	Parent Company 31-8-2005
Acquisition value brought forward	—	—	—	—
Reclassification from tangible fixed assets	157,737	—	157,737	—
Capitalised expenditure for the year	6,179	—	4,978	—
Accumulated acquisition values carried forward	**163,916**	**—**	**162,715**	**—**
Depreciation brought forward	—	—	—	—
Reclassification from tangible fixed assets	47,694	—	47,694	—
Depreciation for the year	22,609	—	22,534	—
Accumulated depreciation carried forward	**70,303**	**—**	**70,228**	**—**
Residual value according to plan carried forward	**93,613**	**—**	**92,487**	**—**

Of the acquisition value, SEK 6,594 k is for time generated in-house, of which SEK 2,844 k refers to 2005/2006.

Testing of impairment requirements for brand names and goodwill

The value of brand names and goodwill carried forward as of 31 August 2006 was SEK 245 m. The brand names and goodwill are attributable to the whole of Lindex's present Nordic operations and the proceeds from these are estimated during the forthcoming five-year period to amount to a value which is considerably above the book value of the assets. The impairment for the preceding year of goodwill attributable to Twilfit, SEK 27 m, is calculated using the known purchase price in conjunction with the divestment of Twilfit as a basis.

Note 14 Tangible fixed assets

Equipment	Group 31-8-2006	Group 31-8-2005	Parent Company 31-8-2006	Parent Company 31-8-2005
Acquisition value brought forward	1,470,894	1,381,712	775,487	650,617
Reclassification to intangible assets	–157,737	—	–157,737	—
Purchases	131,808	113,251	74,487	86,890
Acquisition values taken over from another Group company	—	—	—	41 563
Sales and disposals	–42,888	–59,005	–33,317	–3,583
Translation differences	–16,626	34,936	—	—
Accumulated acquisition values carried forward	**1,385,451**	**1,470,894**	**658,920**	**775,487**
Depreciation brought forward	1,096,222	953,903	517,769	398,630
Reclassification to intangible assets	–47,694	—	–47,694	—
Sales and disposals	–29,015	–40,495	–19,201	–1,347
Depreciation for the year	115,778	156,154	66,441	92,976
Depreciation taken over from another Group company	—	—	—	27,510
Translation differences	–13,300	26,660	—	—
Accumulated depreciation carried forward	**1,121,991**	**1,096,222**	**517,315**	**517,769**
Residual value according to plan carried forward	**263,460**	**374,672**	**141,605**	**257,718**

Reclassification to intangible assets refers to product supply systems. Sales and disposals are mainly attributable to the divestment of Twilfit operations.

Note 15 Financial fixed assets

Participation in subsidiaries	Parent Company 31-8-2006	Parent Company 31-8-2005
Acquisition value brought forward	1,164,512	1,109,864
Acquired companies	—	1,145
Divested subsidiaries	–100	—
Shareholder contributions	53,642	53,503
Accumulated acquisition values carried forward	**1,218,054**	**1,164,512**
Impairments brought forward	991,107	918,970
Impairments for the year	61,220	72,137
Accumulated impairments carried forward	**1,052,327**	**991,107**
Residual value carried forward	**165,727**	**173,405**

Participation in subsidiaries	Parent Company Share of equity, %	Share of votes, %	Number of shares	Book value 31-8-2006	Book value 31-8-2005
AB Espevik, Sweden	100	100	1,000	100	100
Espevik i Sverige AB	100	100	400,000	100	100
Lindex Sverige AB (formerly AB Mariana)	100	100	36,000	3,601	101
Lindex AS, Norway	100	100	200,000	103,732	103,732
Lindex Oy, Finland	100	100	13,000	5,125	5,125
Lindex H.K. Ltd, Hong Kong	99	99	9,900	11	11
Shanghai Lindex Consulting Company Ltd	100	100	—	945	945
Lindex GmbH, Germany	100	100	—	49,702	60,780
Lindex Financial Services AB, Sweden	100	100	13,230	2,411	2,411
Twilfit AB, Sweden	100	100	1,000	—	100
It will fit AB, Sweden	100	100	1,000	0	0
Total				**165,727**	**173,405**

Note 15 cont'd

	Company reg. no.	Registered office
AB Espevik	556050-8623	Alingsås
Espevik i Sverige AB	556036-9455	Göteborg
Lindex Sverige AB (formerly AB Mariana)	556068-8565	Göteborg
Lindex AS	819282102	Oslo
Lindex Oy 1)	0672-409-3	Helsinki
Lindex H.K. Ltd 2)	437777	Hong Kong
Shanghai Lindex Consulting Company Ltd 2)	76 720 711-1	Shanghai
Lindex GmbH	HRB 1797	Düsseldorf
Lindex Financial Services AB	556021-4768	Göteborg
It will fit AB	556497-6677	Göteborg

1) Lindex Oy includes a branch, Lindex Oy Estonia Branch, and a subsidiary, Lindex SIA.
2) These subsidiaries do not have the same reporting period as the Parent Company as for legal reasons their financial year is the period January-December.

	Parent Company	
Other long-term receivables	31-8-2006	31-8-2005
Deposits	7,842	4,998
Promissory note	15,100	—
Other items	1,572	2,145
Total	**24,514**	**7,143**

Note 16 Financial risks

Lindex is exposed to a number of different financial risks. These are handled by the Parent Company's Treasury department, whose primary task is to support operations and identify and limit the Group's financial risks in accordance with the policy adopted by the Board of Directors.

Financing risk

To minimise the financing risk, it is Lindex's policy that financial requirements for the next few years are covered by long-term credit facilities.

As of 31 August 2006, Lindex's total credit facilities amounted to SEK 1,273 m (1,233), including letters of credit and forward exchange agreement limits. Of the total credit facilities, SEK 360 m (259) had been utilised at the end of the financial year, of which the majority relates to outstanding letters of credit. Loans amounted to SEK 150 m (10). These refer in their entirety to overdraft facilities.

Interest rate risk

Lindex limits the interest rate risk by aiming for short average interest rate periods. As of 31 August 2006, liquid funds consisted of bank deposits, all with a very short fixed interest period. There is thus no appreciable interest risk in the Group's short-term investments.

Credit/counterparty risk in financial transactions

Lindex invests liquid funds solely in liquid instruments with a low credit risk. Transactions in derivatives are only made with counterparties with a good credit rating.

Credit risks in commercial transactions

The majority of the Group's sales are cash sales. The credit risk in other sales is spread amongst a very large number of individual customers and is borne largely by Ikanobanken.

Currency risk

Exchange rate fluctuations influence Lindex's result and equity in several ways:

- The result is affected when sales and purchases are made in different currencies (transaction exposure).
- The result is affected when the results of foreign subsidiaries are translated into SEK (translation exposure).
- Shareholders' equity is affected when the subsidiaries' net assets are translated into SEK (translation exposure).

Transaction exposure

The Group's transaction risk consists of income generated in Sweden, Norway, Finland, Germany, Estonia and Latvia, whilst a large proportion of costs relate to purchases made in other countries.

All transaction risks in the Group are centralised to the Parent Company and operations in the subsidiaries are run in local currency.

As a large proportion of the Group's product purchases are made in USD or USD-linked currencies, Lindex is mainly exposed to changes in the USD rate. Product purchases are normally contracted three to six months prior to delivery.

To reduce the currency risk, Lindex hedges a significant proportion of the Group's contracted flows in foreign currency. Currency risks are monitored and exchange rate differences calculated as the difference between the actual rate paid and the calculation rate. In accordance with the Group's financial policy, at least 70 per cent of contracted flows should be hedged. A sensitivity analysis, assuming that other items in the Income Statement remain unchanged, shows that a change of ± 5 per cent in USD and HKD rates affects Lindex's profit by SEK ± 59 m (52).

Lindex's exposure in euro is very limited as inflows and outflows largely balance each other out. In total, Lindex has a minor net inflow of euro.

Foreign exchange exposures are mainly hedged through forward contracts and to a certain extent options. Currency derivatives are only utilised with the aim of reducing the currency risk in operations. All outstanding currency derivatives mature within six months. The dates on which the derivatives mature concur with the maturity date for the underlying hedged item.

Below are the values of the derivatives on the balance sheet date:

Derivative instruments

	Book value		Fair value		Nominal amount	
Group	31-8-2006	31-8-2005	31-8-2006	31-8-2005	31-8-2006	31-8-2005
Forward exchange contracts	1,289	—	1,289	3,458	305,982	348,385
Currency options:						
Purchased options (call USD, put SEK or NOK)	160	—	160	170	7,140	7,411
Issued options (put USD, call SEK or NOK)	– 111	—	– 111	–1	7,140	7,411
Currency swaps	– 396	– 220	– 396	– 220	142,089	111,751
Total	**942**	**– 220**	**942**	**3,407**		

All options are made as zero cost options, which means that Lindex has received as much in premiums for the issued options as has been paid for the options bought. As the exercise prices for the purchased and issued options are on different levels, both the call and put options will never be exercised.

Translation exposure

Individual subsidiaries should not normally have any translation risk in their own balance sheet as the subsidiary's receivables and liabilities should be in local currency. Currency translation effects arise on the Group level when the balance sheets of the foreign subsidiaries are consolidated. Lindex does not hedge the translation affect of net assets in foreign subsidiaries. The book value of the foreign subsidiaries' net assets amounted to SEK 236 m (252) as of 31 August 2006. Translation effects also arise when the results of the foreign subsidiaries are translated into SEK. This exposure is not hedged.

Financial exposure

Financial exposure is defined as the displacements in competition that exchange rate fluctuations give rise to in the long term. As Lindex is deemed to have a similar currency situation to that of its competitors, Lindex's competitiveness is not affected to any great extent by exchange rate fluctuations.

Other financial risk handling

The Lindex Group's net consumption of electricity in Sweden, Finland, Norway and Germany, where Lindex itself procures the electricity and acts as a player on the Nordpol electricity market, amounts to approximately 35 GWh (36) per annum. In addition, there is a small number of stores where the landlord debits for electricity via the rent.

In order to reduce the exposure to changes in the price of electricity procured in-house, financial hedging is used. Of the estimated consumption for 2006/2007 and 2007/2008, approximately 100 per cent has been hedged. Hedgings for deliveries during 2005/2006 have been made at price levels that are lower than the market prices applicable on the balance sheet date and the fair value/book value on the balance sheet date for forward exchange contracts amounts to SEK 16,587 k before tax.

Note 17 Inventories

Obsolescence in the Group amounts to SEK 55 m (64).

Note 18 Other current receivables/Other current liabilities

	Group	
Other current receivables	31-8-2006	31-8-2005
Advance payments to suppliers	10,030	10,001
Market valuation, derivatives	18,732	—
Other receivables	4,762	1,610
Prepaid rents	54,905	59,521
Other prepaid expenses and accrued income	21,135	13,061
Total	**109,564**	**84,193**

	Group	
Other current liabilities	31-8-2006	31-8-2005
VAT liability	45,210	56,348
Other current liabilities	38,571	36,334
Accrued personnel-related expenses	184,092	189,872
Other accrued expenses and prepaid income	141,225	171,474
Total	**409,098**	**454,028**

Note 19 Prepaid expenses and accrued income/Accrued expenses and prepaid income

Prepaid expenses and accrued income	Parent Company 31-8-2006	Parent Company 31-8-2005
Prepaid rents	30,930	33,481
Other items	15,309	10,612
Total	**46,239**	**44,093**

Accrued expenses and prepaid income	Parent Company 31-8-2006	Parent Company 31-8-2005
Accrued payroll overheads	49,021	50,395
Accrued salaries	23,061	22,116
Accrued holiday pay	67,294	72,213
Other items	121,255	150,028
Total	**260,631**	**294,752**

Note 20 Untaxed reserves

	Parent Company 31-8-2006	Parent Company 31-8-2005
Accumulated difference between book depreciation and depreciation in excess of plan	42,731	42,731
Total	**42,731**	**42,731**

Note 21 Long-term provisions/Current provisions

		Group 2005/2006	Group 2004/2005
Other provisions	See below	16,811	30,399
Provisions for pensions and similar commitments	See below	31,441	28,988
Provisions for deferred tax liabilities	See Note 12	15,581	16,689
Total		**63,833**	**76,076**

Other provisions

Group	
Opening balance 1-9-2004	92,142
Provisions utilised	– 66,670
New provisions	3,500
Translation difference	1,427
Closing balance 31-8-2005	**30,399**
of which current part	7,756
Opening balance 1-9-2005	30,399
Provisions utilised	–15,132
New provisions	1,738
Translation difference	–194
Closing balance 31-8-2006 [1]	**16,811**
of which current part	4,541

1) The closing balance of other provisions refers to stores closed in Germany where Lindex still has an undertaking to a third party. The part of the provisions which is expected to be settled during 2006/2007 has been classified as a current provision.

Provisions for pensions and similar obligations

Defined benefit pension plans

Defined benefit pension plans cover mainly the retirement pension and widow's pension where the employer has an obligation to pay a lifelong pension equivalent to a certain guaranteed percentage of the salary or a certain annual amount. Retirement pension entitlement is based on the number of years of employment. The employee must be part of the plan for a certain number of years to earn the right to a full retirement pension. Each year the employee earns further pension rights, which are reported as pension earned during the period as well as an increase in the pension obligation. The financing of these plans takes place through current payments by the employer.

The insurance computation, which only refers to Norway, of pension obligations and pension costs for defined benefit plans is based on the following actuarial assumptions:

Group, percentage	2005/2006	2004/2005
Discount rate	4.5	4.5
Expected future annual salary increases	3.5	3.5
Expected inflation	3.0	3.0
Expected staff turnover	2.0	2.0
Expected return on managed assets	5.0	5.0

Actuarial gains and losses are not reported in the Income Statements or Balance Sheets for 2005/2006 and 2004/2005 as the Group applies the rules for 'the corridor'. These rules mean that part of actuarial gains and losses should be reported in the Income Statement and Balance Sheet during the remaining period of employment if they exceed ten per cent of the current value of pension obligations or ten per cent of the fair value of managed assets.

The following provisions for pension obligations have been made in the Consolidated Balance Sheet:

	Funded pension plans		Floating pension plans		Total	
Group	2005/2006	2004/2005	2005/2006	2004/2005	2005/2006	2004/2005
Present value of pension obligations	29,574	29,207	12,369	9,986	41,943	39,193
Minus: Fair value of managed assets	– 15,314	– 15,805	—	—	– 15,314	– 15,805
Unreported actuarial gains (+) losses (–)	2,306	1,306	– 519	654	1,787	1,960
Employer's contribution	2,335	2,140	1,672	1,500	4,007	3,640
Translation difference	—	—	—	—	–982	—
Allocated to pensions according to the Balance Sheet	**18,901**	**16,848**	**13,522**	**12,140**	**31,441**	**28,988**

Change for the year in the pension liability

	Group	
Amounts in SEK k	2005/2006	2004/2005
Net liability brought forward	28,988	25,512
Net cost reported in the Income Statement	6,461	6,216
Pensions paid out	– 342	—
Charges paid (including overheads and employer's contributions)	– 2,684	– 2,740
Translation difference	– 982	—
Net liability at the year-end	**31,441**	**28,988**

Net cost reported in the Income Statement in respect of defined benefit plans

	Group	
Amounts in SEK k	2005/2006	2004/2005
Costs in respect of employment during the current year	4,675	4,242
Interest on the obligation	1,819	1,914
Expected return on the managed assets	– 831	– 708
Employer's contribution/special employer's contribution	798	768
Pension costs for defined benefit plans	**6,461**	**6,216**

Defined contribution pension plans

The plans cover mainly retirement pension, sickness pension and family pension. The premiums are paid on a current basis during the year by each Group company to different insurance companies. The size of the premiums is based on the salary. The pension costs for the period are included in the Income Statement and total SEK 54,687 k (61,092).

For Swedish Group companies the retirement pension and sickness pension obligation for white-collar workers is secured through insurance with Alecta. According to a statement from the Swedish Financial Accounting Standards Council Emerging Issues Task Force, URA 42, this is a defined benefit plan that covers several employers. For the 2004/2005 and 2005/2006 financial years the Group has not had access to information that makes it possible to report these plans as a defined benefit plan. Pension plans according to ITP secured through insurance with Alecta are therefore reported as a defined contribution plan. The charges for the year for the pension insurances taken out through Alecta total SEK 15.2 m (17.3). Alecta's surplus can be distributed to the policyholder and/or the insured. At the end of 2005, Alecta's total surplus in the form of the collective consolidation level was 128.5 per cent (128.0). The collective consolidation level comprises the market value of Alecta's assets as a percentage of the insurance obligations, estimated according to Alecta's insurance calculation assumptions.

Note 22 Pledged assets

	Group		Parent Company	
For own liabilities and provisions	31-8-2006	31-8-2005	31-8-2006	31-8-2005
Relating to liabilities to suppliers				
Pledged liquid funds	6,871	4,326	6,857	4,326
Guarantees	1,202	1,155	—	—
Guarantees to the benefit of Swedish Customs and Oslo Tax Office	25,144	25,473	16,000	16,000
Total relating to own liabilities and provisions	**33,217**	**30,954**	**22,857**	**20,326**

The Lindex Group has not provided any real security. This has been replaced by covenants to the lenders which for Lindex, among other things, means key ratio undertakings where the equity ratio is analysed and EBITDA is put in relation to interest expenses. All covenants had been fulfilled on the balance sheet date.

Note 23 Contingent liabilities

	Parent Company	
	31-8-2006	31-8-2005
Contingent liabilities in favour of other Group companies	365,382	342,125
Total	**365,382**	**342,125**

The Parent Company has a general guarantee responsibility for the subsidiaries' liabilities to credit institutions.

Note 24 Transactions with related parties

Transactions with related parties are presented in Note 3 and Note 6.

Note 25 Risk and sensitivity analysis

Lindex's operations and profitability are affected by a series of external and internal factors and risks. These can generally be divided into two categories: operational risks and financial risks.

Operational risks

The operational risks can be related mainly to fashion trends, weather and seasonal dependence, import restrictions, supplier risks, the competitive situation and dependence on the economy.

Fashion trends

Fashion is short-lived. As the collections are produced long before they begin to be sold there is always the risk that sudden changes in fashion could affect sales negatively, which could lead to price reductions and thus reduced income.

For Lindex the fashion-related risk is relatively limited. Within lingerie and children's wear (approximately 65 per cent of sales) the level of fashion is quite consistent, which reduces the risk considerably. The risk is instead concentrated on women's wear, where parts of the range are exposed to fluctuations in fashion. The risk, however, is minimised by ensuring that the parts of the range with a higher degree of fashion are manufactured in Europe, where lead times are shorter. In doing so, production can be adapted more quickly to customer demand.

Weather and seasonal dependence

In the short term, demand is affected by weather and seasonal variations. Lindex products are purchased and launched in the store based on statistically normal weather conditions. This means that weather conditions that do not concur with the statistical seasons could have a negative impact on sales. The effect is greatest when there is a large difference at the beginning of a season. If, for example, the autumn is warmer than normal, Lindex sales of heavier autumn garments and children's clothes could be affected negatively. Generally, it is difficult to safeguard against this risk. It should, however, not be over-exaggerated.

Import restrictions and trade restrictions

The reintroduced EU quotas for the import of different textile categories from China meant increased costs for all companies that import from China, Lindex included. Of the total purchases made by Lindex, approximately 65 per cent come from Asia, of which China accounts for the majority. The increased cost, however, is relatively limited for Lindex, largely due to the fact that the production arrangement did not change significantly when the quotas were lifted.

Competitive situation

Competition on the clothing market is keen and in a constant state of change. New players are entering the market and at the same time existing players are working constantly to refine their offerings. Lindex's main means of minimising the risk of competition is to work continually to reinforce its brand name and loyalty among customers. The Lindex Club is an important part of this work.

Dependence on the economy

Generally, the pattern of consumption among the general public is affected by the economy. However, no strong historical correlation with Lindex sales has been noted. The Nordic market for lingerie, women's wear and children's wear is stable. For Lindex the risk of being affected by the economy is minimised by a high price value in the products. The potential to adapt volumes and cost mass to the market is also good, which reduces the risk even further.

Financial risks

Lindex is also exposed to a number of financial risks related, among other things, to financing, interest rate and exchange rate fluctuations and risks linked to transaction exposure. A detailed description of these risks can be found in Note 16.

Note 26 Events after the year-end

With effect from 1 September 2006, AB Lindex has brought the Swedish store operations together in a separate company and in doing so has separated these operations from the Parent Company.

No other events that can be deemed material occurred after the balance sheet date but before this Annual Report was signed.

The Balance Sheets, Income Statements and Distribution of Profit will be the subject of adoption at the Annual General Meeting on 19 December, 2006. The Board of Directors proposes that a decision be reached at the Annual General Meeting regarding a dividend of SEK 5,00 per share.

Note 27 Transition from Swedish accounting principles to IFRS

Since 1 September 2005, Lindex has applied the EU-approved International Financial Reporting Standards (IFRS). The Swedish Financial Accounting Standards Council has gradually adapted recommendations issued to IFRS/IAS and consequently many standards that were issued by IASB before 2005 have already been observed, either wholly or in part, in what were at the time generally accepted accounting principles.

The interim report for the first quarter of 2005/2006 was the first financial report in which Lindex applied IFRS. Comparison figures have been translated from 1 September 2004 in accordance with IFRS 1, First-time adoption of International Financial Reporting Standards, as the Lindex Group publishes financial information with a comparison year in the Annual Report.

Below are the areas and IFRS principles that are considered to have had the greatest impact on the Lindex accounts. The information has been prepared in accordance with IFRS principles applied on 31 August 2006. IFRS is the subject of continuous examination and approval by the EU and consequently changes can still take place. This could affect the information presented.

IFRS 1 – First-time adoption of IFRS

The transition to IFRS is reported in accordance with IFRS 1 – First-time adoption of International Financial Reporting Standards. Generally, it is required that a company adopts its accounting principles and applies these retrospectively to confirm its opening balance according to IFRS. However, certain exceptions to the retrospective application are permitted and Lindex has opted to apply the following:

- IFRS 3 – Business combinations, prospective application from the transition date 1 September 2004.
- On the transition date accumulated translation differences according to IAS 21 – Effects of Changes in Foreign Exchange Rates are set at zero.
- Not translating comparison financial information for 2004/2005 according to the requirements in IAS 39 – Financial Instruments, Recognition and Measurement, adopted by the EU.

Other choices of principles which are possible according to IFRS concur with the principles applied to date.

IAS 36, IAS 38 and IFRS 3 – Amortisation of goodwill and brand names (Note A)

According to IFRS, intangible assets are divided into assets that have a determinate useful life and assets which have an indeterminate useful life. Goodwill should not be amortised, instead impairment should be tested at least once a year or when there is an indication of a need for impairment. Lindex's present brand names are considered to have an indeterminate useful life and will therefore not be charged with current amortisation. Goodwill and brand names are reported in the Balance Sheet as intangible assets at the acquisition value with a deduction for accumulated impairments. Lindex conducted impairment tests as of 1 September 2004 and 31 August 2005 and according to these tests an impairment need for goodwill was identified as of 31 August 2005 totalling SEK 27 m in respect of Twilfit (SEK 25 m according to principles applied previously). According to previous accounting principles, the Income Statement was charged with amortisation according to plan on these assets, which for the 2004/2005 financial year totalled SEK 20 m (following a deduction for tax of SEK 8). These have been reversed in the accounting records for the comparison year according to IFRS 1.

IAS 39 – Market valuation of commercial forward exchange contracts (Note B)

To reduce exposure to changes in electricity prices and exchange rate fluctuations, Lindex uses financial hedges. According to earlier accounting principles the derivatives that were raised for hedging purposes and which were held until they fell due were not market-valued. When they fell due, derivatives were reported in the operating result.

The introduction of IFRS means that all derivatives are market-valued continuously. Changes in the market value are reported under 'Hedging reserve' in shareholders' equity to the extent the derivative satisfies the requirements for hedge accounting. The result of hedging is reported in the operating result in conjunction with the realisation of the commercial flows. The introduction of IFRS also means that currency effects are distributed over a specific period in the Income Statement at a later point in time than according to the principles applied previously.

Derivatives which do not satisfy the requirements for hedge accounting are market-valued and reported in the Income Statement within the operating profit. The majority of the Group's derivatives qualify for hedge accounting.

At the beginning of September 2005, the market value of outstanding derivatives was SEK 8 m, of which SEK 6 m after the tax effect was reported against equity. See also Note 1 for further information about accounting of financial instruments.

IAS 12 – Deferred tax (Note C)

The majority of the IFRS changes presented above mean that differences between the reported value and the fiscal value arise. Deferred tax is reported for those changes that entail differences. In the light of the fact that assets and liabilities which are the subject of adjustments in conjunction with the transition to IFRS are primarily in Swedish companies, a tax rate of 28 per cent has been used when calculating deferred tax.

IAS 1 – Presentation of Financial Statements (Note D)

According to IFRS, provisions are classified under long-term or current liabilities. In the Annual Report for 2004/2005 these are reported on a separate line under 'Provisions'.

Effects of the transition to IFRS

In the following Income Statements and Balance Sheets, Lindex reports the effects the above-stated differences have had on the Group's financial reports and on the Group's opening balance according to IFRS. The arrangement is in accordance with IFRS principles applied on 31 August 2006. IFRS is the subject of continuous review and approval by the EU and consequently changes can still take place. This could affect the information presented.

Note 27 cont'd

Reconciliation of the Income Statement for 2004/2005

SEK m	Note	2004/2005 according to previous principles	IFRS effect	2004/2005 according to IFRS
Net sales		5,202	—	5,202
Other operating income		79	—	79
Total operating income		**5,281**	**—**	**5,281**
Goods for resale		– 2,211	—	– 2,211
Gross profit		**3,070**	**—**	**3,070**
Other external expenses		– 1,253	—	– 1,253
Personnel costs		– 1,204	—	– 1,204
Depreciation and impairments of tangible and intangible fixed assets	A	– 222	26	– 196
Operating profit		**391**	**26**	**417**
Net financial items		0	—	0
Profit before tax		**391**	**26**	**417**
Tax	C	– 82	– 8	– 90
Profit for the period		**309**	**18**	**327**

Reconciliation of the Balance Sheet as of 1 September 2004

SEK m	1-9-2004 according to previous principles	IFRS effect	1-9-2004 according to IFRS
Assets			
Intangible fixed assets	308	—	308
Tangible fixed assets	428	—	428
Financial fixed assets	94	—	94
Inventories	704	—	704
Accounts receivable	8	—	8
Other current assets	95	—	95
Liquid funds	177	—	177
Total assets	**1,814**	**—**	**1,814**
Equity, provisions and liabilities			
Shareholders' equity	904	—	904
Long-term liabilities and long-term provisions	130	—	130
Current liabilities and current provisions	780	—	780
Total equity, provisions and liabilities 1)	**1,814**	**—**	**1,814**
1) Of which interest-bearing liabilities	6	—	6

Reconciliation of the Balance Sheets as of 31-8-2005 and 1-9-2005

SEK m	Note	31-8-2005 according to previous principles	IFRS effect	31-8-2005 according to IFRS	IFRS effect	1-9-2005 according to IFRS
Assets						
Intangible fixed assets	A	241	26	267	—	267
Tangible fixed assets		374	—	374	—	374
Financial fixed assets		99	—	99	—	99
Total fixed assets		**714**	**26**	**740**	**—**	**740**
Inventories		701	—	701	—	701
Accounts receivable		8	—	8	—	8
Other current assets	B	85	—	85	8	93
Liquid funds		384	—	384	—	384
Total current assets		**1,178**	**—**	**1,178**	**8**	**1,186**
Total assets		**1,892**	**26**	**1,918**	**8**	**1,926**
Equity, provisions and liabilities						
Restricted equity		366	—	366	—	366
Profit brought forward	B, C	339	—	339	6	345
Profit for the year	A, C	309	18	327	—	327
Total shareholders' equity		**1,014**	**18**	**1,032**	**6**	**1,038**
Provisions	D	68	– 68	0	—	0
Long-term liabilities and long-term provisions	C, D	7	60	67	2	69
Current liabilities and current provisions	D	803	16	819	—	819
Total equity, provisions and liabilities [1]		**1,892**	**26**	**1,918**	**8**	**1,926**
1) Of which interest-bearing liabilities		10	—	10	—	10

Reconciliation of equity as of 31-8-2005 and 1-9-2005

SEK m	Note	Amount
Equity according to Swedish accounting principles 1-9-2004		898
Total change to IFRS		—
Equity according to IFRS 1-9-2004		**898**
Equity according to Swedish accounting principles 31-8-2005		1,014
Goodwill and brand name amortisation/impairment amounting to SEK 26 m with a deduction for tax of SEK 8 m	A, C	18
Total change to IFRS		18
Equity according to IFRS 31-8-2005		**1,032**
Market valuation of commercial foreign exchange and electricity forward contracts, SEK 8 m with a deduction for tax of SEK 2 m	B, C	6
Equity according to IFRS 1-9-2005		**1,038**
Net profit according to Swedish accounting principles 2004/2005		309
Goodwill and brand name amortisation/impairment amounting to SEK 26 m with a deduction for tax of SEK 8 m	A, C	18
Total change to IFRS		18
Net profit according to IFRS 2004/2005		**327**

Effects on the cash flow 2004/2005

No significant differences exist between the Cash Flow Statement according to Swedish accounting principles and the Cash Flow Statement according to IFRS.

Audit Report

To the Annual General Meeting of AB Lindex (publ)
Corporate identity number 556452-6514

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of AB Lindex (publ) for the year 1 September 2005–31 August 2006. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the Company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the Income Statements and Balance Sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Göteborg 19 October 2006
Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Authorized Public Accountant

Definitions

Average equity. Shareholders' equity at the beginning and end of the financial year divided by two.

Average interest-bearing liabilities. Interest-bearing liabilities at the end of each month during the financial year divided by the number of months.

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

Capital employed in operations. Total assets less liquid funds, other interest-bearing assets and non-interest-bearing liabilities.

Capital turnover rate. Sales divided by the average capital employed in operations.

Cash flow after investments. Deposits less payments.

Cash flow per share. Cash flow after investments divided by the number of shares.

Dividend portion. Dividend as a percentage of the profit per share.

Earnings per share. Earnings after tax divided by the number of shares.

EBITA. Operating profit before financial items, taxes and impairments, if any, of brand names and goodwill.

EBITDA. Operating profit before financial items, taxes, depreciation and impairments, if any, of tangible and intangible fixed assets.

EBIT multiple. Market value plus net liabilities divided by the operating profit before financial items and taxes.

Equity per share. Equity divided by the number of shares.

Equity ratio. Equity expressed as a percentage of total assets.

Expenses as a proportion of sales. Total expenses excluding depreciation, expressed as a percentage of the sales for the period.

Gross margin. Sales during the period less expenditure for goods for resale as a percentage of sales.

Interest coverage ratio. Profit after financial items plus financial expenses divided by financial expenses.

Inventory turnover rate. Costs for products sold divided by the average inventory (12-month average).

Net borrowing/net debt. Interest-bearing liabilities less liquid funds.

Net debt/equity ratio. Interest-bearing liabilities less liquid funds expressed as a percentage of equity.

Number of full-time employees. Total number of hours worked divided by the normal annual working hours in the respective country.

Operating margin. Operating profit expressed as a percentage of sales during the period.

P/E-ratio. Share price on the balance sheet date divided by the profit per share.

Price/equity. Share price per share divided by equity per share, both on the balance sheet date.

Profit margin. Profit after financial items as a percentage of sales during the period.

Return on capital employed. Profit after financial items plus financial expenses expressed as a percentage of average capital employed.

Return on capital employed in operations. Operating profit expressed as a percentage of the average capital employed in operations.

Return on equity. Profit after tax expressed as a percentage of the average equity.

Return on total capital. Profit after financial items plus financial expenses expressed as a percentage of the average total assets.

Sales. Sales, excluding value added tax.

Sales per square metre of store space. Sales divided by the store area.

Sales growth, same stores, %. Increase in sales for comparable months in stores that have been open for more than 12 months.

Same stores. Stores that have been opened for more than 12 months.

Share price on 31 August. Price paid on the Stockholm Stock Exchange.

Store area. Total area less storage space.

Yield. Dividend as a percentage of the share price on the balance sheet date.

Development of the Lindex Group

The following ten-year review illustrates Lindex's development. Comparison figures before the 2004/2005 financial year have not been adapted to IFRS. During the financial years 2001/2002 to 2004/2005 Twilfit was included. Comments on development during the past two years are made in the Director's Report.

Income Statements

SEK m	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006	Change in %
Sales, excluding value added tax	2,887	3,212	3,615	4,114	4,707	5,031	5,312	5,352	5,202	5,212	0.2
Same stores	2,753	3,055	3,411	3,800	4,391	4,670	5,075	5,306	5,173	5,020	– 2.9
New stores	134	157	204	314	316	360	237	46	29	192	561
Sweden	1,865	2,055	2,259	2,539	2,682	2,844	3,105	3,172	3,104	3,018	– 2.8
Norway	744	826	940	1,005	1,213	1,301	1,274	1,218	1,228	1,253	2.0
Finland	278	314	351	373	459	500	541	588	603	659	9.3
Germany	—	17	65	197	353	379	393	374	266	280	5.4
Women's wear	1,126	1,180	1,297	1,479	1,657	1,808	1,782	1,776	1,816	1,939	6.8
Lingerie [1)]	1,004	1,138	1,313	1,451	1,625	1,776	1,966	1,981	1,913	1,743	– 8.9
Children's wear	757	894	1,005	1,184	1,425	1,447	1,564	1,595	1,473	1,530	3.9
Other income	0	9	24	51	26	35	67	83	79	68	– 14.8
Goods for resale	– 1,415	– 1,552	– 1,717	– 1,956	– 2,369	– 2,255	– 2,322	– 2,507	– 2,211	– 2,137	–3.3
Gross profit	1,472	1,660	1,898	2,158	2,338	2,776	2,990	2,845 [2)]	2,991	3,075	2.8
Gross margin, %	51.0	51.7	52.5	52.5	49.7	55.2	56.3	53.2	57.5	59.0	—
Other operating expenses [3)]	– 1,209	– 1,364	– 1,565	– 1,798	– 2,112	– 2,369	– 2,573	– 2,694 [4)]	– 2,457	– 2,403	– 2.2
Depreciation/impairments	– 75	– 84	– 102	– 124	– 166	– 202	– 211	– 206	– 196	– 141	– 27.9
Operating profit	188	221	255	287 [5)]	86	240	273	28	417 [6)]	598	43.4
Operating margin, %	6.5	6.9	7.1	7.0	1.8	4.8	5.1	0.5	8.0	11.5	—
Financial income and expenses	– 10	0	11	26	14	36	1	0	0	2	—
Profit after financial items [7)]	178	221	266	313	100	276	274	28	417	600	44.1
Profit margin, %	6.1	6.9	7.4	7.6	2.1	5.5	5.2	0.5	8.0	11.5	—
Tax on profit for the year	– 55	– 79	– 69	– 92	– 39	– 122	– 97	– 104 [8)]	– 90 [8)]	– 96 [8)]	7.0
Net result for the year	**123**	**142**	**197**	**221**	**60**	**154**	**177**	**–76**	**327**	**504**	**54.2**

1) Lindex Cosmetics have been included in the Lingerie business area since 2001/2002.											
2) The gross profit has been charged with non-recurring costs equivalent to	—	—	—	—	—	—	—	– 69	—	—	
3) Included, related to synthetic options: Provision for estimated liability	17	10	– 9	–1	0	—	—	—	—	—	
Cost of options redeemed by AB Lindex	1	1	—	—	—	—	—	—	—	—	
Share price on the last stock market business day in the respective period, SEK (current year after split and redemption)	202	248	209	200	106	169	164	188	398	94	
4) Other operating expenses have been charged with structural costs equivalent to	—	—	—	—	—	—	—	– 101	—	—	
5) Including the discounted current value of Lindex's share of Alecta's over-consolidation reserve in the pension plan of SEK 20 m.											
6) Non-recurring impairment regarding Twilfit	—	—	—	—	—	—	—	—	– 27	—	
7) Including charge to profit relating to Lindex's operations in Germany	—	– 37	– 72	– 110	– 170	– 138	– 103	– 204	– 50	– 50	
8) Revaluation of tax assets	—	—	—	—	—	—	—	– 40	49,5	76	

Balance Sheets

SEK m	31 August 1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fixed assets [1)	574	598	652	788	893	971	909	830	740	652
Inventories	583	700	752	945	954	796	880	704	701	724
Accounts receivable	39	122	178	232	308	315 [3)	13 [3)	8	8	10
Other current receivables	51	39	53	95	79	96	81	95	85	110
Liquid funds	58	121	147	104	186	212	248	177	384	107
Total assets	**1,305**	**1,580**	**1,782**	**2,164**	**2,420**	**2,390**	**2,131**	**1,814**	**1,918**	**1,603**
Shareholders' equity	543	642	790	956	971	1,083	1,153	908	1,032	667
Interest-bearing liabilities	304	346	345	425	726	400	23	6	10	150
Operating liabilities and provisions	458	592	647	783	723	907	955	900	876	786
Total equity and liabilities [2)	**1,305**	**1,580**	**1,782**	**2,164**	**2,420**	**2,390**	**2,131**	**1,814**	**1,918**	**1,603**
1) Of which, brand names and goodwill which arose in conjunction with the acquisition of AB Lindex by Industri Kapital 1989's and by other investors in September 1993, and the acquisition of AB Twilfit in 2002	392	371	346	321	297	320	293	272	245	245
2) Of which, current liabilities	448	544	615	772	864	795	733	684	818	877
of which, long-term liabilities	314	394	377	438	585	490	224	130	68	59
3) During 2002/2003, accounts receivable were divested to Ikanobanken in Sweden and IKANO Finans in Norway.										

Cash Flow Statements

SEK m	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006
Cash flow from current operations	230	169	243	193	117	669	589	276	527	581
Investments, net	– 162	– 155	– 143	– 260	– 260	– 221	– 172	– 165	– 117	– 122
Cash flow after investments	68	14	100	– 67	– 143	448	417	111	410	459
Cash flow from financial operations	– 68	48	– 74	24	224	– 422	– 381	– 182	– 203	– 736
Cash flow for the year	0	62	26	– 43	81	26	36	– 71	207	– 277
Liquid funds										
Liquid funds at the beginning of the year	58	58	121	147	104	186	212	248	177	384
Change in liquid funds	0	62	26	– 43	82	26	36	– 71	207	– 277
Liquid funds at the year-end	58	120	147	104	186	212	248	177	384	107
Change in interest-bearing net debt	– 135	– 20	– 28	123	220	– 353	– 413	54	– 203	417

Key figures

	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	2004/ 2005	2005/ 2006
Sales growth										
total, %	8.6	11.3	12.6	13.8	14.4	6.9	5.6	0.8	– 2.8	0.2
for same stores [1], %	3.5	5.8	6.2	5.1	6.7	– 0.7	2.3	1.1	– 0.6	4.4
for same stores [2], %	3.0	6.5	5.6	6.8	3.6	– 3.3	3.0	3.2	– 1.4	2.9
Sales per m^2 of store space, SEK	17,666	18,390	19,113	19,553	20,009	19,285	19,947	20,555	20,473	21,037
Gross profit per m^2 of store space, SEK	9,007	9,504	10,035	10,257	9,939	10,641	10,998	10,927	11,773	12,411
EBITA, SEK m	212	246	280	311	110	266	300	56	444	598
Gross margin, %	51.0	51.7	52.5	52.5	49.7	55.2	56.3	53.2	57.5	59.0
Operating margin, %	6.5	6.9	7.1	7.0	1.8	4.8	5.1	0.5	8.0	11.5
Profit margin, %	6.1	6.9	7.4	7.6	2.1	5.5	5.2	0.5	8.0	11.5
EBITA margin, %	7.4	7.7	7.7	7.6	2.3	5.3	5.6	1.0	8.5	11.5
Expenses as a proportion of sales, %	41.9	42.5	43.3	43.7	44.9	47.1	48.4	50.3	47.3	46.1
Return on equity, %	24.7	24.0	27.6	25.3	6.3	15.0	15.9	– 7.3	33.7	59.4
Return on capital employed, %	22.9	26.3	27.4	26.2	8.8	18.9	20.9	2.9	42.8	64.8
Return on capital employed in operations, %	23.2	26.7	27.5	25.3	6.1	17.3	24.8	3.4	59.8	87.5
Return on total capital, %	15.6	16.7	17.3	16.7	5.9	12.5	12.3	1.5	22.4	34.2
Equity ratio, %	41.6	40.6	44.3	44.2	40.1	45.3	54.1	50.0	53.8	41.6
Net debt/equity ratio, %	45.2	35.1	25.0	33.6	56.7	17.3	– 19.5	– 18.8	– 36.3	6.4
Interest coverage ratio, times	9.4	12.1	11.8	19.5	3.7	12.3	84.6	16.0	190.0	365.7
Capital turnover rate, times	3.7	3.7	3.7	3.2	3.1	4.0	5.7	7.3	7.5	7.6
Inventory turnover rate, times	2.6	2.3	2.3	2.6	2.2	2.5	2.7	2.8	3.0	3.1
Investments, SEK m	162	155	118	236	260	247	223	163	117	138
Cash flow after investments, SEK m	68	14	100	– 67	– 143	448	417	111	410	459
Number of full-time employees	1,939	2,123	2,344	2,678	2,950	3,130	3,120	3,109	2,978	2,823
Earnings per share before split and redemption, SEK	8.90	10.30	14.40	16.00	4.40	11.20	12.90	– 5.50	23.80	36.70
Earnings per share after split and redemption, SEK									4.80	7.30
Cash flow per share before split and redemption, SEK	5.00	1.00	7.30	– 4.90	– 10.40	32.70	30.40	8.10	29.80	33.40
Cash flow per share after split and redemption, SEK									6.00	6.70
Equity per share before split and redemption, SEK	39.50	46.70	57.50	69.50	70.60	78.80	83.90	66.00	75.10	48.50
Equity per share after split and redemption, SEK									15.00	9.70

1) Including exchange rate fluctuations.
2) Excluding exchange rate fluctuations.

Sales

Demand for retail clothing accelerated during the mid-1990s and has since then increased each year through to autumn 2000, when an approaching recession and an exceptional weather situation reduced consumers' willingness to buy. The recession deepened during 2001/2002 before showing a slight upturn during 2002/2003 and 2003/2004. During 2004/2005, sales fell by 2.8 per cent before rising again during 2005/2006 by 6.5 per cent (excluding Twilfit).

Margins

Since 1993/1994, Lindex has improved its gross margins every year until the 2000/2001 financial year when margins fell.

The reduced gross margins were mainly due to sales failing to meet expectations, which led to surplus inventories and significant price reductions. Since 2001/2002, the balance between product supply and demand has been significantly better, the lead times shorter and more product purchases have been made closer to the season in question. During 2005/2006, the gross margin increased to 59.0 per cent (57.5). The gross margin was affected positively by a higher average price due to lower clearance sale volumes and a higher proportion of full-price sales.

Investments

During the 1997/1998 financial year, Lindex established operations in Germany, which involved substantial investments during the period 1997/1998 to 2001/2002. In 2001/2002, the Twilfit chain was acquired. During the period 2002/2003 to 2005/2006, Lindex invested in existing and new stores, IT systems and infrastructures. The new IT systems were brought into operation on 1 September 2004.

Accounts receivable

The Group's accounts receivable increased at the end of the 1990s and at the beginning of the 2000s in line with the development of the Lindex Club. On 31 August 2002, the Lindex Club accounted for SEK 315 m. During 2002/2003, accounts receivable were divested to Ikanobanken in Sweden and IKANO Finans in Norway.

Inventories

Lindex has worked actively to reduce the inventory levels and to increase the rate of turnover. The inventory level for the years 2000–2003 was an average SEK 800–900 m before decreasing to a level of around SEK 700 m for the years 2004–2006.

Taxes

The Group's effective tax rate (tax as a proportion of profit after financial items) fell during 2005/2006 to 16 per cent from 21 per cent the previous year. The tax rate has been affected mainly by a revaluation of tax assets, see Note 12.

Quarterly results

SEK m	2001/2002				2002/2003			
Quarter	1.9–30.11	1.12–28.2	1.3–31.5	1.6–31.8	1.9–30.11	1.12–28.2	1.3–31.5	1.6–31.8
Sales, excluding value added tax	1,288	1,267	1,239	1,237	1,365	1,330	1,252	1,365
Operating result	97	62	47	34	82	19	76	96
Result after financial items	101	75	56	44	80	20	76	98
Items which have influenced the quarterly results								
Influence on the result by Lindex GmbH, Germany	– 37	– 36	– 33	– 32	– 27	– 29	– 22	– 25
Non-recurring structural costs	—	—	—	—	—	—	– 10	—

SEK m	2003/2004				2004/2005				2005/2006			
Quarter	1.9–30.11	1.12–28.2	1.3–31.5	1.6–31.8	1.9–30.11	1.12–28.2	1.3–31.5	1.6–31.8	1.9–30.11	1.12–28.2	1.3–31.5	1.6–31.8
Sales, excluding value added tax	1,385	1,368	1,282	1,318	1,330	1,291	1,240	1,341	1,307	1,274	1,322	1,309
Operating result	88	– 56	1	– 5	123	67	108	119[1)]	160	148	146	144
Result after financial items	88	– 55	1	– 5	122	68	108	119	160	151	145	144
Items which have influenced the quarterly results												
Influence on the result by Lindex GmbH, Germany	– 19	– 33	– 34	– 118	– 15	– 13	– 11	– 11	– 8	– 17	– 8	– 17
Non-recurring structural costs	—	—	– 71	– 98	—	—	—	—	—	—	—	—

1) Includes a one-off impairment of goodwill pertaining to Twilfit amounting to SEK 27 m.

Number of stores 31 August

	2000	2001	2002	2003	2004	2005	2006
AB Lindex, Sweden	178	179	179	179	181	181	188
Lindex AS, Norway	81	87	88	87	86	84	86
Lindex Oy, Finland	43	47	48	47	48	45	48
Lindex Oy, Estonia	—	—	—	—	—	1	2
Lindex Oy, Latvia	—	—	—	—	—	—	3
Lindex GmbH, Germany	27	33	33	30	25	22	23
AB Twilfit, Sweden	—	—	58	58	58	55	—
Total	**329**	**346**	**406**	**401**	**398**	**388**	**350**
Closures	3	2	14	9	11	14	6

The Lindex share

The Lindex share has been quoted on the Stockholm Stock Exchange since 7 April 1995.

Share capital

The share capital of AB Lindex amounts to SEK 27.5 m, comprising 68,750,000 (13,750,000) shares with a quotient value of SEK 0.40 (2.00) and an entitlement to one vote each at the Annual General Meeting. All shares carry equal rights to a share of the assets and the profit in the Company.

Price development and trading

Lindex's total stock market value amounted to SEK 6,463 m (5,473) on 31 August 2006. The price paid per share was SEK 94.0 (79.60). The share thus rose by 18.1 per cent during the year. During the financial year, the Affärsvärlden General Index rose by 19.9 per cent.

During the period 1 September 2005–31 August 2006, 84,078,141 (15,851,519) Lindex shares were traded on the Stockholm Stock Exchange.

Lindex shares are also traded on Deutsche Börse in Frankfurt.

Shareholders

On 31 August 2006, Lindex had 15,967 shareholders (9,233). On the same date, the largest shareholders accounted for 38.25 per cent (54.75) of the votes. Foreign shareholders accounted for 56.1 per cent (64.6) of the shares.

Dividend policy and dividend proposal

The Lindex Board of Directors intends each year to propose a dividend, or another form of distribution, which is on average over time equivalent to at least half of the net profit for the year after tax. When making a decision regarding a dividend or equivalent, the Company's future profits, financial position, capital requirements and position in general will be taken into account.

At an extraordinary general meeting of the shareholders on 26 June 2006, a decision was reached regarding an extra dividend to the shareholders of SEK 4.75 per share.

For the 2005/2006 financial year, the Board of Directors proposes a dividend of SEK 5.00 per share.

Analyses of the Lindex share

Lindex is analysed continually by a number of stockbrokers and banks. A current list of these is available on Lindex's website, www.lindex.com.

Ownership distribution

	Percentage of shares and votes					
	31-8 2001	31-8 2002	31-8 2003	31-8 2004	31-8 2005	31-8 2006
Swedish shareholders	72.5	76.3	81.5	47.7	35.4	43.9
Foreign shareholders, excl. USA	25.8	20.5	17.2	43.2	52.1	37.7
USA-held	1.7	3.2	1.3	9.1	12.5	18.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Total number of shareholders	**12,556**	**12,728**	**12,104**	**11,393**	**9,233**	**15,967**

On 31 August 2006, foreign shareholders represented 56.1 per cent of the capital and votes.

Source: VPC AB Share Register

Ownership structure

Number of shares	Number of shareholders	% of all shareholders	Number of shares	% of share capital
1–200	6,104	38.2	637,137	0.9
201–1,000	7,333	45.9	4,391,573	6.4
1,001–10,000	2,211	13.9	6,368,771	9.3
10,001–100,000	226	1.4	7,298,058	10.6
100,001–	93	0.6	50,054,461	72.8
Total	**15,967**	**100.0**	**68,750 ,000**	**100.0**

Source: VPC AB Share Register

Ownership

Shareholders	Number of shares	Number of shares and votes, %
JP Morgan	5,485,076	7.98
Robur funds, including the Church of Sweden	3,886,300	5.65
BNY GCM Client Accounts	3,055,200	4.44
Cevian Capital	3,002,535	4.37
Morgan Stanley & CO	2,761,670	4.02
SSB CL Omnibus AC OM07	1,945,155	2.83
Goldman Sachs	1,762,535	2.56
Gamla Livförsäkringsbolaget	1,675,400	2.44
SEB Fonder	1,401,500	2.04
Morgan Stanley & CO INTL Ltd	1,317,847	1.92
Total	**26,293,218**	**38.25**

Source: VPC AB Share Register, 31-8-2006.

Development of share capital

Since the Company's formation on 27 August 1992, the share capital of AB Lindex has developed as follows:

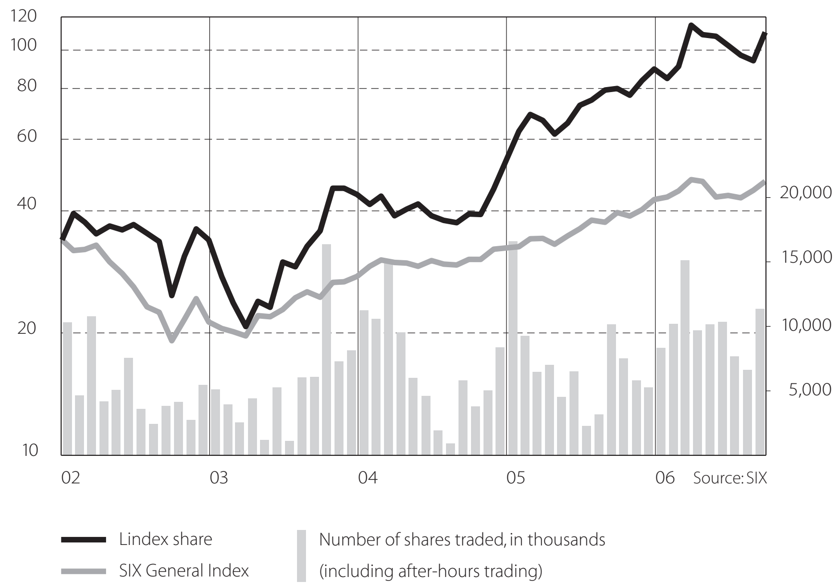
Date	27-8-1992	1-9-1993	30-1-1995	3-1-2006
Transaction	Company formation	New share issue 550:1	Split 5:1	Split 6:1 combined with redemption
Change in share capital, SEK	—	27,450,000	—	—
Share capital, SEK	50,000	27,500,000	27,500,000	27,500,000
Number of shares	5,000	2,750,000	13,750,000	68,750,000

Share data

	2001/ 2002 3)	2002/ 2003 3)	2003/ 2004 3)	2004/ 2005	2005/ 2006
Number of shares before split and redemption, 1,000	13,750	13,750	13,750	13,750	13,750
Number of shares after split and redemption, 1,000				68,750	68,750
Earnings per share before split and redemption, SEK	11.20	12.90	– 5.50	23.80	36.70
Earnings per share after split and redemption, SEK				4.80	7.30
Cash flow per share before split and redemption, SEK	32.70	30.40	8.10	29.80	33.40
Cash flow per share after split and redemption, SEK				6.00	6.70
Equity per share before split and redemption, SEK	78.80	83.90	66.00	75.10	48.50
Equity per share after split and redemption, SEK				15.00	9.70
Share price on 31 August before split and redemption, SEK	168.50	164.00	187.50	398.00	
Share price on 31 August after split and redemption, SEK					94.00
Dividend per share, SEK	6.00	12.00	15.00	40.00 1)	9.75 2)
P/E ratio	15	13	– 30	17	13
EBIT multiple	11	7	84.9	12.2	10.9
Price/equity	2.1	2.0	2.8	5.3	9.7
Yield, %	3.6	7.3	8.0	10.0 1)	10.4 2)
Dividend portion % (current year after split and redemption)	53	93	– 273	168 1)	133

1) Redemption.
2) Of which SEK 4.75 per share was decided at the extraordinary general meeting of the shareholders on 26 June 2006 and SEK 5.00 refers to the proposed dividend.
3) The years 2001/2002–2003/2004 have not been adapted to IFRS.

The Lindex share on the Stockholm Stock Exchange 2002–2006



AB Lindex's shares were registered on the A list of the Stockholm Stock Exchange on 7 April 1995. The introduction price was SEK 104 for institutional investors and SEK 98 for private investors (before split and redemption). In the diagram consideration has been taken to split and redemption.

Corporate Governance Report

The control of Lindex takes place via the General Meeting, the Board of Directors and the President in accordance with the Companies Act, the Articles of Association and the Swedish Code of Corporate Governance.

Swedish Code of Corporate Governance

This Corporate Governance Report has been prepared in accordance with the Swedish Code of Corporate Governance and any deviations from the Code are explained in conjunction with each section. The report has not been examined by the Company's auditors.

Annual General Meeting

Lindex's supreme decision-making body is the Annual General Meeting. The Annual General Meeting for AB Lindex is held each year in Göteborg in December. The date and time of the meeting are announced no later than in conjunction with the Interim Report for the third quarter and are at the same time published on the website. The Annual General Meeting elects the Company's Board. The duties of the Annual General Meeting also include adopting the Company's Income Statements and Balance Sheets, deciding on the distribution of profit from operations and changes in the Articles of Association, the electing of auditors, discharge of the Board of Directors and the President from liability and payment to the Board of Directors and auditors.

Shareholders who are unable to attend the meeting in person can instead do so by proxy. The possibility to follow the meeting by distance link-up is not regarded as being financially justifiable. The information material produced prior to the meeting is available in both Swedish and English.

Annual General Meeting 2005

The Lindex Annual General Meeting, held on 20 December 2005 in Göteborg, was attended by 151 shareholders, representing 30 per cent of the shares and 30 per cent of the votes in the Company. The Lindex Board of Directors, the Executive Management and the persons proposed for election to the Board were present at the meeting as well as the Company's auditors.

Among other things, the following decisions were reached:

Claes Beyer was elected to chair the meeting, the Income Statements and Balance Sheets were adopted and the proposal by the Board of Directors that no dividend would be paid and that there would instead be a redemption process combined with a share split 6:1 were approved. This process meant that each share was divided into five ordinary shares and a redemption share. Following the split, the shareholders received SEK 40 per redemption share.

The meeting also decided on a new issue of 13,750,000 debenture shares at a nominal value of SEK 0.40 per share, to be subscribed for by Mangold Fondkommission AB and it was thus decided also to deviate from the shareholders' preferential right. Also decided was redemption of these shares to an equivalent amount, calculated upwards using an interest factor.

A decision was also reached to reduce the statutory reserve by SEK 235 m by means of a transfer to non-restricted equity.

The members of the Board of Directors and the President were granted discharge from liability.

The following Board members were re-elected: Christer Gardell, Conny Karlsson, Bengt Larsson, Lars Otterbeck, Nora Förisdal Larssen and Lars Förberg. Susanne Rosberg was newly elected.

Christer Gardell was re-elected as Chairman of the Board and the fee to the Board of Directors was confirmed.

The proposal regarding the Nomination Committee's responsibility and authority was approved.

Extraordinary general meeting

An extraordinary general meeting of Lindex shareholders was held on 26 June 2006 in Göteborg and was attended by 82 shareholders, representing 25 per cent of the shares and 25 per cent of the total number of votes in the Company.

At this meeting a decision was reached regarding an extra dividend to shareholders of SEK 4.75 per share as well as a decision on the introduction of an option programme for senior executives at Lindex.

The minutes of the Annual General Meeting and extraordinary general meeting were available on the Lindex website in Swedish and English as soon as they were signed.

Nomination Committee

At the Lindex Annual General Meeting on 20 December 2005 it was decided that the Nomination Committee should comprise a minimum of three and a maximum of four members, representing the largest shareholders. In the first instance, the four largest shareholders shall be given the opportunity to be represented on the Nomination Committee. If any of the four largest shareholders waives the right to nominate a member of the Nomination Committee, a further shareholder shall be approached based on order of size until three members have been nominated.

The names of the members of the Nomination Committee shall be announced no later than six months prior to the Annual General Meeting, based on the number of votes immediately prior to announcement. The Nomination Committee's mandate period extends up to the point at which a new Nomination Committee has been appointed. The chairman of the Nomination Committee shall, unless the members agree on an alternative, be the member who represents the largest shareholder in terms of number of votes. The Chairman of the Board can be a member of the Nomination Committee but cannot be the chairman.

If during the Nomination Committee's mandate period one or more of the shareholders that appointed members to the Nomination Committee is/are no longer one of the largest shareholders, the members shall make their places available and the shareholders that have been added to the list of largest shareholders shall have the opportunity to appoint their representatives.

The Nomination Committee shall formulate proposals on the following matters, to be presented for a decision at the Annual General Meeting:

- proposal for a person to chair the Annual General Meeting,
- proposal for a Board of Directors,
- proposal for a Chairman of the Board,
- proposal for a fee for the Board with a split between the Chairman and other members of the Board as well as payment for work done in committees,
- proposal for a fee to the Company's auditors and, where applicable,
- proposal for the election of auditors.

The Nomination Committee shall in other respects follow what is stated in the Code of Corporate Governance and other obligations that fall within their remit.

The work of the Nomination Committee

The composition of the Nomination Committee was announced on 19 June 2006 and comprises Chairman of the Board Christer Gardell, KG Lindvall, Robur – Chairman of the Nomination Committee – and Björn Lind, SEB Fonder. In total, the Nomination Committee represents approximately 16 per cent of the votes in Lindex (as of 21 September 2006). All shareholders have the opportunity to contact the Nomination Committee with proposals for Board members. The Nomination Committee has held several recorded meetings and in the interim there has been contact by telephone and e-mail. Among other things, the Nomination Committee has assessed the Board of Directors based on Lindex's future development and challenges in order to ensure a good composition based on expertise and experience. An account of the work of the Nomination Committee is published on the Lindex website in conjunction with announcement of their proposal for a Board of Directors.

Board of Directors

The Lindex Board of Directors reaches decisions in matters concerning Lindex's strategic orientation, investments, financing, organisational issues, acquisitions and disposals and important policies. The Board shall also ensure the correct provision of information to parties with interests in Lindex. The work of the Board is governed, among other things, by the Swedish Companies Act, the Articles of Association and the rules of procedure adopted by the Board for its work.

The Board shall, according to the Articles of Association, comprise a minimum of three and a maximum of nine members and a maximum of four deputies. The members and deputies shall be elected each year at the Annual General Meeting for the period up to the end of the next Annual General Meeting. The Lindex Board during 2005/2006 comprised seven members elected at the Annual General Meeting, without deputies, and two members with two deputies appointed by the employees. A presentation of the members can be found on pages 46–47. The President is not a member of the Board. At the Annual General Meeting on 20 December 2005, Christer Gardell was elected as Chairman of the Board until the next Annual General Meeting. In June 2006, Susanne Rosberg became president of the clothing chain Joy and thus left the Board. New members undergo an induction programme to gain good knowledge of Lindex's operations.

The Board of Directors is considered to satisfy the Stockholm Stock Exchange listing agreement and the Swedish Code of Corporate Governance with regard to the demand for independent Board members.

Once during the financial year the Board of Directors deals with, within its number or with the help of external parties:

- An evaluation of the work of the Board.
- An evaluation of the work of the President.
- The President's view of the work of the Board.

This examination forms the basis for the future working approach of the Board.

Board of Directors' fees

At the Annual General Meeting on 20 December 2005, the Board fee was set at SEK 1,900,000. The Chairman of the Board is paid an annual fee of SEK 400,000, the other members SEK 200,000 and for committee work SEK 300,000, to be allocated by the Board. Fees for consultancy services have been paid to Board members Bengt Larsson, SEK 97,200, and to Conny Karlsson, SEK 100,000.

In his capacity as President of Lindex during 2004, Board member Conny Karlsson acquired call options issued by Cevian Capital. Otherwise the Board members are not covered by any share or share price-related incentive programmes.

Rules of procedure for the Board of Directors

The work of the Board is controlled by rules of procedure adopted annually, which govern the Board's internal allocation of duties, the decision-making procedure within the Company, company signatories, the Board's meeting schedule and the duties of the Chairman. The work of the Board follows a fixed procedure, designed to satisfy the needs of the Board for information and a suitable allocation of duties between the Board and the President.

During the 2005/2006 financial year, the Board held eight meetings, compared with ten the previous year. The work of the Board follows an annual presentation plan, which satisfies the needs of the Board for information. The presentation plan is governed in other respects by the rules of procedure adopted by the Board regarding the division of duties between the Board and the President. The control matters that rest with the Board are dealt with partly by the Board as a whole and partly by the Remuneration Committee and the Audit Committee. The Company's auditors also report personally to the Board each year with their observations from the audit and their assessment of the Company's internal controls.

In addition to the ongoing follow-up and control of operations, the Board has during the year worked, among other things, with issues such as the Company's own distribution centre, expansion into new countries, establishment of new stores on existing markets, the capital structure, introduction of online retailing and organisational issues.

The composition of the Board and attendance at the meetings, 1 September 2005–31 August 2006

	Board	Remuneration Committee	Audit Committee
Christer Gardell	7		
Conny Karlsson	7	2	5
Bengt Larsson	8	2	
Lars Otterbeck	8		5
Kicki Olivensjö	3*		
Susanne Rosberg	4**		
Nora Förisdal Larssen	8		
Lars Förberg	8		5
Karin Larsson, employee representative HAF	5		
Rigmor Lindbäck, employee representative HAF	5		
Total number of meetings	**8**	**2**	**5**

* Resigned from the Board at the Annual General Meeting on 20 December 2005 when she took up the position of Director of Purchasing at Lindex.

** Elected to the Board at the Annual General Meeting on 20 December 2005.

Alice Eriksson, HAF and Rune Lindstrand, HTF were appointed as deputies for the employee representatives.

Remuneration Committee

In January 2004, the Board set up a Remuneration Committee. During the 2005/2006 financial year the Committee comprised the Deputy Chairman of the Board Conny Karlsson and Board member Bengt Larsson. The Committee is charged with the task of examining and presenting the Board with recommendations regarding the principles for remuneration, including performance-based remuneration and pension terms and conditions for the Company's senior executives. Questions concerning the President's terms and conditions of employment, remuneration and benefits are prepared by the Remuneration Committee and decided by the Board. In addition to work related to the current remuneration model, the Remuneration Committee has worked primarily with the matter of producing an option programme for senior executives.

At the Annual General Meeting on 19 December 2006, the Board will present a proposal for principles for remuneration and other terms and conditions of employment for the Company Management for approval at the meeting.

The salary for the President comprises a fixed monthly salary. Further information about remuneration to the President and other members of the Company Management can be found in Note 6.

The Remuneration Committee has had two recorded meetings during the 2005/2006 financial year and in the interim had contact by telephone and e-mail.

Audit Committee

In January 2004, the Board set up an Audit Committee. During the 2005/2006 financial year it comprised the Deputy Chairman of the Board, Conny Karlsson, and members Lars Otterbeck and Lars Förberg. The Committee is charged with the task of preparing the work of the Board on quality assurance of the Company's financial reports. The Committee has ongoing contact with the Company's auditors to remain up to date on the audit's orientation and scope and discuss views regarding the Company's risks. The Audit Committee also has the task of adopting guidelines for services other than auditing services which the company needs to procure from the company's auditor. The Committee also has the task of evaluating the audit work and providing this information to the Nomination Committee and to assist the Nomination Committee in the production of proposals for an auditor and the fee for the audit work. During the year, the Audit Committee also worked with the introduction of IFRS.

The Audit Committee had five recorded meetings during the 2005/2006 financial year and in the interim had contact by telephone and e-mail.

External auditors

Lindex's auditors are elected at the Annual General Meeting for a period of four years. The current period commenced in January 2004 and a new election of auditors will therefore take place at the Annual General Meeting in 2007. The Lindex auditors are Öhrlings PricewaterhouseCoopers (PWC) and auditor in charge is Magnus Götenfelt. PWC have been Lindex's auditors since 1993. The auditors examine the administration of the Company by the Board and the President as well as the quality of the Company's accounting documents.

The auditors report the results of their examination to the shareholders through the audit report, which is presented at the Annual General Meeting. In addition, the auditors present detailed statements to the Audit Committee in conjunction with ordinary meetings of the Audit Committee and to the Board at least once a year.

In addition to the audit, PWC performs certain services for Lindex. When PWC is engaged to provide services other than auditing this takes place in accordance with the rules governing approval of the nature of the services and the scope laid down by the Audit Committee as well as remuneration for this work. Lindex considers that the performance of these services does not jeopardise PWC's impartiality. Further details regarding remuneration to the auditors can be found in Note 4.

President and Executive Management

The President leads operations in accordance with the rules of procedure adopted by the President and the Board as well as the instructions from the Board. The President is responsible for keeping the Board informed and ensuring that the Board has the necessary information to make decisions and that this information is as complete as possible. According to current policy, neither the President nor any senior executive is a member of the Board. The President is thus only responsible for presenting to the Board. The President also maintains a continuous dialogue with the Chairman of the Board to keep him informed about the Company's and the Group's development and financial position.

The President and other members of the Company Management have formal meetings once a month and a number of informal meetings to go through the previous month's results, update forecasts and plans and discuss strategy issues. Meetings dealing with the future orientation of design, fashion levels and products as well as overall marketing take place quarterly and involve the President as well as selected members of the Company Management. This also includes basic assumptions regarding future purchasing volumes.

The Lindex Executive Management comprises seven persons, of whom three are women. These are presented in the chapter 'Lindex Executive Management'.

The Lindex Group comprises AB Lindex (publ) and a number of subsidiaries, a list of which can be found in Note 15. All operating subsidiaries report directly to the President. Reporting is done on a monthly basis and through more in-depth quarterly examinations of each operation. The Boards of the subsidiaries comprise mainly members of the Lindex Company Management. The chairman is in all cases the President of AB Lindex.

Remuneration to senior executives

Remuneration to senior executives (excluding the President) comprises a fixed part, the basic salary and a floating part, a bonus. The bonus depends on the objectives achieved for the company and for the individual. For senior executives the bonus can amount to a maximum of four months' salary. The President and the majority of other persons on the Company Management also hold call options issued by Cevian Capital – see chapter 'Lindex Executive Management'.

New option programme

The proposal presented by the Board to introduce an option programme for senior executives at Lindex was adopted at an extraordinary general meeting of the shareholders on 26 June 2006.

The programme comprises three option series, with an annual allocation starting in 2007 and with a term of approximately three years. The programme means that senior executives are offered the opportunity to acquire subscription options subject to market terms and conditions. Market terms and conditions are defined as the market value at the time of acquisition, calculated according to the Black & Scholes valuation method.

The number of subscription options which are offered is subject to a figure where the total premium shall be equivalent to the bonus after the deduction of tax for the preceding financial year although subject to a ceiling, which is decided by the number of available options.

Issuing of information

Lindex is endeavouring to achieve good communication with the shareholders and information to shareholders and external parties should be correct, clear, factual, credible and quick. Lindex communication should also be characterised by openness. Lindex publishes interim reports and annual reports on an ongoing basis in Swedish and English. Events which are considered to have an influence on the share price are made public in the form of press releases. On the Lindex website there is also a large amount of information which is updated continuously.

Lindex communicates continuously with the capital market and business press, among other things through press and telephone conferences for analysts and journalists in conjunction with the publication of the interim reports. Each year, representatives from Lindex also meet a number of shareholders, both in Sweden and abroad.

The Board's internal control report

This section has been prepared in accordance with the Swedish Code of Corporate Governance and the guidelines produced jointly by FAR and the Confederation of Swedish Enterprise and according to the simplified rules for internal control notified by the Swedish Corporate Governance Board on 6 September 2006. The report is limited to a description of how internal control is organised with regard to financial reports.

Control environment

Efficient board work is the basis for good internal control. In the Board's rules of procedure and instructions for the President and the Board working committees, a clear allocation of roles and responsibilities is assured with the aim of effective handling of operational risks. The Board has also adopted a number of basic guidelines and policies which are of significance to internal control, such as the Finance Policy, Investment Policy, Code of Conduct and Communication Policy.

The Company Management report regularly to the Board according to established guidelines and this is also the case for the Audit Committee. The Company Management is responsible for the internal control system which is required to handle significant risks in current operations. These include guidelines for holders of different positions so that they can understand and realise the significance of their rules in the maintenance of good internal control.

Risk assessment and control activities

Each month, the Board receives financial reports and at each Board meeting the Company's and the Group's financial situation are dealt with. In addition, the Audit Committee plays an important role in the follow-up process and the control of financial reports.

The financial reports for all subsidiaries are handled by Lindex Shared Service Centres in Alingsås and Shanghai. The Company's auditor carries out controls and an audit of the financial reporting in the Group and also audits processes, systems and output of the work within Lindex Shared Service Centres.

Information and communication

The Company's controlling documents, such as guidelines, manuals and policies of significance for the financial reports are updated and communicated to the employees concerned on a continuous basis via meetings, the intranet and e-mail.

To ensure that the external issuing of information is correct, Lindex has a communication policy which has been adopted by the Board.

Follow-up

The Company's auditor reports on a continuous basis throughout the financial year on observations made to the Audit Committee. The Company's auditor reports his observations to the whole Board at least once a year and also summarises his opinion in the Audit Report.

Using the auditor's report as a starting point, the Board forms an opinion about the control environment, organisation, responsibility, authority and completeness and correctness of the financial reports.

Lindex Board of Directors


Christer Gardell


Conny Karlsson


Lars Otterbeck


Bengt Larsson


Lars Förberg


Nora Förisdal Larssen


Karin Larsson


Rigmor Lindbäck


Alice Eriksson


Rune Lindstrand

Lindex Executive Management


Göran Bille


Peter Andersson


Kicki Olivensjö


Hans Jepson


Johan Hallin


Ulrika Danielson


Sofia Brax

Board members appointed at the Annual General Meeting

Christer Gardell
Chairman
Member of the Nomination Committee
Born 1960, M.Sc. Partner in and founder of Cevian Capital.
Chairman of Lindex since December 2004. Member of the Lindex Board since January 2004.
Board member: Metso Oy.
Main professional experience: President of AB Custos, senior partner in Nordic Capital, partner in McKinsey & Company Inc. Chairman and member of several boards.
Shareholding in Lindex: None

Conny Karlsson
Deputy Chairman
Chairman of the Remuneration Committee and member of the Audit Committee
Born 1955, M.Sc. Consultant.
Member of the Lindex Board since December 2004.
Chairman: Zodiak Television AB and SEB Fonder.
Board member: Swedish Match AB, Scribona AB and Carl Lamm AB.
Main professional experience: President of Duni AB, several positions within Procter & Gamble.
Shareholding in Lindex: 150,000 shares. 50,000 call options issued by Cevian Capital.

Lars Otterbeck
Chairman of the Audit Committee
Born 1942, M.Sc., PhD Econ., Associate Professor.
Member of the Lindex Board since 2002.
Chairman: Hakon Invest, Swedish Industry and Commerce Stock Market Committee.
Board member: Tredje AP-fonden, Aberdeen Property Investors AB, Kaupthing Bank Sverige AB, Försäkrings AB Skandia, The Swedish Corporate Governance Board.
Main professional experience: President of Alecta Pension Insurance, President of D&D Dagligvaror AB, President of Axel Johnson Saba AB, President of Dagab AB, vice-president of Axel Johnson AB, teacher, researcher at Institutet för Företagsledning and at the Stockholm School of Economics.
Shareholding in Lindex: 1,000 shares.

Bengt Larsson
Member of the Remuneration Committee
Born 1945, High School Graduate.
Member of the Lindex Board since 2002.
Board member: JM AB.
Main professional experience: Head of IKEA Sweden, head of IKEA Nordic region, European head of retailing operations as well as marketing communication in the IKEA group. Member of the IKEA executive management during the 1990s.
Shareholding in Lindex: 2,000 shares.

Lars Förberg
Member of the Audit Committee
Born 1965, M.Sc. Partner in and founder of Cevian Capital.
Member of the Lindex Board since December 2004.
Board member: Intrum Justitia AB.
Main professional experience: Head of Investment, AB Custos, Head of Investment, Nordic Capital. Member and chairman of several boards.
Shareholding in Lindex: None.

Nora Förisdal Larssen
Born 1965, MBA. Head of Fabric Care product line, Electrolux Major Appliances Europe.
Member of the Lindex Board since December 2004.
Main professional experience: Number of positions within McKinsey & Company with a focus on the retail trade and consumer goods.
Shareholding in Lindex: 1,000 shares.

Board members and deputies appointed by employee organisations

Karin Larsson
Born 1972.
Member of the Lindex Board since 2000.
Appointed by the Swedish Union of Commercial Employees.
Employed since 1991.
Shareholding in Lindex: None.

Rigmor Lindbäck
Born 1959.
Member of the Lindex Board since 2000.
Appointed by the Swedish Union of Commercial Employees.
Employed since 1984.
Shareholding in Lindex: None.

Alice Eriksson
Born 1943.
Deputy member of the Lindex Board since 2000.
Appointed by the Swedish Union of Commercial Employees.
Employed since 1979.
Shareholding in Lindex: 2,000 shares.

Rune Lindstrand
Born 1943.
Deputy member of the Lindex Board since 2000.
Appointed by the Swedish Union of Commercial Salaried Employees.
Employed since 1985.
Shareholding in Lindex: 500 shares.

Jan Lombach
Secretary to the Board
Born 1955.
Lawyer and partner in Advokatfirman Vinge KB.
Secretary to the Lindex Board since December 2004.
Shareholding in Lindex: None.

Auditors
Öhrlings PricewaterhouseCoopers AB
Magnus Götenfelt
Authorised Public Accountant
Auditor in Charge

Göran Bille
President and CEO
Born 1955, M.Sc.
Employed since 2004.
Main professional experience: A number of leading positions at H&M: President of H&M Rowells, country manager for H&M in Sweden, divisional manager for H&M women's wear, head of H&M's office in Hong Kong and purchasing and production in London.
Shareholding in Lindex: 200,000 shares. 100,000 call options issued by Cevian Capital.

Peter Andersson
Chief Financial Officer
Born 1964, MBA.
Employed since 2000.
Shareholding in Lindex: 18,065 shares. 6,250 call options issued by Cevian Capital.

Kicki Olivensjö
Director of Purchasing
Born 1958, High School Graduate.
Employed since 2005.
Shareholding in Lindex: 7,500 shares. 22,500 call options issued by Cevian Capital.

Hans Jepson
Director of Establishment
Born 1956. Construction Engineer.
Employed since 1992.
Shareholding in Lindex: 50,000 shares. 6,250 call options issued by Cevian Capital.

Johan Hallin
Director of Marketing
Born 1961. M.Sc.
Employed since 2005.
Shareholding in Lindex: 12,500 call options issued by Cevian Capital.

Ulrika Danielson
Director of Corporate Communications
Born 1965. BSc Social Science.
Employed since 2002.
Shareholding in Lindex: 7,000 shares. 6,250 call options issued by Cevian Capital.

Sofia Brax
Director of Human Resources
Born 1967. BSc Psychology.
Employed since 2004.
Shareholding in Lindex: None.

Calendar

The Annual General Meeting will be held at Chalmers Kårhus, Chalmersplatsen 1, Göteborg at 4 pm on 19 December 2006.

Interim Report for the first quarter of 2006/2007: 19 December 2006

Interim Report for the second quarter of 2006/2007: 27 March 2007

Interim Report for the third quarter of 2006/2007: 26 June 2007

Year-End Report 2006/2007: 2 October 2007

AB Lindex (publ)
Box 233, SE-401 23 Göteborg, Sweden
Visiting address: Nils Ericsonsplatsen 3
Tel +46 (0)31-739 50 00
Fax +46 (0)31-15 14 95
E-post: investor.relations@lindex.se
www.lindex.com

Solberg · Print: Göteborgstryckeriet