

Lindex Group

Annual Report 2003/2004 • Company Presentation

Fashion
for all women

Children's fashion
on children's terms

Lingerie
for all occasions!

Established
position
in **four**
countries

LINDEX



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Lindex 50 years

In 2004, Lindex celebrated 50 years of service to women. When rock 'n' roll was born and film stars such as Brigitte Bardot and Sophia Loren were the wannabe icons of women around the world, two men in western Sweden started a business which has made a lasting impression on many women's lives.

In 1954, Ingemar Boman and Bengt Rosell opened a lingerie store, Fynd, in Alingsås. Soon after, they acquired the company Lindex, in Göteborg, which gave its name to the store chain they subsequently launched.

Since then, we have grown into a leading fashion chain which sells lingerie, children's clothing, ladies' wear and cosmetics. The Lindex Group currently consists of two retail chains: Lindex which has 315 stores in the Nordic market and 25 stores in Germany and Twilfit which has 58 stores in Sweden.

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Developing inspiring stores

The stores are the Lindex chain's heart and soul. This is where our product range and where our staff meet the customers. It is also where our customers make their purchasing decisions.



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Design and fashion in Ladies' Wear

Our ambition is to move our position continually forward as a fashion company. The guiding star is 'inspiring everyday fashion'.



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Children's fashion on children's terms

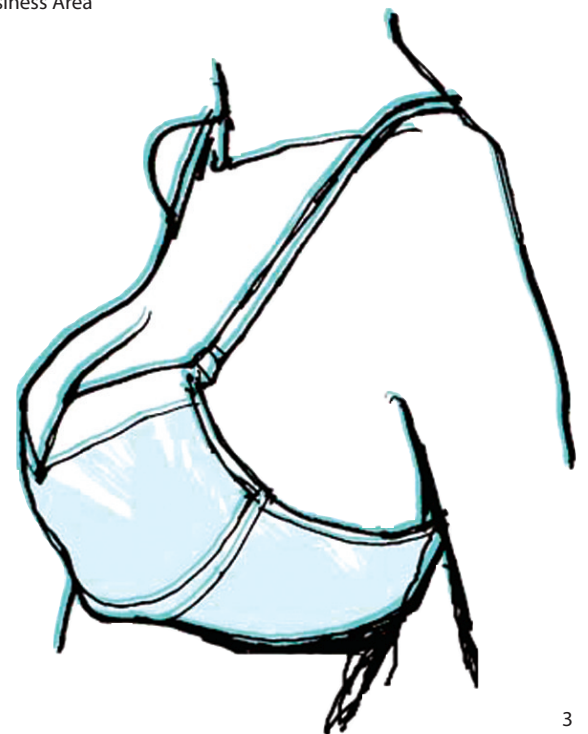
The interest in clothing and fashion is moving further and further down the age groups. Our ability to listen to what children and their parents want is the key to the success of Business Area Children's Clothing.



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Lingerie for all occasions!

Lindex is the fashion group that sells the most lingerie in the Nordic countries. We have an established position as a lingerie specialist – a position we are working hard and successfully to strengthen.



For Lindex, the 2003/04 financial year was challenging and sometimes really difficult



Conny Karlsson, Acting President and CEO.

The financial year involved many difficult decisions and significant challenges. However, it is also important to note that Lindex's position within lingerie strengthened during the year. In parallel, we have also been involved with implementing our new IT and logistics system, which will enable increased control and follow up in the long term.

In my opinion, it is important for Lindex to look forward in order to realise and develop all the strengths that Lindex and all its staff have. However, there is a need to briefly review why our company reported what is clearly an unacceptable profitability during the past year. It explains why the company was forced to implement a number of drastic measures which also meant that the President, Jörgen Johansson, left the company.

During the year, sales development was weak in the markets in which Lindex has operations. This, together with optimistic forecasts, had the effect that we acquired inventories which were far too large and which we were then forced to sell at discounted prices. In addition, we had to make one-off write-downs of the ladies' wear inventory during the spring as a consequence of some poor investments within the trouser range where the purchasing volume of spring trousers was far too large.

As a result of this, we implemented a number of staff and management changes during the year in order to strengthen Business Area Ladies' Wear. The changes also resulted in a number of executives having to leave the company.

Lindex's strengthened its position within lingerie

Lindex's very strong position in the lingerie sector was strengthened during the year. Fashion and design in lingerie, have also become increasingly important for our fashion-conscious customers.

During the spring, Maritha Wadenfalk, who is responsible for Children's Clothing, also took over the responsibility for Ladies' Wear. With more than 20 years in the clothing sector, Maritha has considerable experience and expertise in this field, both as a designer and a buyer.

New system enables increased control

The final stages in our extensive IT and logistics project, which was initiated during 2002, were implemented during the year. The new system will give us better control over purchasing, inventories and sales. In the future, we will be able to identify and avoid any unplanned inventory build-up much earlier. With the aid of a well-developed and monitoring system, the ability to ensure that we have the right products in the right store at the right time is now a reality.

With the new system we will achieve full price sales, reduced inventories and our store staff will have more time for the customers. Lindex has enjoyed a steadily improving visitor trend and has a large customer base who continuously is interested in what Lindex has to offer. Fashion- and price-conscious customers who are, by nature, inquisitive and demanding in their standards are Lindex's main asset. They must be handled with care and efficiency by all our employees, every day.

Better starting point in Germany

Our German company has, for a long time, reported significant losses. The decision to close ten stores will make our German operation cash flow positive. From this new position, we can begin to plan a cautious expansion in Germany.

German customers increasingly show that they appreciate our offer for lingerie as well as children's clothing and ladies' wear. In the Nordic countries, Lindex has moved its position forward, primarily within lingerie and children's clothing.

Within the wholly-owned Twilfit chain, we increased the co-ordination of activities with the rest of Lindex during the year. This included moving all head office functions to Göteborg. As a result, the opportunities for utilising the Group's core expertise have increased whilst the distinctive character of the different brands can be better preserved.

Göran Bille new President

After this turbulent year, it is pleasing to report that the new President, Göran Bille, who has a solid knowledge of, and a long experience in, the sector, took over on 11 October. Göran is already in full swing with regards to returning Lindex to sound profitability and in developing our strong position in the northern European clothing market for women and children.

I wish Göran and all Lindex staff every success and, at the same time, I thank you for an interesting six months as Acting President, during which a number of decisions were made to put Lindex back on track towards an exciting and profitable future.



Göran Bille took over as President of AB Lindex on 11 October 2004. Göran Bille has more than 20 years' experience within the clothing sector. He joined Lindex from his previous post as President of H&M Rowells. He has also been country manager for H&M in Sweden. For ten years he was divisional manager of H&M Ladies' Wear. He has also been responsible for H&M's office in Hong Kong.

Questions to *Göran Bille:*

Why did you take on the assignment as President of Lindex?

I feel it is both exciting and challenging to be able to use the experience I have gained during all my years in the clothing sector and test it in a new context.

I always have greatly enjoyed working for my previous employer so it required something really special to make me leave. This new assignment came at a time in my life that felt right and offered a challenge with a significant development potential. This is precisely what attracted me to the job as President of Lindex.

What makes the assignment attractive?

To develop, in collaboration with the Lindex staff, a fashion company which is already firmly established with its customers.

In your opinion, what does Lindex stand for?

I want Lindex to be the obvious store for women who are interested in fashion clothing for all occasions at all hours of the day.

What do you believe will be your main contribution?

I have extensive knowledge of the sector, which means that I can immediately be involved in, and discuss, the future of Lindex.

What is your main quality?

I am good at motivating people to achieve targets.

Which are the main challenges for Lindex?

They are to increase profitability and to strengthen the brand. In addition, Lindex should be an interesting and enjoyable place to work.

Business objective, goals and strategies

The Lindex Group operates two fashion chains with two strong brands, Lindex and Twilfit. Both have specific target groups and market positions.

Business objective

Inspiring fashion for women, teenagers and children.

With our strong retail brands, we attract women, teenagers and children. We have in-depth understanding of their changing needs throughout their lives.

Through our size and way of working, we offer our customers value-for-money fashion in inspiring retail environments.

We reach our customers in the Nordic countries and northern Europe through multiple channels – with a focus on our own stores.

Strategy

Lindex's strategy is based on four cornerstones:

- attractive products
- efficient product flow
- inspiring stores
- communication.

With these four factors working together, we build a strong and sustainably profitable Lindex.

Two chains – three business areas

The Lindex Group has three business areas: Lingerie, Children's Clothing and Ladies' Wear. The Lindex chain operates in all three business areas, whereas Twilfit sells Lingerie and Ladies' Wear.

Our strongest market position is in the lingerie sector where we are the leading company in Sweden and Norway and among the leaders in Finland. In Sweden and Norway, we are also among the market leaders for ladies' wear and children's clothing.

Our goal is to continue to win market share in all business areas.

Passion

We live in a world in which trends and fashion continually change. We will always keep one step ahead to ensure that we have the right products in the stores for the coming season.

It is in Lindex's purchasing department that the company's own collections within Lingerie, Ladies' Wear and Children's Clothing are created. Design is one of our most important means of competition. The soul of the product is created on the design table.

All Lindex's collections are the result of teamwork in which each team is responsible for a concept within the respective business area. Each team includes designers, buyers, pattern constructors, assistants and controllers. They all have one thing in common – they have a burning passion for fashion. They are



for fashion

continually on the lookout for trends and they gather inspiration from many different sources such as films, magazines, street fashion in world capitals, old film posters and second-hand stores.

The ability to interpret trends and create collections which match the needs and wants of our customers is a crucial quality.

Inspiration and analysis

When a new collection is produced, the process starts with a meeting of the designer teams who review the collections from the previous year and season. What has sold well and what has sold less well? They look to see if there is any part of last season's fashion that continues to be topical and if an especially popular garment can be updated.

The information comes from trend institutes and from the inspiration gathered from trips to fashion fairs and fashion capitals. The teams also analyse what focus groups, consisting of customers and store staff, are asking for.

They work together to produce a picture of the coming season's product range and what the balance between different product groups will look like. This enables them to create a well co-ordinated and commercially viable collection.

Product range review

The Lindex designers present their sketches, together with pictures from fashion magazines, textiles samples and colour charts, they display the coming season on large boards. The whole product range is analysed to ensure that everyone has the same picture of the coming collection. At the same time, our designers and buyers keep an eye on external trends so that they can adapt the collection to the latest fashion.

Then the planning process starts, identifying the scale of the volumes which should be bought. The designer produces detailed sketches of the garments and, based on these, the stylist makes measurement lists.

Sample handling

The selected supplier produces a first sample, which is carefully checked. Is it of the right quality, colour and measurement? The garment is also tested on a model, and any adjustments are made. Thereafter, the supplier produces samples in all sizes. The fit is one of Lindex's strengths, and the garments are tested on women and children in precisely the environment they will be used, for example in the office, at a party or in the nursery.


Production starts

When everything is right, it is time for a so-called countersample to be made, which must be perfect. Then the production process can start. The production offices in each country are in close contact with every supplier to ensure that everything will function as intended.



Production offices

are taking on increasing responsibility



Lindex's eight production offices around the world form an integrated part of the purchasing work.

The network of production offices gives us opportunities to steer the purchases to the right country in respect of price, quality and volume. Thanks to these offices, it is also easier to ensure that our suppliers comply with the Code of Conduct we have been working with for several years.

We have production offices in Romania, Turkey, India and Bangladesh and three offices in China. During the 2003/04 financial year, we also opened an office in Pakistan. The responsibility for the daily, practical purchasing work is increasingly being transferred to the production offices. This enables the design and purchasing teams to concentrate on the creative work needed to produce new lines of best sellers.

A significant advantage of this way of working is that the responsibility for taking decisions ends up closer to the suppliers. The prerequisites for improved control, simpler monitoring and closer collaboration become more favourable. For example, the production offices are currently handling most of the sample management. As a result, the samples need no longer be sent from Asia to Sweden for checking, which means shorter lead times.

"We are in a phase of transition in which we identify suppliers who maintain a high and even quality and link them closer to us as collaboration partners. In this way, we expect to be able to reduce the number of suppliers we have and, instead, concentrate on raising the quality and delivery precision of the suppliers with whom we work," says Stefan Ahlén, Director of the Purchasing and Production Department.

Most of Lindex's products are purchased directly from the manufacturers without intermediaries. The proportion of direct purchasing is more than 90 per cent. Purchases of textiles are also, to some extent, handled by Lindex which has led to lower purchase prices, improved quality and increased flexibility.

Several countries quota-free in 2005

From 2005, exports of retail clothing from countries affiliated to the World Trade Organisation, WTO, will no longer be subjected to quota regulations. Important clothing exporting countries include China, India and Pakistan. In these countries, a large proportion of our purchasing activities have focused on finding suppliers with quotas. Now, we will instead be able to concentrate on finding the right suppliers. The abolition of the export quota regulations will lead to increased competition, which is expected to result in a reduction of purchase prices.

With its long presence in several of the most important purchasing markets, Lindex has the local knowledge which is required to take advantage of the new situation. Lindex anticipates that the proportion of retail clothing purchased in Asia will increase. Europe will continue to be an important purchasing market for products demanding extremely short lead times. For example, Lindex will increasingly make use of its purchasing office in Turkey for purchasing products in season.

IT support for increased control

Increased full-price sales, reduced store inventories and more time for customers. These are the most important benefits of the extensive investment we have made in the IT and logistic area during 2002-2004. The objective of the investment is to ensure that we always have the right products in the right store at the right time.

The investments, named Quick Response Projects, consist of three components: a tool for budgeting and planning, which is common for purchasing and sales; the order and inventory system, Retek; and the monitoring and analysis system, Data Warehouse. The new systems will provide for increased control and simpler monitoring of purchases, inventories and sales.

Budgeting and planning

The budgeting and planning tool is used to plan how large volumes will be sold, from an overall perspective, via business areas and countries down to a very detailed level. We produce timetables for the purchasing process and these are transferred to Retek for order registration. The key words are fact-based retailing. The decisions are based on previous experience and information from Data Warehouse, for example relating to the stores' previous and current sales and inventory level.

Retek

Retek is an order and inventory system which provides better conditions for controlling the product flow. When new products arrive, the stores are given a basic allocation. The remainder is sent to a picking inventory at Lindex's distribution centre in Göteborg. The sales of all stores are registered in Retek, down to colour and size level. When a specific size or colour is

about to run out, the stores get replenishment from the picking inventories. As a result, in-store shortages of individual products, colours or sizes will be fewer, and this will lead to increased sales.

Another major advantage is that the in-store inventories can be reduced and in-store inventory handling simplified. More time and effort can be devoted to sales and product exposure.

Data Warehouse

Data Warehouse is an analysis and follow-up system which, among other things, gathers information about sales in all our stores. It is easy to monitor how many people have visited the stores, how many became customers and which purchases were made. Together with Lindex's CRM-system (Customer Relationship Management), the Data Warehouse system also makes it easier to monitor the impact of different campaigns – identifying how many additional customers were attracted to each store, if there were any additional sales, and which products enjoyed a sales increase.

Accurate reports create opportunities for more efficient budgeting and planning work. The stores receive continual reports about 'winner and loser' products and this enables them to expose the products accordingly.

The objective – increased gross profit

The business system creates an overview of the entire product range relating to price groups, colours and materials. This forms an important base for ensuring that Lindex's product range continually matches customer demand.

The significantly more detailed information that the system provides, creates completely new prerequisites for differentiating between products and stores in order to sell more products at full price and thus maximise the gross profit.



Lingerie

Lindex is the fashion group which sells the most lingerie in the Nordic countries. We have an established position as a lingerie specialist – a position we are working hard and successfully to strengthen.

As fashion and emotional values are becoming increasingly important in the lingerie sector, it is also becoming increasingly important to be able to offer the very latest products in addition to a fashionable and value-for-money base product range.

“Fashion is influencing the look of lingerie more than ever before, which means that the demands for us to have a highly innovative aspect in our collections are continually increasing,” says the Business Area Director Christina Holmqvist.

There is lingerie for both work and leisure, as there are for exercise and for parties. We have the market’s widest range of lingerie for all these different occasions. We have simply everything the customers could possibly need to create a varied lingerie wardrobe.

Together, Lindex and Twilfit have a knowledge and experience of the lingerie market that is difficult to surpass. In Sweden, the Lindex chain and Twilfit have a total market share in the lingerie sector of approximately 28 per cent.

Fashion and trends

The Lindex chain sells lingerie of both our own brand and external brands. Our offer also includes hosiery and cosmetics. The product range is characterised by fashion, trend, good fit and value-for-money.

Every season, Lindex’s designers produce around 100 bra and panty models. Our designers work closely together, but have a responsibility for different concepts.

Lingerie keeps up with changes in fashion. When ladies fashion changes, new cuts could be needed for the lingerie. Lingerie fashion can get its inspiration from many different quarters – from past eras such as that of ancient Greece, from South America’s hot exotic carnivals or from the film star look of the 1950s.

All sizes and functions

We offer all sizes and all functions – our customers should be able to find favourites whether it is a base garment or has a more luxurious and trendy lingerie look. We give our customers an opportunity to mix and match and thus enable them to create just the expression they strive to achieve.

We continue to work hard on developing our own brands and on finding the right balance between our own and external brands. The Lindex brand is designed to have a broad fashion appeal with many different functions in order to attract a wide customer base. Ella May is our more luxurious brand for the woman who likes something special close to the body. So.U is our more youth-oriented brand for the customer who likes to be the first wearing the latest fashions.

With the aim of strengthening our role as a lingerie specialist even further, we are collaborating with other suppliers of leading lingerie brands. The external brands are more focused on function and attract a slightly older customer group.

Business Area *Lingerie*

Start: 1954

Business Area Director: Christina Holmqvist since 1999

Sales: SEK 1,981 M

Share of Lindex’s sales: 37 per cent

Position: Market leader in Sweden and Norway, and among the leaders in Finland

for all occasions

Socks and hosiery in the fashion picture

We reviewed our range of socks and hosiery during autumn 2003. It included updating the packaging and the way we present the range in the stores in order to clarify the offering to our customers. The new product range has developed extremely well. The review was made at the right time. In 2004, hosiery really came back in the fashion picture.

In the socks and hosiery sector, we have a market leading position in Sweden and Norway, which we can develop still further by strengthening our product range.

We have also enjoyed a positive development within the cosmetics sector. During the year, we have concentrated the product range and made its appeal clearer. Cosmetics strengthen important values such as femininity and inspiration in our brand. Cosmetics are currently sold in around 120 shops in Sweden and Norway.



Tights

Good looking and comfortable tights are a must in every wardrobe. By the way, tights are the same age as Lindex. In the 1950s, the technology for making thinner stockings using synthetic materials was developed and, thanks to the fashion for short skirts at the time, tights became a big favourite and remain so even today. At Lindex, you will find the latest colours and models for all occasions. Did you know that approximately eight kilometres of yarn is required for a pair of tights?

Hosiery tips

Warm up the tights by pulling them a few times. The mesh will then become more even and the tights easier to put on. Stretch the tights thoroughly to ensure that the yarn is activated.

If you use figure-shaping tights, it is a good idea to stretch them slightly. Pull them up to the knees and stretch the trouser part by pressing the legs slightly apart. This kind of tights will offer a more even contour and are perfect to wear under clingy dresses and close-fitting trousers when you want to be particularly well dressed.

A pair of Lindex's support tights or knee-length stockings can be beneficial for your legs. The stockings provide support and, therefore, circulation is stimulated. This can prevent and relieve swelling and tiredness in both legs and feet. They are perfect for the woman who stands and walks a lot during the day.

Stay ups are stockings which stay up without garters. They do so with the aid of a lace and silicone border. If you dab a little water onto the borders, the stockings will stay in place better. Never use skin cream on your legs in the area where the borders should be as this will stop them from sticking. Stay ups are good to use during pregnancy as they do not fit tightly over the stomach. However, if you do not want a pair of stay ups, Lindex and Twilfit also have special tights for expectant mothers.

Sometimes hitches and lines are formed in thin tights. They can be eliminated by stretching the exposed area horizontally and vertically a few times.

Do come into our stores and we will happily tell you more about our tights!



Children's fashion on children's terms

The interest in clothing and fashion is moving further and further down the age groups. Our ability to listen to what children and their parents want is the key to the success of Business Area Children's Clothing.



Business Area *Children's Clothing*

Start: 1985

Business Area Director: Maritha Wadenfalk since 1993

Sales: SEK 1,595M

Share of Lindex's sales: 30 per cent

Position: A strong position in the Nordic countries and the market leader in Sweden

Lindex's children's clothing is aimed at children aged 0-14. Our lines are much appreciated for the carefully considered combination of fashion content, quality, fit, function and value-for-money. We have a strong range of base garments which can always be combined with the season's fashion trends.

"Most of us in Children's Clothing have own children and we are continually curious to know what children are interested in," says Business Area Director Maritha Wadenfalk.

The fashion content in children's clothing has increased progressively in recent years. Children's fashion currently changes as fast as adult fashion. Influences come from music, film, TV, etc.

Sport is another important influence. This was clearly seen during 2004 when football's European Championship was held in Portugal and the Olympic Games were held in Athens. These days, boys interested in sport can also dress in fashionable and colourful garments inspired by stars such as David Beckham and Fredrik Ljungberg, who both have a clearly stated interest in fashion. Children are also very aware of what their friends wear. Children's trends can look different to those applying to adults. Children tire more quickly and like to have new impressions.

All children's clothing is produced by our own designers. The clothes are quality tested before being sent to the stores. We also let children test the garments before they are put in the stores.

Children's needs in focus

Lindex designs children's clothing to meet the needs and requests of children themselves. Children of school-age, in particular, like to choose their own clothes.

Children's Clothing has four target groups: The four year-olds, who like the day nursery and their friends but are still closest to their parents. The four year-old is curious, inquisitive, determined and learning quickly. The ten year-olds, independent fourth form pupils whose

friends are extremely important to them, who think clothes are fun and who want to express their personality. Fourteen year-old girls, who like clothes and who look for cool, individual clothes with their own identity. Parents with babies are, of course, also an important target group. In this group, mothers are generally our customers. They are frequent visitors to our stores and are often looking for new ideas to inspire them.

Strong brands

We have three strong brands: Lindex, with sub-groups for girls and boys of different ages; FIX, for children aged 0-7; and the Heartquake brand which is for fashion-conscious girls aged 10-15. For younger children there is also a much appreciated Bamse clothing range. All Lindex children's clothes are co-ordinated to enable customers to put together fashionable outfits.

"Our overall approach is an important factor which explains why our children's clothing has been so successful. Regardless of whether it is the mother or the children themselves who buy, they want to be given tips about how they can match their clothes," says Maritha.

For the younger children, the product range is slightly cuter but customers can also find highly fashionable clothing in this range. We have produced a new base collection of baby clothing with simple, colourful garments which are easy to combine with the rest of the range. Baby clothes are important as they are often the first experience of shopping at Lindex. The number of births has also increased in recent years and sales of baby clothes have risen as a result.

Clothes aimed at school children have a high fashion content. We also have value-for-money base garments in many varieties and colours which can be combined with the season's fashion garments.

FIX is a complete collection of high quality clothes in bright, classical colours. FIX is sold exclusively by Lindex and is a very strong brand.

Heartquake is the name of Lindex's collection for fashion-conscious girls. It is a complete brand with highly fashionable sweaters, trousers, skirts and accessories. The clothes provide an opportunity for slightly older girls to remain as Lindex customers as it helps them make a transition towards our Ladies' Wear. Heartquake is sold through stores in Sweden, Norway and Germany and, since autumn 2004, also through two stores in Finland.

Safe children's clothing

Lindex designs functional children's clothing for everyday use. Our young customers can feel safe and secure when buying and using our children's clothing. To ensure the highest level of safety, we run through a checklist when the garments are designed. The checklist regulates the length of drawstrings, the location of reflective badges, the use and design of hoods, etc. Lindex is also participating in a project aimed at producing a European safety standard for children's clothing. The standard is targeting several different risk areas, including the drawstrings, the design of hoods, and the use of chemicals. Lindex's own checklist is at the forefront in all areas.



Heartquake on tour

Heartquake is the name of Lindex's clothing for fashion-conscious girls, but it is also Lindex's own pop group. The group consists of the three girls: Victoria, Emma and Paula. Heartquake made a tour in selected Lindex stores during November and December 2003. They also made a summer tour together with the talent competition, Stjärnskottet 2004. It was through Stjärnskottet that the members of Heartquake were discovered. For those who did not have the opportunity to see the group live, there is the record, Schlager Kidz, which Heartquake released in February 2004. The songs on the disc are Heartquake's versions of well-known contributions from the Swedish Song Contest.



Business Area *Ladies' Wear*

Start: Around 1960

Business Area Director: Maritha Wadenfalk
since April 2004

Sales: SEK 1,776M

Share of Lindex's sales: 33 per cent

Position: Among the leaders in the Nordic
countries

Design and fashion in Ladies' Wear

Our ambition is to move our position continually forward as a fashion company. The guiding star is 'inspiring everyday fashion'.

To succeed with ladies' wear in all our markets is a big challenge. Competition is really tough in these markets, and the demands from our customers are increasing. The Lindex customer is a fashion-conscious woman who likes clothes. She knows what she wants, and she buys for pleasure. The clothes must feel right and suit her lifestyle.

In order to meet increasing demands, the fashion content in Lindex's product range has been strengthened in recent years. Lindex's ladies' wear stands for fashion and design, combined with what Lindex has always been known for – fit, quality, function and value-for-money.

We are also working hard to ensure that we continuously have co-ordinated collections, which suit all events and all occasions in life – collections which keep up with fashion trends.

"It is important that our product range contains clear, co-ordinated concepts, which make it simple and inspiring for women to buy. Just as before, the starting point is femininity, pleasure and inspiration. We have a long tradition of design on which to build. It looks like we are going in the right direction," says Maritha Wadenfalk, who has had the overall responsibility for Business Area Ladies' Wear at Lindex since April 2004.

Co-ordinated concepts

Lindex's designers and buyers work in teams – one team for each concept. All our collections are designed to ensure that it should be easy

to combine, mix and match different garments. The collections are strengthened by fashionable accessories.

"Lindex customers enjoy shopping and want to leave our stores with a matched set of clothes. They are not generally on the lookout for single garments. It is our task to help them combine garments to ensure that they feel attractive," says Maritha.

Generous is Lindex's collection for fashion-conscious women who require slightly larger sizes. Generous follows the same fashion trends as other ladies' wear, but offers a different fit. We have reviewed Generous to give women who wear larger sizes the same opportunity as other women to buy clothes with a high fashion content. The Generous range includes jeans, sweaters, blouses, skirts, jackets and coats. Lingerie is also included in the collection.

MOM is the brand name of our collection for expectant mothers. MOM has been a major success since its launch in the autumn of 2003. The material is, of course, important for expectant mothers and the garments are, therefore, designed to be comfortable. The collection contains a lot of knitted cotton and stretch. We also put significant emphasises on ensuring that MOM is in line with current fashion trends.

"All collections are designed to ensure that it should be easy to *combine, mix* and *match* different garments."



Integrated *marketing* *strengthens* the brand

Inspiring everyday fashion are the catchwords for the Lindex chain's market communication, which is focused on attracting visitors and customers to the stores.

Our target group is the confident woman who enjoys a relaxed lifestyle. She is interested in fashion and buys clothes for pleasure, knows what the trends are and she makes conscious choices. A large proportion of the women in the target group have children and like to buy clothes for themselves and for others. Design, style and fashion are important. Price is also important, but it is not a decisive factor.

All along the line, from the product range, via marketing to in-store presentation, emotional values such as pleasure, inspiration and femininity are added to the brand. The overall feeling is characterised by fashion.

"Product range as well as communications and store concepts are developed with the target group in mind. We want to create a profile for Lindex as a distinct fashion company," says Lindex's Marketing Director, Mats Gärdsell.

Customers are the starting point

At Lindex, we have put considerable energy into understanding the market and our customers. Our aim is to be able to offer customers attractive products all the time. As the base for our work, we continually use the information we receive from our store data system and Lindex Club. We supplement this with external research. In addition, we carry out continual customer research at store level to find out as quickly as possible what customers think of our product range, our stores and our store staff. In every country, we also hold separate focus groups of store staff who provide us with in-depth information on customer issues.

Traffic-generating marketing

The lead elements of our communications are fashion sense and the product range. Their specific targets are to generate traffic, i.e. to attract customers, to the Lindex stores. The campaigns are, therefore, much more integrated with the product range and in-store presentation than before. Our traffic-generating communication is based on direct mail, supported by the use of the Lindex Group's customer clubs, advertising in the daily press and store windows to reflect the themes featured in our current campaign.

Brand building communication

Lindex works with several different channels to build the brand. We advertise in the popular press and we lend clothing for fashion shoots and articles. We run exciting and inspiring events such as Hello Supermodell! and we sponsor the Swedish Song Contest. We also support the Pink Ribbon campaign, which raises money for research into breast cancer.

In November 2003, Lindex launched its fashion magazine, *Pashion*. The magazine is mailed four times a year to active members of Lindex Club in Sweden. The objective of the magazine is to further strengthen the brand loyalty of Lindex customers. In *Pashion* they can read articles about the seasonal fashion and get practical tips about Lindex's product range. In addition lots of exciting reading about people, trends and events, which are linked to the Lindex customers' lifestyle, are presented in the magazine.

We constantly review our marketing relating to media strategy and media mix. We continu-

ally want to develop it and ensure that we get the best possible return on our investment.

Do we succeed? The research we continuously carry out shows that the traffic to our stores is increasing.

Customer clubs hit the right target

Lindex Club is acquiring an increasingly important role as a marketing channel to our most loyal customers. Members of Lindex Club receive regular offers and information about the latest fashion, and they are invited to specific club activities in the stores several times a year.

Lindex Club is a key element in our traffic-generating communication. It keeps the relationship with customers alive and it helps us direct the right offer to the right customer. Information about purchasing habits is gathered in a computer-based customer care system. This increases the accuracy of our direct marketing activities. Customers with children receive information and offers for children's clothing, whereas a woman who mainly buys for herself gets information about ladies' wear and lingerie. The system also makes it easier to measure and monitor the efficiency of the campaigns.

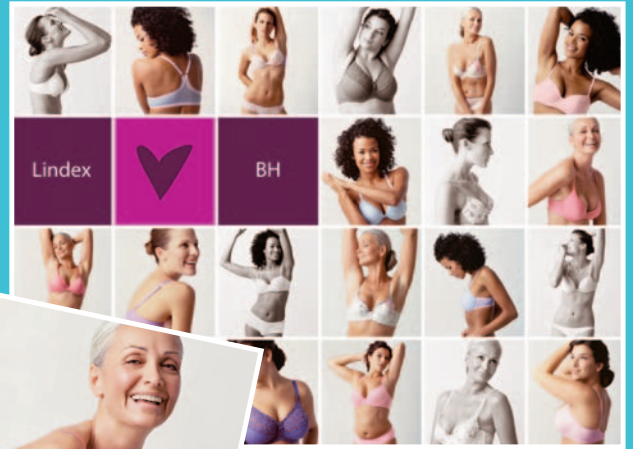
Lindex Club exists in all Lindex markets. At the end of the financial year, Lindex Club had a total of approximately 1.8 million members. In Sweden, the card functions as a cash and credit card. In Norway, there is a cash and credit card as well as a privilege card without any credit function. In Finland and Germany, the card is exclusively a privilege card.

Lindex wins award for best store campaign

Lindex won the award for the best store campaign of the year when the retail industry's major award, Retail Awards, was handed out for 2003. It is proof that Lindex's communications are hitting the right targets. The award ceremony was held in front of a large audience at Berns Salonger during the fashion week in Stockholm in February 2004.

Every year, Svensk Handel and TEMO present their big award for encouraging innovative thinking and quality within the retail trade. The competition is arranged in eight categories and every contribution is evaluated by a special jury. In contrast to many other competitions, these awards are not handed out on the basis of purely subjective evaluations. Significant emphasis is put on measurability.

Lindex was awarded first prize for a lingerie campaign carried out during autumn 2003. The jury's citation reads: "The winner of the 'Store Campaign of the Year for 2003' has in a conscious and commercial way created a campaign that combines increased knowledge to the customers with a strong link to the soul of the brand. The campaign is well integrated into the store environment, the customer club and store windows. The winner has created a selling and stylish store campaign with considerable credibility."



MELODIFESTIVALEN
2004



Lindex main sponsor of the Swedish Song Contest

Music and fashion are intimately linked with each other. Both small and large fashion phenomena have been born in the music world. It was natural, therefore, for Lindex to be one of the main sponsors of the Swedish Song Contest 2004, which is one of the biggest events of the year in the Swedish entertainment industry.

Lindex exhibited its spring fashion in a specially produced commercial shown to audiences in the arenas at the four different sub-finals and at the big national final in Stockholm. The star of the film was Jessica Andersson. She is the female half of the Fame duo, who won the Swedish Song Contest in 2003 and also competed in 2004.

Round two of Hello Supermodel!

The first round of Lindex's model competition – Hello Supermodel! – was a big success. More than 16,000 Swedish women took the opportunity to be seen in Lindex's Jubilee Campaign 2004 to celebrate the Swedish woman.

Round two of Hello Supermodel! started in July 2004. This year, the competition is also running in Norway.

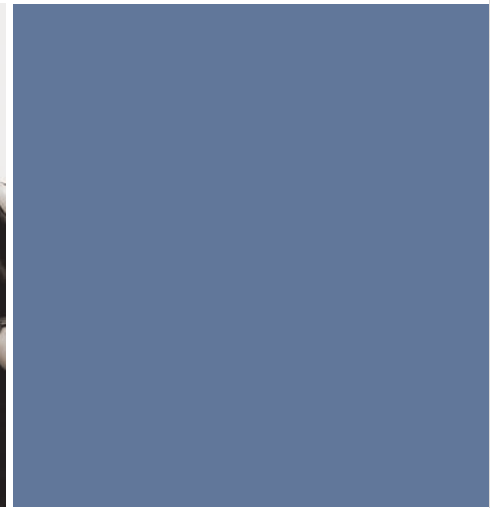


Hello Supermodel!

Pink Ribbon

During October 2003, the Pink Ribbon was sold in Lindex's stores in Sweden, Norway and Finland to help raise money for research into breast cancer. In addition to the sale of the ribbon, Lindex donated 1 krona for each bra sold during the month. Together with our customers, we contributed a total of SEK 1.9M.





Established position in *four* countries

The Lindex Group has operations in Sweden, Norway, Finland and Germany. Since April 2004, there is also a Lindex store in Estonia. The Lindex chain has 340 stores and the Twilfit chain has 58 stores.

All Lindex markets are characterised by structural changes. One trend is that the retail trade is increasingly being concentrated into densely populated regions and shopping centres outside the big cities. At the same time, a greater proportion of trading is carried out in increasingly large stores which often belong to the big retail chains. These retail chains have increased their market share, especially at the expense of independent stores and department stores. These changes create new opportunities for the Lindex Group to win additional market share as it has strong retail chain concepts.

Demand is governed by several factors

Customer demand for retail clothing is largely decided by four factors: disposable income, consumer confidence, changes within the sector and, in the short term, also by the weather. Fashion factors also influence demand.

Ladies' wear and children's clothing are affected most by these factors while lingerie enjoys a more stable sales trend, regardless of the economy, season and weather.

During autumn and winter, sales are generally higher and provide higher gross margins than during spring and summer.

Lindex Group's competitors

In Sweden and Norway, Lindex mainly competes with H&M and KappAhl among the chains. In Norway, Cubus and Vero Moda are also competitors of Lindex. Seppälä, H&M and KappAhl are Lindex's main competitors in Finland. Competition is hardest in Germany where most of the international operators such as Benetton, Esprit, H&M, Zara, Orsay/Pimkie, C&A and Mango are well established. In the lingerie segment, Lindex also competes with single line stores in the different countries.

Sweden

Year of establishment: 1954

Sales: SEK 2,840M

Number of stores: 181

Sales Director: Ingrid Osmundsen

Sales increase in Sweden

The Lindex Group's sales continued to increase during 2003/04. This is because we have improved both our ability to attract visitors to our stores and to inspire them to buy our clothes. In the retail trade, this is called that the conversion ratio has increased. The Lindex chain's same-stores sales in-creased by 2.9 per cent.

"By increasing our conversion ratio, we did significantly better than the market which grew by only 0.6 per cent," says Ingrid Osmundsen, who is Sales Director for Lindex in Sweden.

She says it is no coincidence that the conversion ratio is increasing. Lindex is continually working hard to improve the way it takes care of its visitors and in helping them find what they want, but also by offering tips and ideas. With the aid of new IT systems and more efficient logistics, less time is required to handle store inventories. That time can, instead, be devoted to sales.

"Our store staff have significant scope for influencing the impression given in the stores by working with product exposure, frequently rotating the products, and by continually monitoring the development of sales of different products. When we carry out customer research, our staff always get high ratings. Recently, we have also noted that customers increasingly appreciate the inspiration we think should characterise the stores," says Ingrid.

Communication with customers is focused on generating traffic to the stores. The campaigns carried out are becoming increasingly clear and accurate, and contribute significantly to generating sales in our stores. Lindex won the award for the best store campaign of the year when the

major award of the retail industry, Retail Awards, was presented for 2003. Lindex won first prize for a lingerie campaign which was carried out during autumn 2003. You can read more about the award and the jury's citation on page 17.

Sweden – Lindex's first and largest market

Sweden is the Lindex chain's largest market and accounted for 53 per cent of the Group's total sales for the 2003/04 financial year. We have a market leading position in lingerie and in children's clothing, and we are among the leaders in ladies' wear.

"We have won additional market share in lingerie and, as a result, we have further underpinned our market leading position in the sector. We have also maintained our position in children's clothing. However, we have lost slightly in the ladies' wear sector, but we know that we have a very exciting ladies' wear collection in the stores and we will do all we can to return to the top in ladies' wear as well," says Ingrid Osmundsen.

Lindex has continued to invest in its stores. During the financial year, more than 30 stores were reviewed in the Stockholm region. All the stores were upgraded to Every Day Fashion Stores. In the inner city they were refurbished with brand new interior, and in the suburbs according to need. The common denominator for the stores is that they display Lindex's product range in an inspiring way. The market in Stockholm is tough and highly competitive, but we note that the upgraded stores have developed positively.

At the end of the year, the Lindex chain had 181 stores in Sweden. During the year, two new stores were opened and there were no store closures.

Norway

Year of establishment: 1969

Sales: SEK 1,219M

Number of stores: 86

Acting Sales Director: Hanne Leino

Increased sales in Norway

The positive sales trend registered towards the end of the previous financial year, continued during 2003/04. In local currency, Lindex's sales rose by 4.0 per cent in a market which grew by 4.2 per cent. Same-stores sales increased by 4.4 per cent.

Acting Sales Director, Hanne Leino, explains the growth by the fact that the hard work put into the Lindex concepts is now beginning to generate results.

Strong market position

Lindex is the market leader in lingerie in Norway, a position that was strengthened still further during the financial year. Within children's clothing, we are number three in the market. We see significant opportunities for moving our position forward, both in children's clothing and ladies' wear.

During the year, significant efforts were devoted to strengthening our staff's competence within areas such as inventory handling, reporting, customer care, campaign handling and product exposure.

In May, Lindex opened its first outlet store in Oslo. The store is called Fynd & Co, and it also acts as a test store for other countries.

Lindex has also started a collaboration with Triumph which comprises specific shop-in-shops. The size of the Triumph shops is adapted to the prerequisites of the respective store. The intention of the collaboration is to strengthen our role as a lingerie specialist.

At the end of the financial year, Lindex had 86 stores in Norway. During 2003/04, two new stores were opened and three stores closed. Lindex is Norway's third largest retail chain with stores from Kristiansand in the south to Alta in the north. Norway accounts for 23 per cent of the Lindex Group's total sales.

Finland

Year of establishment: 1987

Sales: SEK 589M

Number of stores: 48

Sales Director: Ari Isohella

Continued success in Finland

Lindex's success in Finland continued during 2003/04. In recent years, we have continually won market share as customers have got to know Lindex and have come to appreciate our value-for-money fashion. The fact is that, during 2003/04, we grew three times as fast as the Finnish market in general, and for the third year in succession. The Finnish market increased by 2.8 per cent in 2003. During the 2003/04 financial year, the Finnish operation accounted for 11 per cent of the Lindex Group's total sales.

"In local currency, Lindex's sales rose by 9.0 per cent in total during the financial year. Measured as same-stores, the increase was 9.7 per

cent. Children's clothing developed especially strongly," says Sales Director Ari Isohella.

He says there are no secrets behind their success. "You get far through hard work focused on finding the best common store routines, visual merchandising and supporting local business practices," he explains.

Next step in Finland

Lindex in Finland was also early in differentiating the stores according to local prerequisites, which has contributed to the success.

Lindex, together with H&M and Stockmann, is at the forefront with regard to knowledge and, increasingly, Finnish customers are choosing to go to Lindex first when they shop. In Finland, the brand is also perceived as being younger and trendier than it is in Sweden and Norway.

Ari Isohella is of the opinion that, with the base that has been established and the profitability the Finnish operation is generating, the

next step will be to decide how Lindex should expand in Finland. Stores with a small floor area in small towns or separate lingerie stores are two potential routes. A test store in a village in northern Finland is already underway.

First store in Estonia

In April 2004, Lindex opened its first store in Estonia. The store, which is located in a new, large shopping centre at Tallinn airport, enjoyed a very positive reaction from fashion-conscious Estonians. The store covers 780 square metres and displays Lindex's entire product range within all three business areas. The Estonian retail sector ranges from small single line stores to large international retail chains.

The store in Estonia is run as a part of the Finnish operation. At the end of the financial year, Lindex had 48 stores in Finland. No store was closed.

Germany

Year of establishment: 1998

Sales: SEK 374M

Number of stores: 25

Sales Director: Anita Strandberg

Lindex's stores outperform the market in Germany

The German retail clothing and outfit market remained weak during the financial year as a consequence of the continuing recession. The market fell by 3.0 per cent in total. It is the fourth year in succession that sales of clothing fell in Germany.

However, Lindex's stores continued to outperform the market as a whole. In local currency, Lindex's same-stores sales rose by 1.3 per cent during the year, partly as a result of more visitors to the stores and a positive trend for Lindex Club.

Consolidation of store network

Anita Strandberg returned as Sales Director for Germany in November 2003. Since then, all

stores and all costs have been reviewed and also compared with those of other countries. A structural package has been implemented which was mainly aimed at closing unprofitable stores. As a result, five stores were closed during the financial year. At the end of the financial year, Lindex had 25 stores in Germany.

"We have concentrated our operation to an interconnected network of stores and costs are under control. In addition, we have an organisation which consists of very professional staff, who are highly motivated to succeed. We now have a stable base on which to develop the operation further," says Sales Director Anita Strandberg.

The stores are again concentrated to the Nordrhein-Westfahlen area, which makes it easier for us to run successful marketing campaigns. All the stores are Every Day Fashion Stores and they carry the latest in Lindex's store concepts.

The measures taken in Germany have been successful. Lindex expects that the German operation will continually generate a contribution to the Group's cash flow by October 2004.

Growing number of loyal customers in Germany

Lindex has a large and growing number of loyal customers who really like what Lindex stands for. This is reflected by the fact that more customers are joining Lindex Club, which currently has approximately 500,000 members.

Lindex Club is an important instrument for establishing a long-term relationship with German women who have high demands, and who are used to a large choice in clothing. In Germany, all the major international chains have a market presence and competition is tougher here than in any other country in which Lindex operates. The retail clothing and outfit trade is undergoing extensive structural change. Department stores and small single line stores are experiencing considerable problems, whereas the retail chains with strong concepts are the winners.

Germany is the largest market in Europe. During the 2003/04 financial year, the German operation accounted for 7 per cent of the Lindex Group's total sales.

"Though competition in the German market is very hard, there is significant potential for us," says Anita Strandberg.

A more distinctive *Twilfit*

Twilfit is clarifying the lingerie and ladies' wear concept aimed at the cosmopolitan woman. The key words are design, quality and fit.

"Twilfit addresses the cosmopolitan woman with a keen interest in clothing. She demands quality and is interested in design, fit and detail. She wants to feel feminine, sensual and modern. At Twilfit, she will get both the personal service and the expert knowledge that characterises Twilfit," says Elisabeth Peregi, Divisional Manager.

Review of product range

In the lingerie segment, we work with our own and external brands. We are reviewing the styles with the aim of producing more co-ordinated concepts. We build on the experience and knowledge we have built up over 80 years as a lingerie specialist. Function and design are crucial elements. These days, lingerie is an obvious part of fashion and an expression of feminine personality.

In the ladies' wear sector, we have co-ordinated collections in clearly defined concepts. Knitwear forms the base, which is supplemented with matching woven garments. We know that customers demand a little bit extra from Twilfit, and our garments will help them feel attractive whether they buy clothes for everyday use or for festive occasions.

Fresh stores

Twilfit has 58 stores from Luleå in the north to Malmö in the south. Ten of the stores are run

as franchise stores. We have an especially strong position in the Stockholm region.

In November 2004, we will be opening our new concept store in Gallerian, Stockholm. In this store, we will be showing the entire range of the very latest in Twilfit's store concepts. We have also established specialist lingerie stores, one in Lund, one in Göteborg and two in Stockholm.

"In all our stores we are consistently working to make a visual impression. We rehang the products and expose the range in new ways to ensure that the stores feel fresh all the time," says Elisabeth Peregi.

Twilfit Sisters

Twilfit Sisters is Twilfit's bonus club with 230,000 members. Membership is free and, in addition to a bonus and member offers, it provides news and access to activities and sale days before other customers. Twilfit Sisters provides its customers with both inspiration and tips, which will make it even more enjoyable and simpler for them to shop.

Underlying integration

In order to increase efficiency and take advantage of synergies, all Twilfit's underlying functions are integrated into the Lindex Group.



Twilfit

Year of establishment: 1922

In the Lindex group since 2002

Sales: SEK 330M

Number of stores: 58

Divisional Manager: Elisabeth Peregi

- Well-known designer **Lars Wallin** has produced a lingerie collection specifically for Twilfit. The collection will be launched in time for the Christmas trading season in 2004 and follows a long tradition in which prominent designers have worked with Twilfit. The best known designers include Mary Quant, who designed for Twilfit in the 1960s. Elsa Sjöberg, Barbro Sörman and Brita Wassdahl are some of the other well-known designer names, who have all worked with Twilfit in the past.



Developing *inspiring* stores

The stores are the Lindex chain's heart and soul. This is where our product range is seen and where our staff meet the customers. It is also where the customers make their purchasing decisions.

Exciting store windows in Stockholm

In April 2004, four fashion magazines were given a free hand to dress one Lindex window each in Stockholm's inner city. They were given a free range to pick and choose among Lindex's products and highlight the upcoming spring fashions. The activity was part of Lindex's 50-year celebration.

The Hennes magazine's display window at Lindex Hötorget captured the spirit of glamour and featured white and gold colours combined with pearls and crystal. Damernas Värld's window aroused holiday dreams in Gallerian with a South Pacific theme featuring swaying palms, a sandy beach, exotic flowers and surfboards. Cosmopolitan's window showed lingerie in pastel tones with a summer meadow as a backdrop, like something from a romantic tale. Amelia's display was humorously inspired by the 1950s, themed as an old fashioned caravan holiday. As part of the promotion, the magazines' fashion editors also gave styling tips to Lindex customers.

Current clothing purchases are becoming increasingly spontaneous and it is, therefore, important to offer customers inviting store environments, which provide inspiration and tips and stimulate purchasing. By raising the visual impression, we want our stores to clearly communicate fashion.

Store upgrading

In recent years, Lindex has invested in developing and upgrading existing stores. Every Day Fashion Stores is the joint name for the upgrading process taking place in the stores.

It is about creating more inspiration and fashion focus in the stores. In order to achieve this, we have more fashion pictures and more styled mannequins. The interiors are being updated and wall surfaces painted white to create light and space. Lighting is also improved with a specific focus on the entrance area.

Three areas which are especially important are the display windows, the entrance and special focus points. The display windows promote the current campaign and shall arouse interest and an inclination to enter the store. In the entrance, there is a special area which

presents campaign products together with accessories and other products which match the style shown. The focus points highlight a specific style with the aid of large screens and mannequins.

The degree of store refurbishment varies depending on location and size. We adapt the stores in accordance with local prerequisites and buying patterns. In some instances, it is a matter of refurbishing the stores completely or moving them to new locations. In other cases, it involves creating new interiors and lighting to enable us to display our product range better. The intention is that all stores should have the right prerequisites to ensure that our customers' experience should be as inspiring and exciting as possible.

The review is carried out gradually in each country. In Germany, all stores are Every Day Fashion Stores. During the previous financial year, the stores in the Göteborg region were reviewed and, in 2003/04, it was the turn of Stockholm. Under the slogan 'Stockholm is becoming more attractive', Lindex inaugurated its newly refurbished stores during April 2004.





Lindex is involved with, and takes responsibility for, sustainable development. We are actively promoting sound business in every respect, caring for the environment, our customers, our staff and the working conditions provided by the suppliers. High ethical standards, social responsibility and environmental thinking are the mainstays of our development.

Ethics, social responsibility, environment – mainstays of Lindex's development

We continually want to improve

We see continual development as a precondition for achieving our targets and realising our vision.

Our company culture is characterised by active participation and personal responsibility with the objective to create pleasurable experiences for our customers. In turn, we try to give all staff an opportunity for personal development and a career path within the Group.

Learning organisation

At Lindex, formal training programmes are supplemented with continual skills development, in particular through exchange of experiences between different functions within the company. This includes a system for mentorship, which ensures that newly-recruited store managers are given an experienced store manager as a mentor.

The staff in Lindex's stores actively participate in sales and service training. We have training programmes aimed at specialist functions, such as those developed specifically for display staff, project managers and internal instructors. We also carry out an internal trainee programme for future store managers.

Diversity among the staff

Lindex's staff mirrors the population in the countries in which we operate. For us, this is crucial for enabling us to understand and provide service to all our customers. An ethnic and cultural diversity provides us with a competitive advantage. This view has been adopted in Lindex's diversity and equality plan,

in which equality among the sexes is also emphasised.

Leadership development in Lindex Academy

Lindex Academy is the collective name of several different programmes we have invested in, to provide further training to the Lindex Group's staff. The different training programmes are developed and tested in selective parts of the organisation and are then spread throughout the Group.

So far, Lindex Academy has primarily been involved with leadership development. The aim is to give managers sufficient development and support to enable them, in turn, to convey information and knowledge to all their staff. Lindex Academy is also responsible for ensuring that the company's overall vision and values are included in our everyday work.

Leaders of tomorrow

An important part in Lindex Academy's role is to find and develop the people who will lead in the future. During the year, a programme was initiated in which each person selected was given a mentor who acts as their support during the one year long programme.

Introduction programmes

Within the framework of Lindex Academy, we are also producing introduction programmes. It is very important that newly-recruited staff are given the best possible start within the company.

Tarja Mari Angborn

has been working as a lingerie designer at Lindex since 1999. Tarja Mari has the overall design and development responsibility for Lindex's lingerie brands, Ella May and Generous. The teams also include buyers, assistants and stylists.

"We have each of us our own special skills and different personalities, but we are working closely as teams. Together, we spur each other on and continually ensure that we are ahead of the game in the development of lingerie. We have succeeded in creating a sense that nothing is impossible, which is an enormous strength," she says.

Tarja Mari explains that her work is very varied – one day is never like another – and she appreciates the freedom, trust and respect for professional knowledge that permeates Lindex.

Her work as a designer includes knowing what will be in demand two to three seasons ahead whilst keeping an eye on the in-store collections. Her inspiration for new collections comes from many different sources. It is a matter of keeping up with film, music, interior decoration, design, art and advertising. Inspiration is also gathered from regular visits to trade fairs all over the world. Regardless of where she is, Tarja Mari always carries a sketch pad to enable her quickly to put her ideas on paper.

Tarja Mari is a graduate of the Textile College in Borås. Her fifteen years of experience in designing lingerie has given Tarja Mari knowledge about the whole journey of a garment – from the first sketches to the way it is displayed in the stores.

Social responsibility

At group level, there is a CSR (Corporate Social Responsibility) group which has the overall responsibility for the work related to these issues. The internal work is defined in our diversity and equality plan and in our environmental policy. In our relationship with suppliers, the responsibility is defined in the Lindex Code of Conduct, which also addresses a number of environmental issues.

Collaboration for improvements

We have a close collaboration with our suppliers in order to get an insight into their working conditions and environmental responsibility. As we do not own any factories, we co-operate with textile producers throughout the world.

With the Lindex Code of Conduct as the base, we work to ensure that our suppliers offer their employees a safe and secure work environment and that they work to achieve environmental improvements. We have a long-term approach and try to achieve changes for the better with respect to human rights and every country's culture and way of working.

New European Code of Conduct

Lindex has been involved in driving the development of BSCI (Business Social Compliance Initiative), a joint European system for determining a company's social responsibility policy including an independent control body.

Instead of each company working with their own code of conduct, BSCI is the first step towards providing a standardised and competition-neutral system. BSCI is based on the International Labour Organization's conventions which include bans on child labour and forced labour, working hours and minimum wages, discrimination, working conditions, freedom of association and safety. The system also includes instructions for how improvements can be implemented. The audits at the suppliers are carried out by accredited companies and all information is gathered in a database to which members of BSCI have access. With the aid of the database it is possible to monitor each supplier's status and when their latest audit was carried out.

The database also benefits suppliers. Instead of having to go through checks with every new customer, they can show that they are BSCI audited and approved. In this way, BSCI can lead to reduced costs for both parties.

Several leading European retail companies, such as Inditex and Migros, and the Swedish

companies KappAhl and JC are already members of BSCI. The idea is that BSCI will gradually replace Lindex's own Code of Conduct. As a result, Lindex can put more effort in supporting its suppliers to achieve improvements in these areas rather than devoting time and energy by acting as a controlling body.

Environmental policy points to responsibility

Lindex's environmental policy establishes that Lindex takes responsibility for the environment of the future. Lindex regards fashion and environment as two highly compatible concepts and we believe it is possible to implement environmental improvements without making products and product handling more expensive.

As a large company, we have the opportunity to contribute to an improved environment and for us it is, therefore, obvious to think in an environmentally-friendly way in all work processes. We focus, in particular, on some of the areas in which our environmental impact is at its greatest. For example, this can be in textile manufacturing, transportation, energy consumption, waste and packaging. We strive to select the best alternatives from an environmental viewpoint. This applies to the materials we use in our garments, which packaging we adopt and which type of transportation we select.

Our operations have environmental impact at every stage so we try to take a holistic view on the company's environmental matters. It is important that all staff participate in, and have knowledge of, how we work with environmental issues. We, therefore, train our staff and make use of their commitment to improve the environment of the future. The environmental programme is a continual process in which staff, customers, suppliers and authorities cooperate to create a sustainable development and an improved environment.

Focus on environmental targets

Our environmental targets are an important part of the environmental programme which relate to all parts of the operations. To ensure that we develop continuously, we constantly evaluate our environmental programme and set new targets. We have set a number of targets which we will strive to achieve during 2005. They include the selection of environment-friendly means of transportation; a review of the distribution system and the use

of environment-friendly cartons; environment-friendly planning instructions for new store openings and the refurbishment of existing stores; reduced paper consumption in our offices; and implementation of the environmental management system in all countries.

Integrated Code of Environment

Lindex's Code of Environment aims to make demands on our suppliers and encourage them to be increasingly open about environmental matters. The Code of Environment has been integrated into Lindex's Code of Conduct. Lindex's inspectors have been given further training and, since 2003, environmental matters are included as an important component in the checklists the inspectors work with in their contacts with Lindex suppliers.

However, we are not only working on environmental matters with our suppliers. In all our stores there is an environmental handbook, which gives instructions as to how the environmental programme should be carried out. One example of this is that all our stores sort their waste in accordance with a guide incorporated in the environmental handbook. Another example of our in-store environmental work is that we have set targets to create increased awareness of the issue during our building projects. Building materials, as well as fixtures and fittings, are areas in which we have significant opportunities to make demands and to influence our suppliers.

Environmental management system

In Sweden, we have worked for many years with an environmental management system which follows the ISO 14001 quality standard, but we are not certified. We want to have a simple environmental programme to which we are completely committed and in which the most important goal is to achieve environmental improvements.

No environmental disputes

Lindex's operations do not involve any environmental risks in addition to those mentioned. The management is of the opinion that there is no significant risk of future costs to remedy environmental damage. Lindex is not involved in any environmental disputes.

For further information about the work with our Code of Conduct, visit www.lindex.se.



Lindex supports The Global Compact

The Global Compact is established by the UN and is aimed at promoting responsible enterprise all over the world. By being affiliated to The Global Compact, Lindex undertakes to realise and integrate nine important principles about human rights, working conditions and the environment in the daily work. We will also be involved in spreading its principles in order to influence other companies to support The Global Compact. Further information is available on www.unglobalcompact.org.

Approved by Robur's Miljöfond

Robur's citation reads: "Lindex has for many years been working with evaluations of its suppliers based on a code of conduct. It focuses on working conditions, but also deals with restrictions on the use of chemicals. A special code of conduct for the environmental area was produced in 2000 and, at the beginning of 2003, the first purely environmental evaluations of suppliers were implemented. Lindex's environmental management system in accordance with ISO 14001 was completed in 2000 and the company has been working with environmental audits and tangible environmental targets since 1998. The environmental organisation is widely spread within the company and it operates an extensive environmental training programme. Lindex is also involved with environmental improvements within the transportation sector, with its selection of packaging and it has adopted the use of 'green electricity' in all its stores in the Nordic countries."

Blacklist for chemicals

We are responsible for ensuring that the clothing we sell does not include any residual chemicals, which are hazardous for customers and the environment. We have, therefore, a blacklist stipulating which chemicals must not be used in the manufacture of our products. We routinely carry out chemical controls to ensure that our suppliers comply with the restrictions.



Lindex is named in Svensk Miljöfond's list of top companies

Lindex has been included in Svensk Miljöfond's list of top companies since 1999. The fund is a collaboration between Banco Fonder and the organisation Det Naturliga Steget. Every year, they carry out a joint analysis of all quoted companies, of which the best are included in the list of top companies. The list forms an investment base for Svensk Miljöfond.



Water project in Bangladesh

The shortage of drinking water is a serious problem for many poor countries. Lindex has participated in a project in which wells are built and cleaned in Dhaka, the capital of Bangladesh. In the project, Lindex co-operated with the local voluntary organisation SUS, which is involved with several different projects, ranging from providing information about HIV and AIDS to granting 'micro loans' to people in the countryside, who wish to start their own enterprise. The result was the installation of around ten new wells and a similar number of latrines in Gazipur on the outskirts of Dhaka. In addition, 600 wells were tested for arsenic. Arsenic is a naturally occurring element in the bedrock and, therefore, a common pollutant in Bangladesh.



Ingrid Giertz-Mårtenson, former President of the Swedish Fashion Council, is the President of Swedish Vision. She also has been responsible for several exhibitions about Sweden and Swedish fashion expressions abroad and is currently involved in promoting the dress as a cultural language in different contexts.

Is fashion culture?

This is a question that is not asked very often. On the other hand, cultural forms such as art, music, literature and film, are discussed almost daily. However, fashion is seldom defined as an expression of our culture. Instead, representatives of 'fine culture' tend to dismiss both the dress and its changes in the form of fashion expressions such as superficial and showy.

Culture also means inherited values, lifestyle patterns and different 'signal systems' in the form of perceptions and symbols which influence us. Within this belongs, no doubt, our way of dressing which, in turn, is obviously dependent on the garments we have access to – both old and new. We are also dependent on what the market currently supplies in terms of clothes and fashion.

Fashion is also inextricably linked to design. Every designer, and every serious company which designs clothes, is involved in a continual process in which the creation of the garment is a prerequisite for the important identity process that arises when the individual who buys the garment actually wears it.

A mirror of the present times

In reality, there are few things which mirror the present times and ourselves as strongly as the way we dress and the expression we make with what we choose to wear. When you meet a person for the first time, you immediately gain an impression of her/him through what they are wearing. They send, consciously or unconsciously, a message about who they are or who they want to be. We read these messages and signals long before we have had time to form a view on the person behind it.

This applies to all of us. For 365 days every year, throughout our adult life, we must make up our mind about how we should look and what signals we want to emit through our clothes. This is true whether we love to

dress up, are totally disinterested in fashion or consider it tiresome to decide what to wear.

Clothes are, therefore, not just a shell on the body. Fashion changes and is continually influenced by social perceptions, the world around us and the attitudes and opinions of other people. Clothes also show the relative power which exist between individuals, generations, men and women. They give an account of our dreams and our ideals. Clothes and fashion expressions are, not least, important mainstays in the way we create our identity. With clothes we can also change our external identity from day to day dependant on how we feel and different needs and requirements.

The 'wardrobe moment'

The fact is that the time, the instant, when, every morning, we decide what we should wear that day, the 'wardrobe moment', is an important identity-creating action. We decide what image and which signals we want to convey to our surroundings. They will be perceived and interpreted in different ways by all who meet us; as we want, or as they want. However, our external frame, our dress is always included in other people's evaluation of us.

Historians, sociologists and ethnologists currently agree on the strong symbolic value of the dress. Especially now that we live in a world in which recommendations such as 'do a makeover' and 'become someone else' are frequently expounded in the media and in advertisements. We are now learning to believe that you do not just have the appearance you are given, but also that you can change your appearance to your own liking.

Strong operator in trade and industry

If you add to this the fashion industry's enormous importance for trade and industry, we can establish that we are dealing with a

phenomenon that also has an important industrial aspect. In Sweden, we consume clothing worth nearly SEK 45 billion every year. Swedish exports of clothing are among the strongest growing export industries in recent years (contrary to what many believe). For a number of years, exports of clothing from Sweden have increased by nearly 10 per cent per year and are currently worth more than SEK 6 billion.

These are interesting thoughts and figures, both for people who work in the fashion industry and for consumers.

Next year, 2005, has been designated Sweden's design year. Then, the focus will be on the design process everywhere. But what actually is design? Unfortunately, it is an expression that has become over-used and can, therefore, sometimes feel a little 'woolly'. However, a good definition is the one delivered by the Foundation for Swedish Industrial Design, SVID, ahead of the design year. "Design means a work process for developing creative solutions which include both functional and aesthetic demands with a focus on use." If you apply this to dress design, it means that creating clothing should lead to the fulfilment of different demands, aesthetic, functional and up-to-date, which the customer has the right to make.

Thus, we can note that market operators have an important and proactive role to play. We need to promote better recognition of clothes as a cultural language in all contexts and in different arenas. We should reflect what we, as people of today, need in the form of clothes design to enable us really to express ourselves and our personality. Not least, we should be companies which, in all areas, live up to being a positive contributor to the cultural, ethnic and aesthetic values of our society.

Ingrid Giertz-Mårtenson

Our History

50 In 1954, two gentlemen with experience of the textile industry started an era, which has made an impact on the life of many women. That year, Ingemar Boman and Bengt Rosell established a lingerie store in Alingsås. The store was named Fynd. Soon thereafter, the company acquired Lindex in Göteborg, which gave its name to the store chain they subsequently launched. By the end of the 1950s, there were already five Lindex stores.

60 At the beginning of the 1960s, ladies' wear was added to the lingerie range and the operation expanded at a fast pace. At the end of the 1960s, there were 27 stores in Sweden and Lindex was ready to venture outside its home country. The first store in Norway was opened in Sarpsborg in 1969. Sales at the end of the 1960s were SEK 25M.

70 Previously, most of our purchases consisted of Swedish made products, but now the products were increasingly manufactured abroad. This was a change which involved lower purchasing prices in the long term. Lindex continued its expansion in Sweden and Norway. In the 1970s, Lindex had 49 stores in Sweden and 8 stores in Norway. Sales amounted to SEK 200M.

80 In 1982, Lindex was acquired by ICA Eol. Lindex established operations in Denmark, Finland and the United Kingdom. The Gulins retail chain, with 48 stores, was acquired by Lindex in 1988 and, during a short period in Lindex's history, men's wear was also included. Children were also given an obvious place in Lindex's stores during the 1980s when the product range was expanded with the successful Business Area Children's Clothing. At the end of 1980s, Lindex had 153 stores in Sweden, 52 in Norway, 8 in Denmark, 11 in Finland and 3 stores in the United Kingdom. Sales amounted to SEK 2.2 billion.

At the beginning of the 1990s, Lindex chose to focus on operations in Sweden, Norway and Finland. The decision was taken with the aim of increasing profitability against a background of losses and difficulties in co-ordinating operations in the different markets. In 1993, Lindex was acquired by Industri Kapital and other parties. In connection with this Gulins was divested to Adelsten, a Norwegian company. Two years later Lindex was quoted on the A list of the Stockholm Stock Exchange. At the end of the 1990s, women in Germany were given the opportunity to buy Lindex fashion and the company started to sell cosmetics in selected Lindex stores. The FIX brand, with its colourful high quality children's clothing, was acquired and Lindex started Lindex Club for loyal customers. During the 1990s, Lindex opened purchasing offices in Hong Kong, Istanbul and Dhaka. At the end of the 1990s, sales amounted to SEK 3.6 billion. Lindex had 170 stores in Sweden, 74 in Norway, 43 in Finland and 11 stores in Germany.

In 2002, Lindex acquired a Swedish competitor, Twilfit, which had 80 years' experience of lingerie. With this purchase, Lindex strengthened its position as a lingerie specialist still further. The company's head office moved from Alingsås to the centre of Göteborg. Lindex's store concept was reviewed and significant investments made in IT and logistics systems. In October 2004, Göran Bille took over as President and CEO. In 2004, Lindex had 181 stores in Sweden, 86 in Norway, 48 in Finland and 25 in Germany. Sales in 2004 amounted to SEK 5.3 billion.

Many years have passed since the start in 1954 and a great deal has happened. But one thing remains. We are still delighting the women and children in northern Europe with inspiring lingerie and clothing.





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LINDEX

Lindex Group

Annual Report 2003/2004 • Financial Report



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LINDEX

Directors' Report 2003/04

The Board of Directors and the President of AB Lindex (publ), (corporate identity number 556452-6514, registered office in Göteborg), submit their Annual Report and Consolidated Accounts for the financial year 1 September 2003–31 August 2004.

Information about the operation

The Lindex Group consists of two retail chains: Lindex with 340 stores, of which 315 are in the Nordic market and 25 in Germany; and Twilfit with 58 stores in Sweden, of which 10 are operated as franchise stores. The Group's business areas are Lingerie, Children's Clothing and Ladies' Wear. Lindex is the market leader in lingerie in Sweden and Norway and among the leaders in ladies' wear and children's clothing in Sweden.

Significant events

Growth in the retail clothing markets in which Lindex operates improved slightly during the financial year as a whole. The Swedish market grew insignificantly, whilst the Norwegian and Finnish markets grew slightly. The German market continued to decline during the 2003/04 financial year. During the year, the Lindex Group's sales increased by 0.8 per cent and same-stores sales, excluding the currency effects, rose by 3.2 per cent. Both the number of visitors and the number of customers increased during the year. However, due to higher sale levels caused by an oversupply of products during the year, the average purchase decreased which affected sales.

Oversupply during the autumn involved significantly higher price reductions after Christmas. It meant that the result for the first half of the financial year fell drastically. As a consequence, the President, Jörgen Johansson, left the company. Conny Karlsson was appointed Acting President. In July, Göran Bille was appointed President and CEO to take over during October 2004.

Oversupply continued during the spring. It resulted in additional write-downs of trouser inventories within Business Area Ladies' Wear amounting to SEK 45M, which was charged to the result in the third quarter. As a consequence, a reorganisation within Business Area Ladies' Wear was implemented during the spring. A decision was also taken to fully integrate Twilfit's operation with Lindex in Göteborg.

In total, these management and organisational changes meant that the result was charged with phasing out costs of SEK 25M.

Sales in the retail clothing and outfit sector in Germany fell by 3.0 per cent during the financial year. During the same period, Lindex's same-stores sales rose by 1.3 per cent. Sales were affected by clearance sales in connection with store closures. During the financial year, Lindex decided to close 10 stores in Germany which was charged to the Group's result with structural costs totalling SEK 79M. All these stores are expected to be closed before the end of the 2004 calendar year.

Lindex expects that the German operation continually will generate a contribution to the Group's cash flow by October 2004, excluding cash flow related to decisions made regarding structural costs. This means that income will exceed total operating costs for the German operation.

For the 2003/04 financial year, the result after financial items in the German company amounted to SEK -204M (-103).

The implementation of a new business system started in the previous financial year. All the modules of this new system are now in operation and the old systems have been closed.

The system will provide better tools for planning and controlling the product flow. The new system will also enable a more even product flow to the stores and, as a result, a simplified planning of working hours and more efficient use of store areas.

During the financial year, the Lindex Group opened a total of 8 (4) new stores and closed 11 (9).

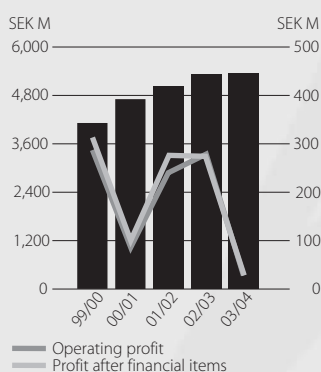
Sales and results

Consolidated net sales increased by 0.8 per cent (5.6) to SEK 5,352M (5,312). Other operating income amounted to SEK 83M (67). Same-stores sales rose by 1.1 per cent (3.4). Excluding the currency effects, same-stores sales increased by 3.2 per cent. New stores contributed SEK 46M (237) to the sales increase.

Sales income in Sweden increased by 2.2 per cent (9.2) to SEK 3,172M (3,105). In Norway, the sales income fell by -4.3 per cent (2.0) to SEK 1,218M (1,274). Sales income in Finland increased by 8.6 per cent (8.2) to SEK 588M (541). In Germany, sales income fell by -4.8 per cent (11.0) to SEK 374M (392).

Profit

Sales, operating profit and profit after financial items



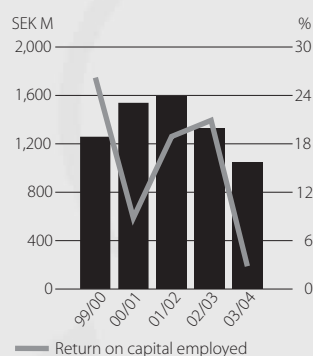
Margin

Operating and profit margin



Capital employed

Average capital employed and return on capital employed



Results

Consolidated gross profit fell by 4.8 per cent (7.7) during the 2003/04 financial year to SEK 2,845M (2,990). The gross profit was affected by large clearance sales during the year and one-off write-downs of inventories within Business Area Ladies' Wear. The gross margin decreased throughout the financial year and fell to 53.2 per cent (56.3).

Store and office costs rose by 4.7 per cent (8.6) to SEK 2,694M (2,573). The proportion of sales of these costs amounted to 50.3 per cent (48.4). Store and office costs were affected by structural costs amounting to SEK 25M relating to termination of employment of executives and structural costs totalling SEK 79M relating to store closures in Germany.

Twilfit had a negative effect on the consolidated result for the financial year.

Amortisation of brand names and goodwill amounted to SEK 27M (27) and other depreciation to SEK 179M (184).

Operating profit, which was charged with structural and one-off costs of SEK 169M (10) fell to SEK 28M (273). The operating margin was 0.5 per cent (5.1).

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

During the financial year, interest-bearing liabilities averaged SEK 37M (83). Interest expenses and similar profit/loss items amounted to SEK 2M (3) during the same period.

The profit after financial items fell to SEK 28M (274), equivalent to a profit margin of 0.5 per cent (5.2). Excluding structural and one-off costs, the operating profit amounted to SEK 197M.

The profit after financial items in the Nordic countries fell significantly during the financial year.

Paid and deferred taxes amounted to SEK 104M (97). Deferred income taxes recoverable on accumulated losses carried forward in the German company were reported at SEK 62M (101). Changed rules and regulations in Germany for utilising tax deductions justify the adjustment.

Net result for the year fell to SEK -76M (177).

During the financial year, return on equity amounted to -7.3 per cent (15.9). Return on capital employed in operations amounted to 3.4 per cent (24.8) during the same period and the interest coverage ratio to 16.0 (84.6) times.

Comments on the balance sheet

Inventories on 31 August 2004 amounted to SEK 705M compared with SEK 880M on 31 August 2003. The turnover rate amounted to 2.8 (2.7) times per annum. The reduced inventories are mainly due to a more even product flow with a significantly lower proportion of goods in transit.

Total trade debtors amounted to SEK 7M (13).

The Group's investments in fixed assets amounted to SEK 163M (223) during the financial year. Most of this relates to investment in refurbishment of existing stores and the new business system.

On 31 August 2004, interest bearing liabilities amounted to SEK 6M (23).

Financial position

The cash flow from current operations amounted to SEK 276M (589) during the financial year. The cash flow after investments amounted to SEK 111M (417).

The cash flow was mainly influenced by the fall in earnings and the previous year's dividend to shareholders.

On 31 August 2004, liquid funds amounted to SEK 177M compared with SEK 248M on 31 August 2003.

On 31 August 2004, net borrowing amounted to SEK -171M compared with SEK -225M on 31 August 2003.

During the period, the net debt/equity ratio changed from -19.5 per cent to -18.8 per cent and the equity ratio decreased to 50.0 per cent (54.1).

On 31 August 2004, Lindex's total credit facilities amounted to 1,381M, including letters of credit and forward exchange agreement limits. Of the total credit facilities, SEK 264M was utilised at the end of the financial year.

Staff

The number of full-time employees was 3,210 during the financial year, compared with 3,120 during the 2002/03 financial year.

Work of the Board of Directors and owner control

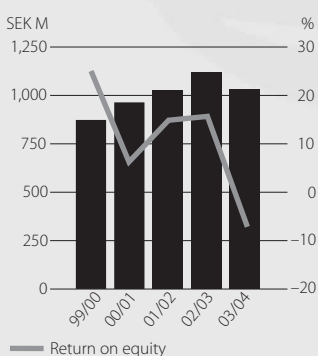
The Board of Directors of AB Lindex consists of seven members elected by the Annual General Meeting and two members, with two deputy members, appointed by the employees. The members elected by the AGM, including the President, have been elected on the recommendation of Lindex's major shareholders. Other officers in the company participate in the Board Meetings as persons reporting.

During the 2003/04 financial year, the Board of Directors held 15 meetings compared with eight in the previous year. The work of the Board of Directors follows an annual agenda aimed at fulfilling the Board of Directors' need for information. The agenda is otherwise governed by the working procedure which the Board has adopted for work distribution between the Board and the President.

The matters of control which rest upon the Board are handled by the full Board as well as by the Remuneration Committee and the

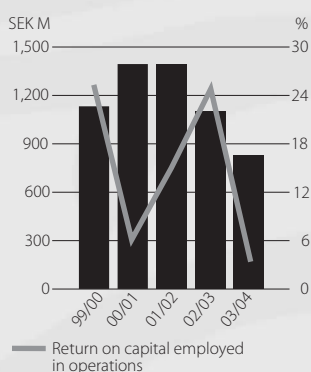
Shareholders' equity

Average equity and return on equity



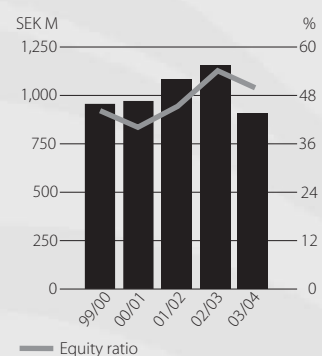
Capital employed in operations

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



Equity ratio

Shareholders' equity and equity ratio



Audit Committee. In addition, the company's auditors report their observations annually in person from the examination and their assessments of the company's internal controls.

Since 1997, the AGM has appointed a special Nomination Committee, whose task is to submit proposals annually for the election of members and the remuneration to the company's Board of Directors.

The AGM on 15 January 2004 appointed a Nomination Committee consisting of the following members: Birgitta Johansson-Hedberg, Ramsay Brufer, Björn Lind and Lars Förberg. The Nomination Committee held four meetings during the year.

Lindex's Board of Directors has appointed a Remuneration Committee consisting of the Chairman of the Board, Birgitta Johansson-Hedberg, and Board Member Christer Gardell. The task of the Committee is to work out proposals for the Board of Directors relating to principles for remuneration and other conditions of employment for the company management. The Remuneration Committee held two meetings. The Board has also appointed an Audit Committee consisting of Board Members Lars Otterbeck, Gerhard De Geer and Christer Gardell. The task of the Audit Committee is to quality assure the company's financial reporting and to examine, monitor and evaluate both the internal and the external audit. The Audit Committee held four meetings.

International Financial Reporting Standards

In accordance with the decision of the EU Commission, all listed companies within the European Union must prepare their consolidated accounts in accordance with the International Financial Reporting Standards, IFRS, from 2005. The changeover date to IFRS for the Lindex Group is 1 September 2004 as the companies in the Annual Report for 2005 must provide comparative figures in accordance with IFRS for a year comparison. This means that the financial reports for 2004/05 will be recalculated in accordance with IFRS when they are included in the 2005/06 Annual Report.

During 2004, Lindex started an IFRS project aimed at identifying significant differences between generally accepted accounting principles in Sweden and IFRS. Lindex intends to present the effects of the transition to IFRS in its Interim Report for the first quarter of 2005/06. Based on Lindex's initial analysis work relating to differences between current accounting principles and IFRS, the following has been noted:

- Amortisation of goodwill is not allowed, but is replaced by a continual evaluation of write-down needs.

- Financial instruments: All financial derivative instruments (both independent and embedded derivative instruments) are reported in the balance sheet. Actual value is a valuation standard in which changes in value in accordance with a principal regulation are reported via the profit and loss account. Only a few exceptions are permitted, including securing the cash flow in which changes in value are entered against shareholders' equity.

Lindex will implement IAS 19/RR 29 – Employee Benefits 1 September 2004.

Future development of the Lindex Group

During the past financial year, the company completed its implementation of the new business system and made radical structural changes in the German operation. With a strong market position in the Nordic countries as the starting point, this creates a sound platform for increased profitability and profit growth.

Parent company

Sales for the financial year increased by SEK 87M, equivalent to 3.2 per cent, to SEK 2,841M (2,754). The result after financial items fell to SEK –94M (314). Net investments in fixed assets were made of SEK 111M (149). Profit after tax was SEK 220M (224) compared with the previous year. Net borrowing by the parent company amounted to SEK –75M (–19) on 31 August 2004.

Proposal for distribution of profit

Group

According to the prepared consolidated balance sheet, the Group's non-restricted equity amounts to SEK 247M. No appropriation to restricted reserves is proposed.

Parent company

The following funds are at the disposal of the AGM:

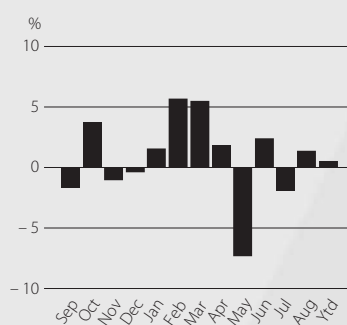
Profit brought forward from the previous year	100,389,300
Net profit for the year	219,892,845
SEK	320,282,145

The Board of Directors and the President propose that SEK 15.00 per share, totalling SEK 206,250,000, be paid in dividend to the shareholders and that the remaining amount, totalling SEK 114,032,145, is carried forward.

With regard to the Group's results and position in general, reference is made to the ensuing financial reporting.

Market development

Development of the retail clothing market in Sweden 2003/04. Source: HUI



The diagram shows the development of the retail clothing market in Sweden during the financial year. Viewed over the full year, the Swedish market developed positively. The year started with a weak market trend, which culminated in weak Christmas trading. This led to a significant Christmas sale, which forced the pace of market development during January and February. During the last six months of the year, the market developed positively.

Volume and price changes

%	Volume change	Price change	Total annual change
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
1993	-0.5	-1.5	-2.0

The Swedish retail clothing and outfit market, volume and price changes during the 1990s.

During most of the 1990s, the Swedish retail clothing market increased both in price and volume. However, during the recession in the mid-1990s the development was negative. During 2001 and 2002, we had a negative volume growth in the retail clothing market. The pattern was broken in 2003 and the volume increased again, albeit with a strong price pressure in the market.

Source: HUI

Profit and loss accounts

SEK K		Group		Parent company	
		2002/2003	2003/2004	2002/2003	2003/2004
Net sales	Note 2, 20	5,312,258	5,352,108	2,754,214	2,841,371
Other operating income		66,824	83,203	219,333	234,242
Total operating income		5,379,082	5,435,311	2,973,547	3,075,613
Operating expenses					
Goods for resale		- 2,322,347	- 2,506,954	- 1,224,132	- 1,369,498
Other external costs	Note 22, 24	- 1,353,339	- 1,397,106	- 675,525	- 669,472
Personnel costs	Note 3, 4, 21	- 1,219,649	- 1,296,435	- 705,007	- 760,625
Depreciation of tangible and intangible fixed assets	Note 9, 10	- 210,738	- 206,472	- 95,169	- 100,074
Operating profit	Note 2	273,009	28,344	273,714	175,944
Result of financial investments					
Result of participations in subsidiaries	Note 5	—	—	36,979	- 85,693
Other interest income and similar profit items	Note 6	4,700	1,985	8,212	5,344
Interest expenses and similar loss items		- 3,284	- 1,898	- 4,686	- 1,954
Total result of financial investments		1,416	87	40,505	- 82,303
Profit after financial investments		274,425	28,431	314,219	93,641
Appropriations	Note 7	—	—	- 36,027	248,870
Tax on the year's profit	Note 8	- 97,032	- 103,964	- 54,244	- 122,618
Net result for the year		177,393	- 75,533	223,948	219,893
Earnings per share (calculated on 13,750,000 shares)		12.90	- 5.50		
Dividend per share, SEK		12.0	15.0		

Balance sheets

SEK K	Group		Parent company		
	31 Aug 2003	31 Aug 2004	31 Aug 2003	31 Aug 2004	
Assets					
Fixed assets					
Intangible fixed assets					
Brand names	Note 9	192,540	173,429	192,540	173,429
Renting rights	Note 9	47,242	36,495	5,955	8,441
Goodwill	Note 9	99,982	98,409	62,065	55,858
Total		339,764	308,333	260,560	237,728
Tangible fixed assets					
Equipment	Note 10	438,395	427,809	219,370	251,987
Total		438,395	427,809	219,370	251,987
Financial fixed assets					
Participations in subsidiaries	Note 11	—	—	283,847	190,894
Other long-term securities holdings		175	154	7	7
Other long-term receivables		11,537	11,085	9,126	7,150
Deferred tax asset	Note 8	119,388	82,204	—	—
Total		131,100	93,443	292,980	198,051
Total fixed assets		909,259	829,585	772,910	687,766
Current assets					
Inventories					
Goods for resale	Note 12	879,815	704,406	559,144	462,133
Current receivables					
Trade debtors		12,579	7,453	5,695	3,431
Receivables from subsidiaries		—	—	110,762	181,549
Other receivables		7,850	10,482	4,161	6,155
Prepaid expenses and accrued income	Note 13	72,832	84,963	108,178	45,162
Total		93,261	102,898	228,796	236,297
Liquid funds		248,191	177,190	149,789	75,256
Total current assets		1,221,267	984,494	937,729	773,686
Total assets	Note 14	2,130,526	1,814,079	1,710,639	1,461,452

SEK K	Group		Parent company	
	31 Aug 2003	31 Aug 2004	31 Aug 2003	31 Aug 2004
Equity, provisions and liabilities				
Shareholders' equity				
Restricted equity				
Share capital	27,500	27,500	27,500	27,500
Restricted reserves/statutory reserve	779,719	633,499	247,500	247,500
Total restricted equity	807,219	660,999	275,000	275,000
Non-restricted equity				
Non-restricted reserves	168,603	322,483	59,206	100,389
Net result for the year	177,393	- 75,533	223,948	219,893
Total non-restricted equity	345,996	246,950	283,154	320,282
Total equity	1,153,215	907,949	558,154	595,282
Untaxed reserves	Note 15	—	637,321	388,451
Provisions				
Provisions for pensions and similar commitments	Note 16	12,373	15,237	—
Provisions for taxes, long-term	Note 8	188,525	108,266	—
Total long-term provisions		200,898	123,503	—
Other provisions, current	Note 16	17,439	92,142	—
Total current provisions		17,439	92,142	—
Total provisions		218,337	215,645	—
Long-term liabilities				
Overdraft facilities		14,446	431	—
Liabilities to credit institutions		8,474	5,616	—
Liabilities to subsidiaries		—	—	183
Total long-term liabilities		22,920	6,047	183
Current liabilities				
Liabilities to credit institutions		—	—	360
Trade creditors		282,953	153,377	122,696
Liabilities to subsidiaries		—	—	104,364
Tax liabilities		54,966	102,392	79,273
Other liabilities		98,747	75,684	25,737
Accrued expenses and prepaid income	Note 17	299,388	352,985	202,673
Total current liabilities		736,054	684,438	477,719
Total liabilities		758,974	690,485	477,719
Total equity, provisions and liabilities		2,130,526	1,814,079	1,461,452
Pledged assets	Note 18	23,270	8,270	8,270
Contingent liabilities	Note 19	—	—	622,104

Changes in shareholders' equity

Group, SEK K	Share capital	Restricted reserves	Equity brought forward	Total
Opening balance on 1 September 2002	27,500	770,334	285,526	1,083,360
Translation differences		- 2,114	- 22,924	- 25,038
Transfers between restricted and non-restricted equity		11,499	- 11,499	—
Dividend			- 82,500	- 82,500
Net profit for the year			177,393	177,393
Balance carried forward on 31 August 2003	27,500	779,719	345,996	1,153,215
Opening balance on 1 September 2003	27,500	779,719	345,996	1,153,215
Translation differences		- 780	- 3,953	- 4,733
Transfers between restricted and non-restricted equity		- 145,440	145,440	—
Dividend			- 165,000	- 165,000
Net profit for the year			- 75,533	- 75,533
Balance carried forward on 31 August 2004	27,500	633,499	246,950	907,949
Accumulated translation difference on 31 August 2003		10,574	- 10,258	
Accumulated translation difference on 31 August 2004		9,794	- 14,211	

Parent company, SEK K	Share capital	Statutory reserve	Equity brought forward	Total
Opening balance on 1 September 2002	27,500	247,500	195,726	470,726
Paid/received Group contributions			- 75,028	- 75,028
Tax effect, paid/received Group contributions			21,008	21,008
Dividend			- 82,500	- 82,500
Net profit for the year			223,948	223,948
Balance carried forward on 31 August 2003	27,500	247,500	283,154	558,154
Opening balance on 1 September 2003	27,500	247,500	283,154	558,154
Paid/received Group contributions			- 24,675	- 24,675
Tax effect, paid/received Group contributions			6,910	6,910
Dividend			- 165,000	- 165,000
Net profit for the year			219,893	219,893
Balance carried forward on 31 August 2004	27,500¹⁾	247,500	320,282	595,282

1) Number of shares: 13,750,000 (13,750,000). Nominal amount: SEK 2 (2).

Cash flow statements

SEK K	Group		Parent company	
	2002/2003	2003/2004	2002/2003	2003/2004
Current operations				
Payments from customers	5,699,399	5,436,245	3,243,570	3,005,096
Payments to suppliers and employees	- 5,014,599	- 5,132,918	- 2,775,630	- 2,745,606
Cash flow from current operations before paid interest and income taxes	684,800	303,327	467,940	259,490
Received interest	3,956	2,812	7,878	5,905
Received dividends	—	—	140,491	203,621
Paid interest	- 4,109	- 1,896	- 5,214	- 1,983
Paid income taxes	- 95,044	- 28,284	- 74,939	- 53,118
Cash flow from current operations	589,603	275,959	536,156	413,915
Investment operations				
Investments in intangible fixed assets	Note 9	- 5,375	- 6,607	- 5,375
Investments in tangible fixed assets	Note 10	- 217,818	- 156,422	- 144,032
Sold intangible and tangible fixed assets		55,168	287	55,168
Investments in other financial fixed assets		- 4,319	- 2,366	- 6,179
Divestment/amortisation of other financial fixed assets		—	21	—
Cash flow from investment operations		- 172,344	- 165,087	- 100,418
Cash flow after investment operations		417,259	110,872	435,738
Financial operations				
Amortisation of liability		- 263,578	- 16,873	- 178,876
Increase/decrease in current financial liabilities		- 35,130	—	360
Received/paid Group contribution		—	—	- 54,020
Dividend paid		- 82,500	- 165,000	- 82,500
Cash flow from financial operations		- 381,208	- 181,873	- 315,396
The year's cash flow		36,051	- 71,001	120,342
Liquid funds on 1 September		212,140	248,191	29,447
Liquid funds on 31 August		248,191	177,190	149,789
Change in net liability				
Interest-bearing liabilities		22,920	6,047	
Liquid funds		- 248,191	- 177,190	
Net liability		- 225,271	- 171,143	
Change in interest-bearing net liability		- 412,877	54,128	

Notes

Amounts in SEK K unless otherwise stated.

Note 1 Accounting and valuation principles

The accounts have been prepared in accordance with the Annual Accounts Act and recommendations and statements by the Swedish Financial Accounting Standards Council.

Several new recommendations from the Swedish Financial Accounting Standards Council came into force on 1 January 2003 and those applicable to AB Lindex are: RR 2:02 – Inventories; RR 22 – Presentation of Financial Reports; RR 25 – Segment Reporting – Business Areas and Geographic Areas; RR 26 – Events after the Balance Sheet Date and RR 27 – Financial Instruments: Disclosure and Presentation. The implementation of these accounting principles has not had any effect on results and position, but has only resulted in extended supplementary information.

Otherwise the accounting principles are unchanged unless otherwise stated.

Consolidated accounts

The consolidated accounts comprise the parent company, AB Lindex, and all companies in which AB Lindex directly or indirectly owns more than 50 per cent of the voting rights or exercises a controlling influence.

The consolidated accounts are prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 1:00 – Consolidated Accounts, which means that the acquisition value of shares in subsidiaries is eliminated against the shareholders' equity in the respective subsidiary at the time of acquisition, including the estimated share of shareholders' equity in untaxed reserves. For untaxed reserves belonging to acquired companies, an estimated tax liability has been entered among long-term liabilities in accordance with the applicable percentage rate in the respective country. The shareholders' equity in the acquired company is determined on the basis of a market valuation of liabilities and assets at the time of acquisition. Should the acquisition value of the shares exceed the market value of the acquired company's net assets, Group goodwill will arise. The method means that only the proportion of shareholders' equity in the subsidiary, which has been created after the date of acquisition, is included in the Group's shareholders' equity.

The consolidated profit and loss account includes companies acquired during the financial year from date of acquisition. Companies sold during the year are excluded from the start of the financial year.

Translation of foreign subsidiaries

On translation of accounts of foreign subsidiaries into SEK for inclusion in the consolidated accounts, the current method is applied.

The profit and loss accounts have been translated at an average rate which is based on the exchange rate on the last day of each month.

The balance sheets are translated at balance sheet date rate. The translation differences which arise on translation of the balance sheets are posted direct to shareholders' equity and thus do not influence the net result for the year.

Income

Consolidated net sales consist of income from in-store sales. This income is reported in connection with sales/deliveries to customers. In accordance with the Swedish Financial Accounting Standards Council's recommendation RR 11 – Income, net sales and costs of goods for resale have been reduced by amounts repaid in cash to customers when exercising the option of returning the goods. Internal results, which arise on sales between Group companies, have been eliminated.

Write-downs

The Group and parent company apply RR 17 – Write-downs. Write-downs are made if the reported value exceeds the higher of value of use and net sales value.

Provisions

A provision is reported in accordance with RR16 – Provisions, Contingent Liabilities and Contingent Assets. A provision is reported in the balance sheet when there is an undertaking and it is probable that an outflow of resources will be required to settle the undertaking and where a reliable estimate of the amount can be made.

Receivables

Receivables are entered at the amounts which, following individual consideration, are expected to be paid.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are valued at balance sheet date rate.

When drawing up the accounts of individual companies, the rule is that receivables and liabilities in foreign currency are translated at balance sheet date rate. When commercial receivables and liabilities have been hedged through forward agreements and options, the rate of these instruments has been applied. In order to minimise currency exposure of the Group's product purchases, forward agreements are signed for the majority of the flows.

Financial instruments

Short-term investments consist of bank deposits with a very short tenor. These are valued at the lower of acquisition value and actual value on balance sheet date.

Loan liabilities consist of liabilities to credit institutions. The liabilities are reported in the balance sheet at their acquisition value on the settlement date with an addition for accrued interest. Interest expenses are distributed over a period of time and reported continually in the profit and loss account.

Currency derivatives are only entered into with the aim of hedging commercial flows. The derivatives consist of forward foreign exchange contracts, currency swaps and currency options. Currency effects attributable to the derivatives are accounted for within the operating result on the date when the currency effect on the underlying hedged transaction is reported.

cont. Note 1

Inventories

Inventories consist of clothing, cosmetics and accessories for resale. Valuation is made in accordance with the lower of cost or market, which means the lower of acquisition value and net sales value. The acquisition value consists of weighted average prices.

Intangible and tangible fixed assets

Intangible fixed assets consist of consolidated goodwill arisen in connection with acquisitions, goodwill arising from transfers of assets and liabilities, brand names and renting rights. Tangible fixed assets consist of equipment in offices and in stores as well as computers and pertaining data systems. In accordance with the Swedish Financial Accounting Standards Council's recommendation RR15 – Intangible Assets, development expenditure, which relates to own time in connection with development of a new business system, is capitalised. The expenditure is capitalised in the balance sheet under the heading 'Computers'.

The assets are reported at their acquisition cost with a deduction made for accumulated depreciation according to plan and write-downs, if any.

Depreciation

Tangible and intangible fixed assets are depreciated systematically over their estimated period of use. In so doing, the following depreciation periods are applied:

Intangible assets

Brand names and goodwill	20 years
Renting rights	5 years

Tangible assets

Equipment	5 years
Computers	3 years
ERP systems	7 years

Brand names and goodwill reflect the long-term strength in Lindex' operations which justifies amortisation over 20 years.

Lease contracts

Lease contracts are reported in the consolidated accounts in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 6:99 – Lease Contracts. This means that significant lease contracts of a financial nature are reported as an asset in the balance sheet and for lease contracts of an operational nature the lease charge is written off as operating expense over the lease period.

Taxes

Provision is made for taxes which are expected to be due on the reported results. These taxes have been calculated in accordance with the tax regulations applied in each country and have been reported as paid taxes. In Sweden and certain other countries, the tax legislation permits allocation to untaxed reserves. In that way, profits can be retained in the company without paying tax immediately.

When preparing the consolidated balance sheet, the untaxed reserves have been split into one portion that is reported as deferred tax liability under the heading 'Long-term liabilities', and a remaining portion that is reported among restricted reserves under 'Shareholders' equity'. In the consolidated profit and loss account, appropriations which involve a change in untaxed reserves are thus eliminated whereby the tax portion in these changes is reported together with the year's deferred tax expense and the equity portion is included in the net result for the year. In the parent company, AB Lindex, appropriations and untaxed reserves, as well as paid tax, are reported in accordance with Swedish legislation.

In addition to the above, deferred tax on other differences between book values and fiscal values on assets and liabilities is also reported. Deferred income taxes recoverable are only reported to the extent that they can probably be utilised within a foreseeable future. When calculating deferred tax, the current tax rate in the respective country is applied.

Pensions

The majority of the Lindex Group's pension commitments are fulfilled through continuous payments to independent authorities or organisations which manage the schemes. A pension cost for these pension schemes is continuously reported which corresponds to the charges paid. In Norway, a provision and annual cost is calculated on the basis of the current value of future commitments in accordance with Norwegian Accounting Standard No 6 – Pension Costs.

Cash flow statement

The cash flow statement is prepared in accordance with the direct method in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 7 – Cash Flow Statements. Liquid funds in the cash flow statement include current bank deposits.

Group contributions and shareholder contributions

Group contributions and shareholder contributions are reported in accordance with the Swedish Emerging Issues Task Force's statement URA 7.

Reporting of business areas and geographic areas

Based on the Group's operational structure, Lindex has selected geographic markets as its primary segment. The geographic segmentation is made with similarities and differences in the markets' purchasing behaviour, supply and competitive picture as the starting point. Business Areas are reported as a secondary segment. The assets, liabilities, income and expenses, which are common for more than one segment, are allocated to the segments based on type of cost, the segment's share of the total operation, etc.

Note 2 Net sales by geographic markets, market segments

Primary segment	Nordic countries		Germany		Total	
	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004
Income						
Net sales	4,919,713	4,978,209	392,545	373,899	5,312,258	5,352,108
Other operating income	46,735	76,494	20,089	3,883	66,824	80,377
Undistributed items					—	2,826
Total income	4,966,448	5,054,703	412,634	377,782	5,379,082	5,435,311
Operating result						
Result by operation	376,133	194,287	- 113,935	- 201,008	262,198	- 6,721
Undistributed items					10,811	35,065
Interest expenses					- 3,284	- 1,896
Interest income					4,700	1,983
Result after financial items					274,425	28,431
Tax on the year's result					- 97,032	- 103,964
Net result for the year					177,393	- 75,533
Other information						
Assets	2,006,368	1,753,959	347,708	210,850	2,354,076	1,964,809
Undistributed items					- 223,550	- 150,730
Total assets					2,130,526	1,814,079
Liabilities and provisions	843,850	871,598	217,297	116,580	1,061,147	988,178
Undistributed items					- 83,836	- 82,048
Total liabilities and provisions					977,311	906,130
Net investments	208,454	155,554	17,985	7,476	226,439	163,030
Depreciation	167,896	169,550	42,842	36,922	210,738	206,472

Secondary segment	Lingerie		Children's Clothing		Ladies' Wear		Total	
	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004
Net sales	1,966,000	1,981,000	1,564,258	1,595,108	1,782,000	1,776,000	5,312,258	5,352,108
Assets	576,011	471,334	704,586	599,302	849,929	743,443	2,130,526	1,814,079
Investments	61,220	42,358	74,886	53,859	90,333	66,813	226,439	163,030

Note 3 Wages, salaries, other remuneration and payroll overheads

	2002/2003		2003/2004	
	Wages, salaries and other remuneration	Payroll overheads (of which pension costs)	Wages, salaries and other remuneration	Payroll overheads (of which pension costs)
Parent company	481,172	207,528	504,503	228,693
		(32,519)		(37,957)
Subsidiaries	409,450	94,608	420,463	98,356
		(24,059)		(26,447)
Group	890,622	302,136	924,966	327,049
		(56,578)		(64,404)

The parent company's pension costs for the President amount to SEK 9,193K (3,009). The corresponding amount for the Group is SEK 10,262K (3,588).

cont. Note 3

	Board and President (of which, bonus, etc)		Other employees		Total	
	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004
Parent company						
AB Lindex	4,830	10,608	476,342	493,895	481,172	504,503
	(1,075)	(—)			(1,075)	(—)
Subsidiaries						
Lindex AS, Norway	1,290	977	197,500	193,157	198,790	194,134
	(239)	(—)			(239)	(—)
Lindex Oy, Finland	1,286	1,195	65,396	71,682	66,682	72,877
	(265)	(—)			(265)	(—)
Lindex H.K. Ltd, Hong Kong	2,163	2,113	9,935	17,046	12,098	19,159
	(75)	(—)			(75)	(—)
Lindex GmbH, Germany	575	684	70,941	70,305	71,516	70,989
	(—)	(—)			(—)	(—)
AB Twilfit	886	2,050	59,478	61,254	60,364	63,304
	(156)	(—)			(156)	(—)
Total	11,030	17,627	879,592	907,339	890,622	924,966
	(1,810)	(—)			(1,810)	(—)

Benefits for Board of Directors and senior executives

Lindex's Board of Directors has appointed a Remuneration Committee consisting of the Chairman of the Board, Birgitta Johansson-Hedberg, and Board Member Christer Gardell. The task of the Committee is to work out proposals to the Board of Directors relating to principles for remuneration and other conditions of employment for the company management.

The salary for the incoming President, Göran Bille, consists of a fixed portion, basic salary, amounting to SEK 3,360K, and a flexible portion, bonus. The bonus is dependent on achieved targets for the company and for the individual. The bonus could amount to not more than three months' salary. The bonus portion is not pension-entitled and is reconsidered every year.

In addition, the incoming President holds 60,000 call options issued by Amaranth Capital Advisory AB – see page 31.

The pensionable age for the incoming President is 60. The President is also covered by a general pension plan. In addition, there is a premium-based promise of up to 30 per cent of the pension-entitled salary. The pension-entitled 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

Total remuneration to the Board of Directors for the financial year amounted to SEK 1,230K. The Chairman's remuneration amounted to SEK 350K and remuneration to other Board Members amounted to SEK 880K. A consultant's fee of SEK 182K was paid to Bengt Larsson,

B Larsson Senior Adviser HB. A consultant's fee of SEK 1,365K was paid to Board Member Conny Karlsson, Conny Karlsson Securera AB, for the period when Conny Karlsson was Acting President of the company. In addition to this consultant's fee and ordinary remuneration as a Board Member, there are no other remuneration obligations for the company to Conny Karlsson.

In addition to what was decided by the AGM on 15 January 2004, no other payments have been made.

President (during the period 1 September 2003-31 March 2004)

The salary during the financial year was SEK 9,378K, of which pension-entitled redundancy salary and severance pay amounted to SEK 7,823K, plus company car. Total pension costs amounted to SEK 9,193K (3,009).

Other members of the Group Management

The salaries for the other members of the Group Management consist of a fixed portion, basic salary, and a flexible portion, bonus. The bonus is dependent on achieved targets for the company and for the member. For members of the Group Management, the bonus could amount to not more than four months' salary. In addition, the majority of other members of the Group Management hold call options issued by Amaranth Capital Advisory AB – see page 31. Basic salaries have been paid to the 15 members of the Group Management during the year of SEK 16,716K, of which salaries on termination of employment and severance pay amounted to SEK 2,172K. Bonuses have been paid of SEK 0K (3,885). The pension benefits are premium-based and based on a national pension plan. On termination of employment by the employer, unchanged salary will be paid for 12–18 months.

Note 4 Absence due to illness and age distribution

Absence, %	Parent company	
	2003/2004	
Absence due to illness as a proportion of normal working hours	5.2	
Absence due to illness of more than 60 days	3.0	
Absence due to illness of up to 60 days	2.2	
Absence for illness by gender		
Men	0.1	
Women	5.1	
Absence by age group, %		
Up to 29 years	0.9	
30 – 49 years	3.1	
50 years and older	1.2	
Age distribution, %	2003/2004	
	Group	Parent company
Up to 29 years	36	26
30 – 49 years	49	57
50 years and older	15	17
Total	100	100

Note 5 Results of participations in subsidiaries

	Parent company	
	2002/2003	2003/2004
Dividends ¹⁾	140,485	203,621
Write-down of shares ²⁾	– 103,506	– 289,314
Total	36,979	– 85,693

1) Of which SEK 94,407K (72,451) refers to anticipated dividends.

2) Write-down of shares refers to Lindex GmbH with 204,829K (103,506) and AB Twilfit, with 84,485K (0). The write-down of shares in Lindex GmbH is a consequence of paid shareholder contributions. The write-down of shares in AB Twilfit was made since the equity in the company was charged with dividends and operating losses.

Note 6 Other interest income and similar profit items

	Group		Parent company	
	2002/2003	2003/2004	2002/2003	2003/2004
Interest	4,651	1,737	8,212	5,344
Exchange rate differences	49	248	—	—
Total	4,700	1,985	8,212	5,344

Note 7 Appropriations

	Parent company	
	2002/2003	2003/2004
Difference between book depreciation and depreciation according to plan	14,835	243,526
Change in tax allocation reserve	– 50,862	5,344
Total	– 36,027	248,870

Note 8 Tax on the year's profit and deferred tax

	Group		Parent company	
	2002/2003	2003/2004	2002/2003	2003/2004
Actual tax cost	- 94,657	- 77,271	- 54,244	- 122,618
Deferred tax	- 2,375	- 26,693	—	—
Total	- 97,032	- 103,964	- 54,244	- 122,618
	Group		Parent company	
	2002/2003	2003/2004	2002/2003	2003/2004
Profit before taxes	274,425	28,431	278,192	342,511
Tax in accordance with the applicable tax rate, 28%	- 76,839	- 7,961	- 77,894	- 95,903
Tax effect of Group contribution	—	—	15,145	—
Tax effect of non-deductible costs				
Write-down of financial fixed assets	—	—	- 28,982	- 80,920
Other non-deductible costs	- 7,766	- 2,586	- 3,107	- 2,568
Tax effect of non-taxable income				
Dividend	—	—	39,336	57,014
Other non-taxable income	3,401	4,431	2,686	—
Utilised, previously unreported, income taxes recoverable relating to losses carried forward	12,512	—	—	—
Tax effect of changed assessment of tax in previous years	- 1,562	- 2,942	- 1,428	- 241
Adjustment for different tax rates in foreign subsidiaries	- 928	- 3,830	—	—
Tax on unutilised losses carried forward in subsidiaries	- 25,850	- 51,076	—	—
Revaluation of losses carried forward	—	- 40,000	—	—
Tax on the year's profit in accordance with the profit and loss account	- 97,032	- 103,964	- 54,244	- 122,618
	Group		Parent company	
	31 Aug 2003	31 Aug 2004	31 Aug 2003	31 Aug 2004
Deferred tax assets relate to the following:				
Accumulated losses carried forward	102,164	62,164	—	—
Temporary differences	17,224	20,040	—	—
Total	119,388	82,204	—	—
Deferred tax liabilities relate to the following:				
Untaxed reserves	180,525	110,278	—	—
Temporary differences	9,000	- 2,012	—	—
Total	189,525	108,266	—	—

Total fiscal deficits within the Group amount to SEK 839M (635) and relate wholly to the German subsidiary. During the year, the tax assets relating to these deficits have been revalued, which resulted in a write-down of SEK 40M of deferred tax assets. Changed rules and regulations in Germany for utilising fiscal deficits justify the adjustment. For the same reason, no income taxes recoverable are reported on the

year's deficit in Germany. The deficits in Germany have no specific due date.

Deferred tax assets arising from temporary differences relate to, among other things, differences between book values and fiscal values on inventories and provisions for pensions.

Note 9 Intangible fixed assets

	Group		Parent company	
	31 Aug 2003	31 Aug 2004	31 Aug 2003	31 Aug 2004
Brand names				
Acquisition value brought forward	382,212	382,212	382,212	382,212
The year's capitalised expenditure	—	—	—	—
Accumulated acquisition values carried forward	382,212	382,212	382,212	382,212
Depreciation brought forward	170,561	189,672	170,561	189,672
The year's depreciation	19,111	19,111	19,111	19,111
Accumulated depreciation carried forward	189,672	208,783	189,672	208,783
Residual value carried forward according to plan	192,540	173,429	192,540	173,429
Renting rights				
Acquisition value brought forward	82,819	88,465	17,412	22,787
The year's capitalised expenditure	5,375	6,607	5,375	4,651
Reclassification	271	—	—	—
Sales and disposals	—	- 6,450	—	—
Accumulated acquisition values carried forward	88,465	88,622	22,787	27,438
Depreciation brought forward	25,189	41,223	15,443	16,832
Reclassification	2,079	—	—	—
The year's sales and disposals	—	- 3,622	—	—
The year's depreciation	13,955	14,526	1,389	2,165
Accumulated depreciation carried forward	41,223	52,127	16,832	18,997
Residual value carried forward according to plan	47,242	36,495	5,955	8,441
Goodwill				
Acquisition value brought forward	158,584	158,584	124,131	124,131
The year's disposals	—	14,408	—	—
Accumulated acquisition values carried forward	158,584	172,992	124,131	124,131
Depreciation brought forward	50,672	58,602	55,859	62,066
The year's disposals	—	8,051	—	—
The year's depreciation	7,930	7,930	6,207	6,207
Accumulated depreciation carried forward	58,602	74,583	62,066	68,273
Residual value carried forward according to plan	99,982	98,409	62,065	55,858

Note 10 Tangible fixed assets

	Group		Parent company	
	31 Aug 2003	31 Aug 2004	31 Aug 2003	31 Aug 2004
Equipment (including computers and ERP systems)				
Acquisition value brought forward	1,122,289	1,254,176	431,767	548,526
Purchases	218,056	156,422	144,270	106,822
Sales and disposals	- 57,561	- 25,082	- 27,511	- 4,731
Translation differences	- 28,608	- 3,804	—	—
Accumulated acquisition values carried forward	1,254,176	1,381,712	548,526	650,617
Depreciation brought forward	716,900	815,781	285,540	329,156
Sales and disposals	- 48,525	- 24,007	- 24,846	- 3,118
The year's depreciation	169,742	164,906	68,462	72,592
Translation differences	- 22,336	- 2,777	—	—
Accumulated depreciation carried forward	815,781	953,903	329,156	398,630
Residual value carried forward according to plan	438,395	427,809	219,370	251,987

Of the year's purchases, SEK 38M (67) corresponds to capitalisation of product supply systems in the parent company and SEK 38M (67) to capitalisation of product supply systems in the Group.

Note 11 Financial fixed assets

	Parent company	
	31 Aug 2003	31 Aug 2004
Participation in subsidiaries		
Acquisition value brought forward	846,342	913,504
Shareholder contributions	67,162	196,360
Accumulated acquisition values carried forward	913,504	1,109,864
Write-downs brought forward	526,151	629,657
The year's write-downs	103,506	289,313
Accumulated write-downs carried forward	629,657	918,970
Residual value carried forward according to plan	283,847	190,894

	Parent company				
	Share of equity, %	Share of votes, %	Number of shares	Book value 31 Aug 2003	Book value 31 Aug 2004
AB Espevik, Sweden	100	100	1,000	100	100
AB Mariana, Sweden	100	100	1,000	101	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
Lindex GmbH, Germany	100	100	—	64,398	55,929
AB Twilfit, Sweden (under change of name to Lindex Financial Services AB)	100	100	13,230	110,380	25,896
It will fit AB, Sweden	100	100	1,000	0	0
Total				283,847	190,894

	Corp. ID No	Registered office
AB Espevik	556050-8623	Alingsås
AB Mariana	556068-8565	Alingsås
Lindex AS	819282102	Oslo
Lindex Oy	0672-409-3	Helsinki
Lindex H.K. Ltd	437777	Hong Kong
Lindex GmbH	HRB 1797	Düsseldorf
AB Twilfit	556021-4768	Göteborg
It will fit AB	556497-6677	Alingsås

Note 12 Inventories

Obsolescence amounts to SEK 76M (29).

Note 13 Prepaid expenses and accrued income

	Group		Parent Company	
	31 Aug 2003	31 Aug 2004	31 Aug 2003	31 Aug 2004
Prepaid rentals	51,260	64,701	23,391	30,061
Accrued interest income	983	154	561	90
Other items	20,589	20,108	84,226	15,011
Total	72,832	84,963	108,178	45,162

Note 14 Financial risks

Lindex is exposed to a number of different financial risks. These are handled by the Group Treasury department, the main task of which 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 will be covered by long-term credit facilities. On 31 August 2004, Lindex's total credit facilities amounted to SEK 1,381M, including letters of credit and forward exchange agreement limits. Of the total credit facilities, SEK 264M had been utilised at the end of the financial year, of which the majority relates to outstanding letters of credit. The loans amounted to SEK 6M. Of these, SEK 3M mature within one year and SEK 3M within two years.

Interest rate risk

Lindex limits the interest rate risk by striving for short interest rate periods. On 31 August 2004, liquid funds consisted of bank deposits, all with a very short fixed interest period. Thus there is 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 low credit risk. Transactions in derivatives are made only with counterparties with high creditworthiness.

Credit risks in commercial transactions

The majority of the Group's sales are made for cash payment. The credit risk in other sales is distributed amongst a very large number of individual customers.

Currency risk

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

- The result is influenced when sales and purchases are made in different currencies (transaction exposure).

Derivative instruments

Group 31 Aug 2004	Book value	Actual value	Nominal amount
Forward foreign exchange contracts	—	1,157	197,105
Currency options:			
Purchased options (call USD, put SEK or NOK)	—	3,750	151,523
Issued options (put USD, call SEK or NOK)	—	-2,027	235,974
Currency swaps	74	68	161,710
Total	74	2,948	

All options are made as zero cost options, which means that Lindex has received as much in premium for the issued options as has been paid for the options bought. As the exercise price for the purchased and issued options lie 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 shall be denominated in local currency. Currency translation effects arise at 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 219M (251) on 31 August 2004. Translation effects also arise when the results of the foreign subsidiaries are translated into SEK. This exposure is not hedged.

Economic exposure

Financial exposure is defined as adjustments in the competition picture to which exchange rate fluctuations give rise in the long term. As

- The result is influenced when the results of foreign subsidiaries are translated into SEK (translation exposure).
- Shareholders' equity is influenced when the subsidiaries' net assets are translated into SEK (translation exposure).

Transaction exposure

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

Transaction risks in the Group are centralised to the parent company and operations in the subsidiaries are carried out in the local currency.

As a large proportion of the Group's product purchases are made in USD or USD-related currencies, Lindex is mainly exposed to changes in the USD rate.

To reduce the currency risk, Lindex hedges a significant proportion of the Group's contracted flows in foreign currency. In accordance with the Group's financial policy, at least 70 per cent of contracted flows shall be hedged. Currency risks are monitored and exchange rate differences calculated as the difference between actual paid rate and calculated rate. No monitoring is carried out between the actual rate paid and the spot rate on the due date.

A sensitivity analysis shows that a change of ± 5 per cent in USD and HKD rates affects Lindex's profit by SEK ± 53 M. This assumes that other items in the profit and loss account are unchanged.

Lindex's exposure in the euro currency is very limited as inflows and outflows balance.

Foreign exchange exposures are mainly hedged with forward contracts and options. Currency derivatives are only utilised with the aim of reducing the currency risk in the operations. All outstanding currency derivatives mature within six months.

The value of the derivative instruments on balance sheet date is illustrated below.

Lindex is deemed to have a similar currency situation to that of its competitors, Lindex's competitiveness is not extensively influenced 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 an operator on the Nordpol electricity market, amounts to approximately 37 GWh per annum (equivalent to approximately SEK 10,000K for 2003/04). In addition, there is a small number of stores where the landlord debits electricity via the rent.

In order to reduce the exposure to changes in the electricity price relating to own procured electricity, financial hedging is used. Of the estimated consumption for 2004/05, approximately 80 per cent has been hedged and 50 per cent for 2005/06. The result of the hedgings is reported as they mature. Hedgings for deliveries during 2004/05 have been made at price levels which are lower than market prices applicable on balance sheet date.

Note 15 Untaxed reserves

	Parent company	
	2002/03	2003/04
Accumulated difference between book depreciation and depreciation in excess of plan	286,257	42,731
Tax allocation reserve	351,064	345,720
Total	637,321	388,451

Note 16 Provisions (long-term and current)

Group	Pensions	Restruc-
		turing
Balance brought forward on 1 September 2002	12,441	18,912
Utilised provisions	—	– 14,019
New provisions	1,240	12,546
Translation difference	– 1,308	—
Balance carried forward on 31 August 2003	12,373	17,439
Utilised provisions	—	– 6,879
New provisions	3,098	81,582 ¹⁾
Translation difference	– 234	—
Balance carried forward on 31 August 2004	15,237	92,142

1) Of which SEK 79M relates to closure of German stores and consists mainly of costs for rental agreements entered into, disposals, obsolescence and redundancy salaries. The closure is expected to be completed during the second quarter of 2004/05.

Note 17 Accrued expenses and prepaid income

	Group		Parent company	
	2003	2004	2003	2004
Accrued payroll overheads	59,839	70,392	42,703	48,285
Accrued wages and salaries	35,769	34,172	20,821	19,903
Accrued holiday pay	92,574	95,979	61,156	65,323
Other items	111,206	152,442	77,993	108,656
Total	299,388	352,985	202,673	242,167

Note 18 Pledged assets

	Group		Parent company	
	2003	2004	2003	2004
For own liabilities and provisions				
Relating to liabilities to suppliers				
Pledged liquid funds	23,270	8,270	23,270	8,270
Total relating to own liabilities and provisions	23,270	8,270	23,270	8,270

The Lindex Group has not provided any real securities. These have been replaced by covenants (key ratio promises) towards the credit providers.

Note 19 Contingent liabilities

	Group		Parent company	
	2003	2004	2003	2004
Contingent liabilities in favour of other Group companies	—	—	622,104	482,929
Total	—	—	622,104	482,929

The parent company has a general guarantee responsibility for the subsidiaries' liabilities to credit institutions.

Note 20 Internal sales

Group-internal transactions in the parent company relate to costs re-allocated to other Group companies, SEK 114M (116), and royalty of SEK

38M (39). In addition, Lindex H.K. Ltd's sales to the parent company amount to SEK 55M (581).

Note 21 Average number of employees

The average number of employees in the Group as well as wages, salaries and remuneration are 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 in each

country. Information about the number of full-time employees as well as wages, salaries and remuneration refers to the period 1 September–31 August in the respective year.

	2002/2003		2003/2004	
	Average number of employees	Of whom, men	Average number of employees	Of whom, men
Parent company				
AB Lindex, Sweden	1,612	76	1,725	80
Subsidiaries				
Lindex AS, Norway	579	7	610	8
Lindex Oy, Finland	311	5	310	4
Lindex H.K. Ltd, Hong Kong	101	46	128	62
Lindex GmbH, Germany	257	18	219	8
AB Twilfit, Sweden	260	2	218	2
Total	3,120	154	3,210	164

	Distribution of executive management			
	Group		Parent company	
	2002/2003	2003/2004	2002/2003	2003/2004
Women				
Board Members	6	8	1	3
Other persons in the management team, including the President	9	7	9	7
Men				
Board Members	28	25	7	5
Other persons in the management team, including the President	7	7	7	7
Total	50	47	24	22

Note 22 Leasing charges which refer to operational leasing

The Group and the parent company have entered into lease agreements relating to stores and offices with the following rental commitments. For lease agreements which are based on sales, only the agreed basic rental

is stated. In addition, the Group and the parent company have lease agreements for equipment and company cars.

	Group		Parent company	
	2002/2003	2003/2004	2002/2003	2003/2004
Leasing charges paid during the financial year	582,818	677,059 ¹⁾	250,877	264,647

Agreed future leasing charges	Group		Agreed future leasing charges	Parent company	
	2004/2005	2005/2006		2007/2008	2008/2009
2004/2005	548,820	250,262	2009/2010 and later	205,528	83,533
2005/2006	447,948	194,919			
2006/2007	350,101	145,313			

1) Of which SEK 49.5M relates to closure of stores in Lindex GmbH.

Note 23 Transactions with related parties

Transactions with related parties that have taken place in 2003/04 are described in note 3 and note 20.

Note 24 Audit fee

During the financial year, the audit fee paid to Öhrlings PricewaterhouseCoopers amounted to SEK 1,255K (1,338) and other remuneration to SEK 2,135K (2,077).

Note 25 Events after the balance sheet date

From 1 September 2004, the Group has implemented the Swedish Financial Accounting Standards Council's recommendation RR 29 – Employee benefits. The actuarial calculations to establish the opening balance for benefit-based remuneration had not yet been completed on the date when the Annual Report was submitted.

In addition to the above, the operations in AB Twilfit (under change of name to Lindex Financial Services AB) have been transferred to the parent company AB Lindex on 1 September 2004 through an acquisition of the assets and liabilities.

On 11 October 2004, Göran Bille will take over as President.

Otherwise, no events have occurred after the balance sheet date, but before the signing of this Annual Report, which are to be regarded as significant. The balance sheet and profit and loss account as well as distribution of profit (including the proposed dividend of SEK 15 per share) will be adopted by the Annual General Meeting on 7 December 2004.

Göteborg, 22 September 2004

Birgitta Johansson-Hedberg
Chairman

Gerard De Geer

Bengt Larsson

Karin Larsson

Rigmor Lindbäck

Lars Otterbeck

Christer Gardell

Conny Karlsson
Acting President

Our audit report was submitted on 22 September 2004

Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Authorised Public Accountant

Audit Report

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the Board of Directors and the President of AB Lindex (publ) for the financial year 1 September 2003–31 August 2004. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

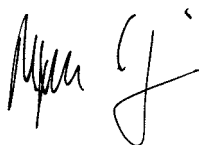
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President as well as evaluating the overall presentation of information in the financial statements. To form a basis for our opinion, we examined significant decisions, actions taken and cir-

cumstances of the Company in order to be able to assess the possible liability to the Company of any board member or the President. We have also examined whether any board member or the President has in some 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.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and therefore give a true and fair picture of the Company's and the consolidated Group's results and position in accordance with generally accepted auditing standards in Sweden.

We recommend that the Annual General Meeting adopt the profit and loss account and the balance sheet for the parent company and for the Group, appropriate the profit in the parent company in accordance with the recommendation in the Directors' Report and that the Board of Directors and the President be discharged from liability for the financial year.

Göteborg, 22 September 2004
Öhrlings PricewaterhouseCoopers AB



Magnus Götenfelt
Authorised Public Accountant

Definitions

Average equity. Total shareholders' equity on 1 September and 31 August divided by two.

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

Break-even. Income exceeds expenditure with regard to operating profit before depreciation.

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. Total sales divided by average capital employed in operations.

Cash flow after investments. Deposits less payments.

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

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

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

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

Equity per share. Equity divided by 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 period's sales.

Gross margin. Sales during the period less expenditure for sold products as a percentage of sales.

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

Inventory turnover rate. Costs for sold products divided by average inventory (12 months average).

Net borrowing. 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 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 balance sheet date divided by profit per share.

Price/equity. Share price per share divided by equity per share, both at 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 average capital employed in operations.

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

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

Sales. Sales excluding value added taxes.

Sales by square metre of store space. Sales during the period divided by average store area (12 months average).

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

Shareholders' equity. Restricted and non-restricted equity.

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 share price at balance sheet date.

Development of the Lindex Group

The following ten-year review illustrates Lindex's development. Pro forma accounts are shown below for the first two financial years which are described in detail in the Offering Circular which was produced

ahead of the stock market introduction in April 1995 and the previous annual reports. Comments on the development in the past two years are reported on pages 2–4 of the Director's Report and on page 26.

Consolidated profit and loss accounts

SEK M	Pro forma										Change, %
	1994/ 1995	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004	
Sales excluding value added taxes	2,530	2,659	2,887	3,212	3,615	4,114	4,707	5,031	5,312	5,352	0.8
Same-stores	2,374	2,428	2,753	3,055	3,411	3,800	4,391	4,670	5,075	5,306	4.5
New stores	156	231	134	157	204	314	316	360	237	46	-80.6
Sweden	1,617	1,758	1,865	2,055	2,259	2,539	2,682	2,844	3,105	3,172	2.2
Norway	700	665	744	826	940	1,005	1,213	1,301	1,274	1,218	-4.4
Finland	213	236	278	314	351	373	459	500	541	588	8.6
Germany	—	—	—	17	65	197	353	379	393	374	-4.8
Ladies' Wear	1,081	1,098	1,126	1,180	1,297	1,479	1,657	1,808	1,782	1,776	0.0
Lingerie ¹⁾	822	890	1,004	1,138	1,313	1,451	1,625	1,776	1,966	1,981	0.8
Children's Clothing	627	671	757	894	1,005	1,184	1,425	1,447	1,564	1,595	2.0
Other income	2	1	0	9	24	51 ²⁾	26	35	67	83	24.5
Goods for resale	-1,284	-1,341	-1,415	-1,552	-1,717	-1,956	-2,369	-2,255	-2,322	-2,507	8.0
Gross profit	1,246	1,318	1,472	1,660	1,898	2,158	2,338	2,776	2,990	2,845 ²⁾	-4.9
<i>Gross margin, %</i>	49.2	49.6	51.0	51.7	52.5	52.5	49.7	55.2	56.3	53.2	—
Other operating expenses ³⁾	-1,059	-1,105	-1,209	-1,364	-1,565	-1,798	-2,112	-2,369	-2,573	-2,694 ⁴⁾	4.7
One-off costs ⁵⁾	-28	—	—	—	—	—	—	—	—	—	—
Depreciation	-60	-69	-75	-84	-102	-124	-166	-202	-211	-206	-2.4
Operating profit	101	145	188	221	255	287 ⁶⁾	86	240	273	28	-89.7
<i>Operating margin, %</i>	4.0	5.5	6.5	6.9	7.1	7.0	1.8	4.8	5.1	0.5	—
Financial income and expenses	-25	-30	-10	0	11	26	14	36	1	0	—
Profit after financial items⁷⁾	76	115	178	221	266	313	100	276	274	28	-89.8
<i>Profit margin, %</i>	3.0	4.3	6.1	6.9	7.4	7.6	2.1	5.5	5.2	0.5	—
Tax on the year's profit	-26	-30	-55	-79	-69	-92	-39	-122	-97	-104	7.2
Net result for the year	50	85	123	142	197	221	60	154	177	-76	-142.9

1) Lindex Cosmetics (former Lindex Care) is currently included in Business Area Lingerie.

2) The gross profit has been charged with one-off costs equivalent to

-69

3) Including relating to synthetic options:

Provision for estimated liability

—

—

17

10

-9

-1

0

—

—

—

Cost for options which have been redeemed by AB Lindex

—

—

1

1

—

—

—

—

—

—

Share price on the last stock market day in the respective period, SEK

77.50

103

202

248

209

200

106

169

164

188

4) Other operating expenses have been charged with structural costs equivalent to

-101

5) Explanations to the item 'One-off costs' are found in the Annual Report 1997/98.

6) Including discounted current value of Lindex's share of Alecta's overconsolidation reserve in the pension scheme of SEK 20M.

7) Including charge to profit relating to Lindex's operation in Germany.

—

—

—

-37

-72

-110

-170

-138

-103

-204

Balance sheets

SEK M	Pro forma at 31 August		31 August							
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Fixed assets ¹⁾	605	587	574	598	652	788	893	971	909	829
Inventories	535	521	583	700	752	945	954	796	880	705
Trade debtors	47	48	39	122	178	232	308	315 ³⁾	13 ³⁾	7
Other current receivables	33	36	51	39	53	95	79	96	81	97
Liquid funds	75	58	58	121	147	104	186	212	248	177
Total assets	1,295	1,250	1,305	1,580	1,782	2,164	2,420	2,390	2,131	1,815
Shareholders' equity	399	452	543	642	790	956	971	1,083	1,153	908
Interest-bearing liabilities	523	439	304	346	345	425	726	400	23	6
Operating liabilities and provisions	373	359	458	592	647	783	723	907	955	901
Total equity, provisions and liabilities²⁾	1,295	1,250	1,305	1,580	1,782	2,164	2,420	2,390	2,131	1,815

1) Of which, brand names and goodwill which arose in connection with the acquisition of AB Lindex by Industri Kapital 1989 and by other investors in September 1993 and the acquisition of AB Twilfit in 2002

	439	416	392	371	346	321	297	320	293	272
2) Of which, current liabilities	459	437	448	544	615	772	864	795	733	677
Of which, long-term liabilities and provisions	437	361	314	394	377	438	585	490	224	130

3) During 2002/03, trade debtors were divested to Ikanobanken in Sweden and IKANO Finans in Norway.

Cash flow statements¹⁾

SEK M	Pro forma		1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
	1994/ 1995	1995/ 1996								
Cash flow from current operations	22	121	230	169	243	193	117	669	589	276
Investments, net	-185	-126	-162	-155	-143	-260	-260	-220	-172	-165
Cash flow after investments	-163	-5	68	14	100	-67	-143	448	417	111
Cash flow from financial operations	60	-11	-68	48	-74	24	224	-422	-381	-182
The year's cash flow	-103	-16	0	62	26	-43	81	26	36	-71
Liquid funds										
Liquid funds on 1 September	178	75	58	58	121	147	104	186	212	248
Change in liquid funds	-103	-16	0	62	26	-43	82	26	36	-71
Liquid funds on 31 August	75	58	58	121	147	104	186	212	248	177
Change in interest-bearing net liability	84	-67	-135	-20	-28	123	220	-353	-413	54

1) The cash flow statements are prepared according to the direct method in compliance with the Swedish Financial Accounting Standards Council's recommendation RR 7.

Key figures

	Pro forma								
	1995/ 1996	1996/ 1997	1997/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Sales growth									
total, %	5.1	8.6	11.3	12.6	13.8	14.4	6.9	5.6	0.8
same-stores ¹⁾ , %	- 4.0	3.5	5.8	6.2	5.1	6.7	- 0.7	2.3	1.1
same-stores ²⁾ , %	- 0.8	3.0	6.5	5.6	6.8	3.6	- 3.3	3.0	3.2
Sales per m ² of store space, SEK	17,142	17,666	18,390	19,113	19,553	20,009	19,285	19,947	20,555
Gross margin, %	49.6	51.0	51.7	52.5	52.5	49.7	55.2	56.3	53.2
Operating margin, %	5.5	6.5	6.9	7.1	7.0	1.8	4.8	5.1	0.5
Profit margin, %	4.3	6.1	6.9	7.4	7.6	2.1	5.5	5.2	0.5
Expenses as a proportion of sales, %	41.6	41.9	42.5	43.3	43.7	44.9	47.1	48.4	50.3
Return on equity, %	19.9	24.7	24.0	27.6	25.3	6.3	15.0	15.9	- 7.3
Return on capital employed, %	17.2	22.9	26.3	27.4	26.2	8.8	18.9	20.9	2.9
Return on capital employed in operations, %	17.3	23.2	26.7	27.5	25.3	6.1	17.3	24.8	3.4
Return on total capital, %	12.2	15.6	16.7	17.3	16.7	5.9	12.5	12.3	1.5
Equity ratio, %	36.2	41.6	40.6	44.3	44.2	40.1	45.3	54.1	50.0
Net debt/equity ratio, %	84.2	45.2	35.1	25.0	33.6	56.7	17.3	- 19.5	- 18.8
Interest coverage ratio, times	3.8	9.4	12.1	11.8	19.5	3.7	12.3	84.6	16.0
Capital turnover rate, times	3.2	3.7	3.7	3.7	3.2	3.1	4.0	5.7	7.3
Inventory turnover rate, times	2.4	2.6	2.3	2.3	2.6	2.2	2.5	2.7	2.8
Investments, net ³⁾ , SEK M	126	162	155	118	236	260	247	223	163
Cash flow after investments, SEK M	- 5	68	14	100	- 67	- 143	448	417	111
Number of full-time employees	1,871	1,939	2,123	2,344	2,678	2,950	3,130	3,120	3,210
Earnings per share, SEK	6.20	8.90	10.30	14.40	16.00	4.40	11.20	12.90	- 5.50
Cash flow per share ³⁾ , SEK	- 0.40	5.00	1.00	7.30	- 4.90	- 10.40	32.70	30.40	8.10
Equity per share, SEK	32.90	39.50	46.70	57.50	69.50	70.60	78.80	83.90	66.00

1) Including exchange rate fluctuations.

2) Excluding exchange rate fluctuations.

3) From cash flow statement in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 7.

Sales

Demand for retail clothing accelerated during the mid-1990s, and has since increased for every year until autumn 2000, when an approaching recession and an exceptional weather situation reduced consumers' willingness to buy. The recession deepened during 2001/02 and showed a slight upturn during 2002/03 and 2003/04. However, the Lindex Group increased its sales throughout the period.

Margins

Since 1993/94, Lindex has improved its gross margins every year until the 2000/01 financial year when the margins fell.

The reduced gross margins were mainly due to sales failing to meet expectations. This led to surplus inventories and significant price reductions. As from 2001/02, 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 actual season. During 2003/04, the gross margin was affected by one-off write-downs of inventories and unusually large price reductions due to an oversupply within Business Area Ladies' Wear.

Investments

During the 1997/98 financial year, Lindex established an operation in Germany which involved substantial investments during the period 1997/98 to 2001/02. Lindex acquired the Twilfit chain during 2001/02.

During 2002/03 and 2003/04, Lindex invested in existing stores, IT systems and infrastructures and sold the companies' property in Alingsås. The new IT systems were put into operation on 1 September 2004.

Trade debtors

The Group's trade debtors have increased in recent years in step with the development of Lindex Club (former Lindex Card). On 31 August 2002, Lindex Club accounted for SEK 315M (300). During 2002/03, trade debtors were divested to Ikanobanken in Sweden and IKANO Finans in Norway.

Inventories

Lindex's inventories consist of goods in transit to and goods in store. Since the mid-1990s, the number of stores has risen significantly to 398 and inventories have increased from SEK 535M to SEK 705M.

Taxes

The Group's effective tax rate (tax as a proportion of profit after financial items) increased during 2003/04 to 366 per cent from 35.4 per cent in the previous year. The tax rate has been influenced by structural costs and revaluation of income taxes recoverable on losses carried forward in the German company. Changed rules and regulations in Germany for utilising fiscal deficits justify the adjustment.

Seasonal variations in the Lindex Group by quarter

SEK M	1999/2000 ¹⁾				2000/2001				2001/2002				2002/2003				2003/2004 ²⁾			
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	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 taxes	1,019	1,054	988	1,053	1,173	1,193	1,136	1,205	1,288	1,267	1,239	1,237	1,365	1,330	1,252	1,365	1,385	1,368	1,282	1,318
Operating result	74	87	53	73 ²⁾	11	26	19	30	97	62	47	34	82	19	76	96	88	-56	1	-5
Result after financial items	79	96	59	79	14	32	20	34	101	75	56	44	80	20	76	98	88	-55	1	-5
Items which have influenced the quarterly results																				
Provision for anticipated liability for synthetic options	8	-9	3	-3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Influence on the result by Lindex GmbH, Germany	-22	-24	-28	-36	-37	-45	-40	-48	-37	-36	-33	-32	-27	-29	-22	-25	-19	-33	-34	-118
One-off structural costs	—	—	—	—	—	—	-17	-22	—	—	—	—	—	—	-10	—	—	—	-71	-98

1) The provision is based on a share price of SEK 200.

2) Including discounted current value of Lindex's share of Alecta's surplus funds in the pension scheme with SEK 20M.

Lindex's operating result is subject to significant seasonal variations. This is mainly an effect of high average prices per product during the autumn with higher sales volumes ahead of Christmas; 'sales' during January–February (and to a lesser extent during July–August); and lower sales volumes and lower average price per product during the summer.

Number of stores on 31 August

	1999	2000	2001	2002	2003	2004
AB Lindex, Sweden	170	178	179	179	179	181
Lindex AS, Norway	74	81	87	88	87	86
Lindex Oy, Finland	43	43	47	48	47	48
Lindex GmbH, Germany	11	27	33	33	30	25
AB Twilfit, Sweden	—	—	—	58	58	58
Total	298	329	346	406	401	398
Closures	—	3	2	14	9	11

The Lindex share

AB Lindex's share has been quoted on the A list of the Stockholm Stock Exchange since 7 April 1995.

Share capital

The share capital of AB Lindex amounts to SEK 27.5M represented by 13,750,000 shares with a nominal value of SEK 2 and an entitlement to one vote at the Annual General Meeting. All shares carry equal rights to a share of the assets and the profit of the company.

Price development and trading

Lindex's total stock market value amounted to SEK 2,578M (2,255) on 31 August 2004. The price paid per share was SEK 187.50 (164.00). Thus, the share rose by 14.3 per cent. During the financial year, the Affärsvärlden General Index also rose by 14.3 per cent.

During the period 1 September 2003–31 August 2004, 19,652,014 (9,237,833) Lindex shares were traded on the Stockholm Exchange. This is equivalent to a trading rate of 143 per cent.

The Lindex share is also traded on SEAQ International in London and on Deutsche Börse in Frankfurt.

Shareholders

On 31 August 2004, Lindex had 11,393 shareholders (12,104). On the same date, the largest shareholders accounted for 50.1 per cent (53.1) of votes. Foreign owners accounted for 52.3 per cent (18.5) of the shares.

Dividend policy and proposal for dividend

The Board of Directors' objective is that the dividend will be equivalent to approximately 30 per cent of consolidated profit after taxes in the long term. The Board of Directors' proposal for a dividend should also take into account expectations for future results and cash flow as well as the Group's equity ratio.

For the 2003/04 financial year, the Board of Directors proposes a dividend of SEK 15.00 (12.00) per share.

Analyses of the Lindex share

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

Ownership distribution

	Share and votes, %				
	2000	2001	2002	2003	2004
Swedish owners	76.1	72.5	76.3	81.5	47.7
Foreign owners, excl. USA	21.4	25.8	20.5	17.2	43.2
USA-owned	2.5	1.7	3.2	1.3	9.1
Total	100.0	100.0	100.0	100.0	100.0

Total number of shareholders 14,302 12,556 12,728 12,104 **11,393**

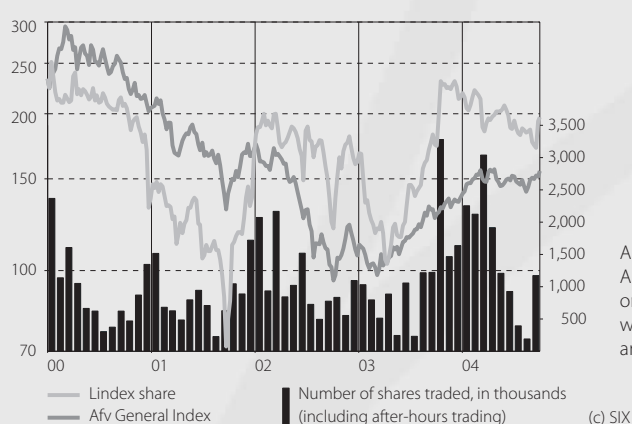
On 31 August 2004, foreign owners represented 52.3 per cent of capital and votes. Source: VPC AB Share Register.

Ownership structure

Number of shares	Number of owners	% of all owners	Number of shares	% of share capital
1–200	9,272	81.4	780,982	5.7
201–1 000	1,753	15.4	910,959	6.6
1 001–10 000	269	2.3	826,255	6.0
10 001–100 000	71	0.6	2,596,358	18.9
100 001–	28	0.3	8,635,446	62.8
Total	11,393	100.0	13,750,000	100.0

Source: VPC AB Share Register.

The Lindex share on the Stockholm Stock Exchange 2000–2004



AB Lindex's share was 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.

Ownership

Shareholders	Number of shares and votes, %	
	Number of shares	Number of shares and votes, %
Amaranth Capital	1,886,600	13.7
Goldman Sachs	1,056,163	7.7
BNY GCM Client Accounts	714,636	5.2
Robur	668,325	4.8
AMF Pension	642,500	4.7
JP Morgan	559,738	4.1
Deutsche Bank	489,027	3.6
Bank of New York	378,961	2.7
Mellon Omnibus	255,464	1.9
Myrberg Finansanalys	245,400	1.8
Total	6,896,814	50.2

Source: VPC AB Share Register 31 August 2004.

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
Transaction	Company formation	New share issue 550:1	Split 5:1
Change in share capital, SEK	—	27,450,000	—
Share capital, SEK	50,000	27,500,000	27,500,000
Number of shares	5,000	2,750,000	13,750,000

Share data

	1999/ 2000	2000/ 2001	2001/ 2002	2002/ 2003	2003/ 2004
Number of shares, 000	13,750	13,750	13,750	13,750	13,750
Earnings per share, SEK	16.00	4.40	11.20	12.90	- 5.50
Cash flow per share, SEK	- 4.90	- 10.40	32.70	30.40	8.10
Equity per share, SEK	69.50	70.60	78.80	83.90	66.00
Share price on 31 Aug, SEK	200.00	106.00	168.50	164.00	187.50
Dividend per share, SEK	5.00	3.00	6.00	12.00	15.00¹⁾
P/E-ratio	12	24	15	13	-30
EBIT-multiple	11	23	11	7	84.9
Price/equity ratio	2.90	1.50	2.1	2.0	2.8
Yield, %	2.50	2.80	3.6	7.3	8.0¹⁾
Dividend portion, %	31	68	53	93	- 273

1) Proposed dividend.

Lindex Board of Directors

Birgitta Johansson-Hedberg, born 1947

Elected by the AGM. Chairman of AB Lindex since 1993. President and CEO of Svenska Lantmännen. Other assignments: Board Member of Skandia, Fortum Oy, Oriflame, Sveaskog and Chairman of Umeå University.

Shareholding in AB Lindex: 3,500. Birgitta Johansson-Hedberg will not stand for re-election to the Lindex Board of Directors at the AGM in December 2004.

Gerard De Geer, born 1949

Elected by the AGM. Vice Chairman since 1996, Board Member of AB Lindex since 1994. Director of Operations, Industri Kapital. Other assignments: Chairman of Citylink AB. Board Member of Consolis Oy ab, Elektrokoppar Holding AB, MacGREGOR International AB, Continental Bakeries B.V. and Intrum Justitia AB. Shareholding in AB Lindex: 1,700.

Bengt Larsson, born 1945

Elected by the AGM. Board Member of AB Lindex since 2002. Other assignments: Board Member of JM AB and SHR. Shareholding in AB Lindex: 0

Lars Otterbeck, born 1942

Elected by the AGM. Board Member of AB Lindex since 2002. Other assignments: Board Member of Ainax AB, Aberdeen Property Investors AB, Institute of International Business, Stiftelsen SSE-MBA within the Stockholm School of Economics, and the Swedish Industry and Commerce Stock Exchange Committee. Shareholding in AB Lindex: 200.

Christer Gardell, born 1960

Elected by the AGM. Board Member of AB Lindex since 2004. President and partner of Amaranth Capital Advisory AB. Shareholding in AB Lindex: 0.

Alice Eriksson, born 1943

Employee Representative. Deputy Board Member of AB Lindex since 2000. Appointed by the Swedish Union of Commercial Employees. Employed since 1979. Shareholding in AB Lindex: 400.

Karin Larsson, born 1972

Employee Representative. Board Member of AB Lindex since 2000. Appointed by the Swedish Union of Commercial Employees. Employed since 1991. Shareholding in AB Lindex: 200.

Rigmor Lindbäck, born 1959

Employee Representative. Board Member of AB Lindex since 2000. Appointed by the Swedish Union of Commercial Employees. Employed since 1984. Shareholding in AB Lindex: 0.

Rune Lindstrand, born 1943

Employee Representative. Deputy Board Member of AB Lindex since 2000. Appointed by the Swedish Union of Commercial Salaried Employees. Employed since 1985. Shareholding in AB Lindex: 100.

Conny Karlsson, born 1955

Elected by the AGM. Board Member of AB Lindex since 2004. Consultant. Other assignments: Chairman of MTV Produktion AB, Wilh. Sonesson AB and Tybringjedde ASA. Shareholding in AB Lindex: 0. 40,000 call options issued by Amaranth Capital Advisory AB.



Lindex Management Team



Christina Holmqvist, born 1965
 Director of Business Area Lingerie.
 Employed since 1992.
 Shareholding in AB Lindex: 50.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Peter Andersson, born 1964
 Chief Financial Officer.
 Employed since 2000.
 Shareholding in AB Lindex: 1,113.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Elisabeth Peregi, born 1971
 Divisional Manager, Twilfit.
 Employed since 1999.
 Shareholding in AB Lindex: 0.
 2,500 call options issued by
 Amaranth Capital Advisory AB.

Stefan Ahlén, born 1955
 Director of Purchasing and
 Production. Employed since 1994.
 Shareholding in AB Lindex: 200.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Ulrika Danielson, born 1965
 Director of Corporate Communica-
 tions and Human Resources.
 Employed since 2002.
 Shareholding in AB Lindex: 100.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Mats Gärdsell, born 1958
 Director of Marketing.
 Employed since 2002.
 Shareholding in AB Lindex: 200.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Thomas Enwall, born 1959
 Director of Logistics and IT.
 Employed since 2002.
 Shareholding in AB Lindex: 110.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Ingrid Osmundsen, born 1961
 Sales Director, Sweden
 Employed since 2002.
 Shareholding in AB Lindex: 0.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Ari Isohella, born 1962
 Sales Director, Finland.
 Employed since 1999.
 Shareholding in AB Lindex: 0.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Hans Jepson, born 1956
 Director of Establishment.
 Employed since 1992.
 Shareholding in AB Lindex: 20,000.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Maritha Wadenfalk, born 1942
 Director of Business Areas
 Children's Clothing and Ladies'Wear.
 Employed since 1992.
 Shareholding in AB Lindex: 200.
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Göran Bille, born 1955
 President and CEO.
 Took over on 11 October 2004.
 Shareholding in AB Lindex: 0.
 60,000 call options issued by
 Amaranth Capital Advisory AB.

Anita Strandberg, born 1951
 Sales Director, Germany.
 Employed since 1994.
 Shareholding in Lindex: 300
 5,000 call options issued by
 Amaranth Capital Advisory AB.

Hanne Leino, born 1966
 Acting Sales Director, Norway.
 Employed since 2000.
 Shareholding in AB Lindex: 0.

Calendar

The Annual General Meeting will be held in Chalmers nya kårhus, Chalmersplatsen 1, Göteborg at 4 pm on 7 December 2004.

Interim Report for the first quarter of 2004/05: 19 January 2005

Interim Report for the second quarter of 2004/05: 31 March 2005

Interim Report for the third quarter of 2004/05: 22 June 2005

Year-End Report 2004/05: 28 September 2005



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