

Lindex Interim Report for the second quarter

1 December 2006–28 February 2007

First six months 2006/2007 (1 September 2006–28 February 2007)

- The Lindex Group's sales amounted to SEK 2,554M (2,581), equivalent to a change of -1.1 (-1.5) per cent. Same store sales excluding the currency effect fell by 1.8 (+0.9) per cent.
- Closure costs for the stores in Germany are estimated to amount to SEK 90M, which is charged to the period's profit. Approximately SEK 70M affects the cash flow. During the closure period, which will continue during the remainder of the financial year, current operating losses will be added.
- Operating profit excluding forecast closure costs relating to the German operation amounted to SEK 239M (308).
- Operating profit including forecast closure costs of SEK 90M amounted to SEK 149M (308). Profit after financial items amounted to SEK 143M (311). The EBITA result in the Group amounted to SEK 149M (308).
- The operating margin including forecast closure costs amounted to 5.8 (11.9) per cent and the gross margin to 59.3 (59.6) per cent. The EBITA margin in the Group amounted to 5.8 (11.9) per cent.
- Profit after tax amounted to SEK 80M (293), equivalent to SEK 1.20 (4.30) per share.

Second quarter 2006/2007 (1 December 2006–28 February 2007)

- The Lindex Group's sales amounted to SEK 1,265M (1,274), equivalent to a change of -0.7 (-1.3) per cent. Same store sales excluding the currency effect fell by 2.1 (+1.7) per cent.
- Operating profit excluding forecast closure costs relating to the German operation amounted to SEK 107M (148).
- Operating profit including forecast closure costs of SEK 90M amounted to SEK 17M (148). Profit after financial items amounted to SEK 13M (151). The EBITA result in the Group amounted to SEK 17M (148).
- The operating margin including forecast closure costs amounted to 1.3 (11.6) per cent and the gross margin to 58.5 (58.6) per cent. The EBITA margin in the Group amounted to 1.3 (11.6) per cent.
- The result after tax amounted to SEK -17M (105), equivalent to SEK -0.20 (1.50) per share.

The CEO comments:

“Children's Clothing and Lingerie have developed satisfactorily. Regarding Ladies' Wear, however, the development has not been satisfactory. As a result of delays of several deliveries from some of our biggest purchasing markets we did not have sufficient spring fashion in the stores during January. Since the middle of February the stores have been well-stocked with spring fashion and our product range has been positively received by our customers.”

Göran Bille, President and CEO

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Market and demand

Growth in the retail clothing markets in which Lindex operates remained positive during the first quarter. According to Handelns Utredningsinstitut, HUI, the Swedish retail clothing and outfit market grew by 2.5 per cent in total during the quarter. Growth was stronger in the first part of the quarter.

Sales and gross margin

The Lindex Group's sales for the period December 2006–February 2007 amounted to SEK 1,265M (1,274), equivalent to a change of -0.7 (-1.3) per cent.

Same store sales for the second quarter fell by 3.6 (+3.9) per cent. Same store sales excluding the currency effect fell by 2.1 (+1.7) per cent. New stores contributed 3.3 (3.8) per cent. Closed Lindex stores affect the comparison with the previous year by the equivalent of -0.4 (-2.1) per cent.

Lindex's total sales development for the second quarter was below the market trend. Sales in the Swedish and Baltic markets continued to grow. In Sweden, total sales increased by 3.8 per cent in total. However, sales fell in Norway and Finland.

Sales within the Lingerie and Children's Clothing business areas developed satisfactorily during the period whilst sales within the Ladies' Wear business area fell in all markets. The reduced sales within Ladies' Wear are mainly due to the late arrival of spring products.

The gross margin was on a par with the previous year and amounted to 58.5 (58.6) per cent.

The gross margin for the first half of the financial year fell to 59.3 (59.6) per cent.

Profit after financial items

Profit after financial items for the second quarter amounted to SEK 13M (151). The result is charged with one-off costs of SEK 90M relating to the close down of the German operation. Operating profit, including one-off costs in Germany, amounted to SEK 17M (148) and the operating margin to 1.3 (11.6) per cent.

Operating profit before financial items, taxes and write-down of brand names and goodwill, if any, EBITA, excluding one-off effects relating to the close down of the German operation, amounted to SEK 239M (308) for first six months of the financial year. This resulted in an EBITA margin of 9.3 (11.9) per cent.

Operating profit for the first six months of the financial year amounted to SEK 149M (308). Profit after financial items fell to SEK 143M (311).

The weak sales trend meant that gross profit was lower than anticipated for the quarter and slightly lower than for the same period in the previous year. In addition, operating expenses, cleared of one-off effects relating to the close down of the German operation, increased by 5.6 per cent in total during the quarter compared with the previous year. The increase is due to the fact that the number of stores increased between the years and to increased investments in the refurbishment of existing stores. In total, this resulted in a reduced profit for the period in the current operations.

The result in the current German operation amounted to SEK -12M (-17).

Financial income and expenses amounted to SEK -4M (3) for the quarter. Interest expenses on interest-bearing liabilities amounted to SEK -4M (-0), which averaged SEK 437M (3) for the second quarter.

The result per share after tax amounted to SEK -0.20 (1.50) during the quarter.

Financial income and expenses amounted to SEK -6M (3) for the first six months and interest-bearing liabilities averaged 394M (9). Interest expenses amounted to SEK -6M (-1).

Germany

The closure costs for the stores in Germany are estimated to amount to SEK 90M, which is charged to the period's profit. Approximately SEK 70M affects the cash flow. During the closure period, which will continue during the remainder of the financial year, current operating losses will be added. One store was closed during the quarter. The close down of the entire German operation is expected to be fully implemented during the 2006/2007 financial year.

Store network

The number of Lindex stores amounted 360 (345) at the end of the second quarter. During the quarter, Lindex opened no new stores (0) and closed one store (1).

During the first six months of the financial year, Lindex opened a total of 11 (16) new stores and closed one store (4).

Lindex will open its first store in the Czech Republic during September 2007.

Taxes

Deferred and paid taxes amounted to SEK -30M (-46) for the second quarter of the financial year.

The Administrative Court of Appeal has not made a judgement in the ongoing tax case relating to value transfers to Germany. With regard to Espevik i Sverige AB, Lindex appealed the National Swedish Tax Board's decision to the County Administrative Court during the quarter. The ongoing tax cases have not affected the period's profit.

Inventories

Inventories on 28 February 2007 amounted to SEK 739M (700). On 31 August 2006, inventories amounted to SEK 724M. The turnover rate amounted to 3.0. The corresponding figure for the 2005/2006 financial year was 3.1.

Investments

The Group's investment in fixed assets amounted to SEK 41M (22) for the second quarter of the financial year. In addition to investments in new and existing stores, other investments relate to IT and the new distribution centre.

Lindex reckons that the investment level for the current financial year will amount to approximately SEK 250M. Most of the investments relate to existing and new stores as well as investments in the new distribution centre.

Cash flow

The cash flow from current operations amounted to SEK 164M (324) for the first six months of the financial year. The cash flow after investments amounted to SEK 26M (279).

The total cash flow was especially affected by the reduced profit, the increased level of investment and by the dividend to the shareholders amounting to SEK 344M (550).

Financing and liquidity

On 28 February 2007, liquid funds amounted to SEK 89M compared with SEK 107M on 31 August 2006.

On 28 February 2007, net borrowing amounted to SEK 360M compared with SEK 43M on 31 August 2006.

On 28 February 2007, the net debt/equity ratio amounted to 92 per cent compared with six per cent on 31 August 2006. The equity ratio fell to 23 per cent compared with 42 per cent on 31 August 2006.

Parent company

Sales for the second quarter fell by SEK 283M, equivalent to 39 per cent, to SEK 442M (725). Profit after financial items fell to SEK -6M (77). The comparison between the years is affected by the fact that the Swedish store operation was included in the parent company in the previous year, but has been organised within a separate subsidiary since 1 September 2006. Investment in fixed assets was SEK 15M (37). Profit after tax fell to SEK -5M (51). Net borrowing by the parent company amounted to SEK 520M (-25) on 28 February 2007.

Financial targets

The previously set financial targets and time perspective stand. The Lindex Group will achieve the following targets by August 2009:

- A sustainable EBITA margin of 14-15 per cent.
- A sustainable gross margin of 59-60 per cent.

Future information dates

Interim Report for the third quarter of 2006/2007	26 June 2007
Year-End Report for the 2006/2007 financial year	2 October 2007
Annual Meeting of shareholders 2006/2007 in Göteborg	18 December 2007
Interim Report for the first quarter of 2007/2008	18 December 2007

Accounting principles

As from 1 September 2005, Lindex is applying International Financial Reporting Standards (IFRS) in its financial reporting. AB Lindex is applying RR 32 and the Annual Accounts Act. This Interim Report has been prepared in accordance with IFRS by application of IAS 34, *Interim reporting*, and RR 31 and in accordance with the accounting principles which applied on 31 August 2006. IFRS is subject to continual review and changes could, therefore, be made during future periods.

Göteborg, 27 March 2007

AB Lindex (publ)
Board of Directors

Review Report for AB Lindex relating to Interim Report for the period 1 September 2006–28 February 2007

We have carried out a review of this Interim Report for AB Lindex (publ) for the period 1 September 2006–28 February 2007. The Executive Management is responsible for preparing and presenting this Interim Report in accordance with the Annual Accounts Act and IAS 34. Our responsibility is to express a conclusion about this Interim Report based on our review.

We have carried out our review in accordance with the Standard for review engagement, SÖG 2410 *Review of financial interim information carried out by the company's elected Auditor*, issued by the Swedish Institute of Authorised Public Accountants, FAR. A review includes making enquiries, primarily to individuals responsible for financial matters and accounting matters, carrying out an analytical examination and implementing other audit checks. A review has a different emphasis and is significantly less extensive compared with the emphasis and extent of an audit in accordance with auditing standards in Sweden, RS, and generally accepted auditing standards. The audit checks implemented in a review do not enable us to acquire such assurance that we become aware of all important circumstances which would have been identified if an audit had been carried out. The expressed conclusion based on a review, therefore, does not have the assurance of an expressed conclusion based on an audit.

Based on our review, no circumstances have emerged which give us reason to consider that the appended Interim Report is not, in substance, prepared in accordance with the Annual Accounts Act and IAS 34.

27 March 2007

Öhrlings PricewaterhouseCoopers AB

Magnus Götenfelt
Authorised Public Accountant

The Lindex Group's development

Number of stores

	31 August					28 February	
	2002	2003	2004	2005	2006	2006	2007
Lindex, Sweden	179	179	181	181	188	186	193
Lindex, Norway	88	87	86	84	86	85	86
Lindex, Finland	48	47	47	45	48	48	51
Lindex, Estonia	-	-	1	1	2	2	2
Lindex, Latvia	-	-	-	-	3	-	6
Lindex, Germany	33	30	25	22	23	24	22
AB Twilfit, Sweden	58	58	58	55	-	-	-
Total	406	401	398	388	350	345	360
Closures	14	9	11	14	6	4	1

Sales by market

	6 months 1 September– 28 February		Latest 12 months Mar-Feb	12 months Sep-Aug
	2005/06	2006/07	2006/07	2005/06
Sweden, SEK M	1 490	1 542	3 070	3 018
Norway, NOK M	541	527	1 049	1 063
Finland ¹⁾ , EUR M	33	34	72	71
Germany, EUR M	15	12	27	30
Currency effect	66	-49	-41	74
Total Nordic countries, SEK M	2 445	2 439	4 925	4 931
Total, SEK M	2 581	2 554	5 185	5 212

¹⁾ Includes sales from the Estonia and Latvia operation.

Income statements

SEK M	6 months		Latest	12 months
	1 September– 28 February		12 months Mar-Feb	12 months Sep-Aug
	2005/06	2006/07	2006/07	2005/06
Net sales				
Sales, net	2 581	2 554	5 185	5 212
Other operating income	36	32	64	68
Total operating income	2 617	2 586	5 249	5 280
Operating expenses				
Goods for resale	-1 043	-1 040	-2 134	-2 137
Gross profit	1 574	1 546	3 115	3 143
Other external costs	-614	-690	-1 326	-1 250
Personnel costs	-581	-612	-1 185	-1 154
Depreciation and write-down of tangible and intangible fixed assets	-71	-95	-165	-141
Operating profit	308	149¹⁾	439¹⁾	598
Result of financial investments				
Financial income	4	0	0	4
Financial expenses	-1	-6	-7	-2
Profit after financial items	311	143	432	600
Taxes				
Tax on the period's profit	-18 ²⁾	-63	-141	-96 ²⁾
Net profit for the period	293	80	291	504
Profit per share after split and redemption, SEK	4.30	1.20 ³⁾	4.20	7.30
Profit per share before split and redemption, SEK	21.30	5.80	21.20	36.70
Number of shares after split and redemption	68 750 000	68 750 000	68 750 000	68 750 000
Number of shares before split and redemption	13 750 000	13 750 000	13 750 000	13 750 000

¹⁾ A provision totalling SEK 90M has been charged to the period's profit relating to estimated closure costs for the Lindex German operation.

²⁾ Revaluation of tax assets 76 - - 76

³⁾ Option schemes issued by Lindex comprise a maximum of 2,250,000 shares. Allocation of options has not yet been made and the scheme has not had any effect on the accounting records.

Quarterly income statements

SEK M Quarter	2005/06				2006/07	
	Sep- Nov	Dec- Feb	Mar- May	Jun- Aug	Sep- Nov	Dec- Feb
Net sales						
Sales, net	1 307	1 274	1 322	1 309	1 289	1 265
Other operating income	18	18	16	16	14	18
Total operating income	1 325	1 292	1 338	1 325	1 303	1 283
Operating expenses						
Goods for resale	-516	-527	-520	-574	-515	-525
Gross profit	809	765	818	751	788	758
Other external costs	-321	-293	-339	-297	-319	-371
Personnel costs	-292	-289	-298	-275	-302	-310
Depreciation and write-down of tangible and intangible fixed assets	-36	-35	-35	-35	-35	-60
Operating profit	160	148	146	144	132	17²⁾
Result of financial investments						
Financial income	1	3	0	0	0	0
Financial expenses	-1	0	-1	0	-2	-4
Profit after financial items	160	151	145	144	130	13
Taxes						
Tax on the period's profit	28 ¹⁾	-46	-38	-40	-33	-30
Net profit for the period	188	105	107	104	97	-17
¹⁾ Revaluation of tax assets	76	-	-	-	-	-

²⁾ A provision totalling SEK 90M has been charged to the period's profit relating to estimated closure costs for the Lindex German operation.

Quarterly results – Nordic countries and Germany

SEK M Quarter	2005/06				2006/07	
	Sep- Nov	Dec- Feb	Mar- May	Jun- Aug	Sep- Nov	Dec- Feb
Result before taxes Lindex GmbH, Germany	-8	-17	-8	-17	-13	-102 ¹⁾
Adjusted profit in the Nordic countries, i.e. after adjustment for the effect on profit from Lindex GmbH, Germany	168	168	153	161	143	115

¹⁾ Of which SEK 90M has been charged to the period's profit relating to estimated closure costs relating to the Lindex German operation.

Specification of costs relating to the close down of the Lindex German operation

SEK M	Adjusted 2006/07 6 months	Lease contracts	Personnel	Inventories	Fixed assets	Other	2006/07 6 months
Net sales							
Sales, net	2 554						2 554
Other operating income	32						32
Total operating income	2 586						2 586
Operating expenses							
Goods for resale	-1 040			0			-1 040
Gross profit	1 546						1 546
Other external costs	-632	-48				-10	-690
Personnel costs	-604		-8				-612
Depreciation/write- down of tangible and intangible fixed assets	-71				-24		-95
Operating result	239	-48	-8	0	-24	-10	149

SEK M	Adjusted 2006/07 Dec-Feb	Lease contracts	Personnel	Inventories	Fixed assets	Other	2006/07 Dec-Feb
Net sales							
Sales, net	1 265						1 265
Other operating income	18						18
Total operating income	1 283						1 283
Operating expenses							
Goods for resale	-525			0			-525
Gross profit	758						758
Other external costs	-313	-48				-10	-371
Personnel costs	-302		-8				-310
Depreciation/write- down of tangible and intangible fixed assets	-36				-24		-60
Operating result	107	-48	-8	0	-24	-10	17

Balance sheets

SEK M	28 February		31 August
	2006	2007	2006
Intangible fixed assets ^{1, 2)}	247	333	339
Tangible fixed assets ²⁾	354	309	263
Financial fixed assets	51	51	50
Inventories	700	739	724
Trade debtors	11	36	10
Other current receivables	112	151	110
Liquid funds	106	89	107
Total assets	1 581	1 708	1 603
Equity pertaining to the parent company's shareholders	793	391	667
Long-term liabilities and long-term provisions	75	47	59
Current liabilities and current provisions	713	1 270	877
Total equity, provisions and liabilities³⁾	1 581	1 708	1 603
1) Of which goodwill	72	72	72
2) Reclassification of capitalised development expenditure for computer programs from tangible to intangible fixed assets	-	-	110
3) Of which interest-bearing liabilities	2	449	150

Changes in consolidated equity

SEK M	2005/06	2006/07	2005/06
	Sep-Feb	Sep-Feb	Sep-Aug
Opening equity	1 032	667	1 032
Effect of change of accounting principle	6	-	6
Opening equity adjusted in accordance with new principles	1 038	667	1 038
Change in contingency reserve	7	-12	7
Net result for the period	293	80	504
Implemented redemption programme/dividend	-550	-344	-877
Translation difference	5	-	-5
Amount at the period end	793	391	667
Equity pertaining to the parent company's shareholders	793	391	667

Cash flow statements¹⁾

SEK M	6 months 1 September– 28 February		Latest 12 months Mar-Feb	12 months Sep-Aug
	2005/06	2006/07	2006/07	2005/06
Cash flow from current operations	324	164	421	581
Cash flow from investment operations	-45	-138	-215	-122
Cash flow after investments	279	26	206	459
Cash flow from financial operations	-557	-44	-223	-736
The period's cash flow²⁾	-278	-18	-17	-277
Change in interest-bearing net liability	271	317	463	417

¹⁾ The cash flow statements have been prepared in line with the direct method in accordance with IAS 7 – *Cash Flow Statements*.

²⁾ Change in liquid funds:

Liquid funds at the start of the period	384	107	106	384
Liquid funds at the period end	106	89	89	107

Key figures

		6 months		Latest	12 months
		1 September– 28 February	2005/06	2006/07	2006/07
Sales growth, total	%	-1.5	-1.1	0.4	0.2
Same store sales growth ¹⁾	%	3.6	-3.7	0.6	4.4
Same store sales growth ²⁾	%	0.9	-1.8	0.6	2.9
Sales by square metre	SEK	-	-	20 754	21 037
Gross profit per square metre	SEK	-	-	12 211	12 411
EBITA	SEK M	308	149	439	598
Gross margin	%	59.6	59.3	58.8	59.0
Operating margin	%	11.9	5.8	8.5	11.5
Profit margin	%	12.0	5.6	8.3	11.5
EBITA margin	%	11.9	5.8	8.5	11.5
Expenses as a proportion of sales	%	46.3	51.0 ³⁾	48.4 ³⁾	46.1
Return on equity	%	-	-	49.3	59.4
Return on capital employed	%	-	-	53.8	64.8
Return on capital employed in operations	%	-	-	61.0	87.5
Return on total capital	%	-	-	26.7	34.2
Equity ratio	%	50.1	22.9	22.9	41.6
Net debt/equity ratio	%	-13.1	92.1	92.1	6.4
Interest coverage ratio	times	553.0	26.7	59.6	365.7
Capital turnover rate	times	-	-	7.2	7.6
Inventory turnover rate	times	-	-	3.0	3.1
Investments	SEK M	61	138	215	138
Cash flow after investments	SEK M	279	26	206	459
Profit per share after split and redemption	SEK	4.30	1.20	4.20	7.30
Cash flow per share after split and redemption	SEK	4.10	0.40	3.00	6.70
Equity per share after split and redemption	SEK	11.50	5.70	5.70	9.70
Profit per share before split and redemption	SEK	21.30	5.80	21.20	36.70
Cash flow per share before split and redemption	SEK	20.30	1.90	15.00	33.40
Equity per share before split and redemption	SEK	57.60	28.40	28.40	48.50

¹⁾ Including exchange rate fluctuations.

²⁾ Excluding exchange rate fluctuations.

³⁾ Affected by closure costs of SEK 66M relating to the German operation.

The Lindex share

Lindex's largest shareholders

Shareholders	Number of shares	Per cent of shares and votes
SSB CL Omnibus AC OM07	6 871 048	9.99
Goldman Sachs	3 392 542	4.93
JPMC RE. M.Stanley Sweden EQ Depot	3 260 075	4.74
JP Morgan	2 654 510	3.86
Swedbank Robur Fonder	2 071 626	3.01
Clearstream Banking S.A., W8IMY	2 062 656	3.00
SEB fonder	2 024 500	2.94
BNY GCM Client Accounts	1 667 900	2.43
Morgan Stanley & Co Inc, W9	1 610 173	2.34
Total	25 615 030	37.24

Source: VPC AB Share Register 28 February 2007.

The largest owners account for 37.24 per cent of Lindex shares. The total number of shares in the company amounts to 68,750,000.

Ownership distribution

	Per cent of shares and votes	
	31-08-2006	28-02-2007
Swedish owners	43.9	46.2
Owners resident outside Sweden excluding the USA	37.7	35.4
USA	18.4	18.4
Total	100.0	100.0
Total number of shareholders	15 967	19 079

Source: VPC AB Share Register 31 August 2006 and 28 February 2007.

Definitions

Average equity - Shareholders' equity at start and end of the period divided by two.

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

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

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

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

Cash flow after investments - Payments received less payments made.

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

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

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

EBITA - Operating profit before financial items, taxes and write-down of brand names and goodwill.

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

Equity ratio - Shareholders' 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 expressed 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 the 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.

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

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

Price/equity ratio - 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 for the period.

Profit per share - Profit after tax divided by the number of shares.

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 tax expressed as a percentage of average equity.

Return on total equity - 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 - Sales divided by store area.

Same store sales increase, per cent - Sales increase for comparable months in stores which have been open for more than 12 months.

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

Store area - Total area less storage space.

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