

Hemtex discloses the information provided herein pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on August 17, 2010 at 7:00 a.m.

## INTERIM REPORT JANUARY 1, 2010 – JUNE 30, 2010

# Operating loss amounted to SEK 163.3 M, whereof SEK 30.7 M comprised nonrecurring costs

All figures pertain to the Group unless otherwise stated. Comparisons in the interim report period refer to the corresponding period in the 2009 fiscal year, unless otherwise stated.

### Six months (January 2010 – June 2010)

- Net sales amounted to SEK 505.3M (566.2), down 10.8% compared with the year-earlier period.
- Sales in the Group's comparable stores were negative 4% (neg: 24).
- Gross profit amounted to SEK 256.9M (282.5), corresponding to a gross margin of 50.8% (49.9).
- Loss after tax amounted to SEK 133.9 M (loss: 94.4). A loss per share before dilution of SEK 3.26 (loss: 2.99).
- Operating cash flow after investments was negative SEK 50.5 M (neg: 100.7).

### The second quarter (April 2010 – June 2010)

- Net sales amounted to SEK 235.4M (276.2), down 14.8% compared with the year-earlier period.
- Sales in the Group's comparable stores were negative 8% (neg: 22).
- Gross profit amounted to SEK 132.1M (135.3), corresponding to a gross margin of 56.1% (49.0).
- Loss after tax amounted to SEK 53.8 M (loss: 61.8). A loss per share before dilution of SEK 1.31 (loss: 1.83).
- Operating cash flow after investments was negative SEK 18.4 M (neg: 80.8).
- Inventories amounted to 141.5 M (290.8)

### GROUP EARNINGS TREND (CONDENSED)

	3 months		6 months		Rolling 12	Abbreviated
	Apr-Jun		Jan-Jun		Jul-Jun	fiscal year
	2010	2009	2010	2009	2009/10	May-Dec 2009
Operating income, SEK M	238.9	281.9	509.8	573.5	1,245.9	924.7
Operating profit, SEK M	-63.4	-59.1	-163.3	-100.7	-283.3	-148.0
Profit before taxes, SEK M	-65.0	-60.3	-165.9	-105.6	-288.9	-151.6
Net profit for the period, SEK M	-53.8	-61.8	-133.9	-94.4	-226.6	-121.3
Operating margin, %	-27.0	-21.4	-32.3	-17.8	-23.0	-16.1
Earnings per share before dilution, SEK	-1.31	-1.83	-3.26	-2.99	-5.52	-3.04

## ”August 26, it is time to turn over a new leaf.”

### CEO'S COMMENTS

We are approaching the end of our nearly two-year-long transition from the old Hemtex to the new. The company's new concept, product range and identity will be launched in nine days, with the Hemtex store on Götgatan in Stockholm serving as our flagship and model. Other stores in Sweden and Finland will receive a thorough facelift, outside and in. And, of course, we will not stop there. There are still major earnings improvements to be made. The new product range strategy will take time to implement and I expect the changes to the range to be fully completed in the first half of 2011.

The company reported an operating loss of SEK 163.3 M (loss: 100.7) in the interim financial statements, SEK 30.7 M of which comprised nonrecurring costs. While this is naturally a disappointing result, it is also proof that our customer offering must be changed and modernized. With our current concept and product range, we are not competitive, and there is thus an imminent risk that our earnings will continue to deteriorate.

The current level of traffic to Hemtex's stores is too low. Accordingly, we must increase traffic and become better at converting visitors into customers and bolstering average purchase amounts. The key to successfully meeting this challenge lies in having an attractive and inspiring product range, credible communications, a higher level of service and a strong customer focus.

Accordingly, in-store personnel changes were implemented in mid-May to create a more professional organization with a clearer distribution of responsibilities and duties. The objective was to reduce the number of store managers and assign greater personnel and skills-development responsibilities to those who remained. Many cities now have one store manager for two or more stores. In addition, we established specialist positions for visual merchandisers, which means that we now have employees with expertise in how to present the product range and brand within our stores. Negotiations with the employees and trade unions concerned have now been concluded.

Numerous major changes were implemented during the January to June 2010 reporting period. For example, we:

- Developed a new store concept and product range, as well as a new identity and communication strategy.
- Increased the professionalism of our employee organization by reducing the number of managers and adding new specialist positions.
- Initiated the process to discontinue the Group's presence in the loss-making markets of Denmark, Norway and Poland and halved the store portfolio in Finland.
- Improved the inventory turnover rate through enhanced control of the flow of goods and inventory situation, which resulted in a strengthened cash flow during the period. The appointment of Aditro Logistics as our new logistics partner will also entail efficiency enhancements and reduced logistic costs.

Many of these measures had a negative impact on our earnings for the interim reporting period. Nonetheless, I am convinced that they have been crucial to our efforts to achieve better control over the Group's finances and together are creating favorable conditions for the introduction of the new Hemtex. At the end of next week, we will turn over a new leaf in our 37-year history as a specialist home textile retailer.

Erik Gumabon  
President and Chief Executive Officer

## SIGNIFICANT EVENTS

### Calendar year as the fiscal year

Effective January 1, 2010, Hemtex presents its financial statements according to the calendar year. Accordingly, figures for the year-earlier period have been restated to figures for the calendar year to facilitate comparisons.

### New logistics partner

During the second quarter, Hemtex signed an agreement with Aditro Logistics, which will serve as Hemtex's new logistics partner as of the second quarter of 2011. Accordingly, the company's warehouse operations and distribution will be concentrated to Aditro Logistics in Jönköping. The change will bring further efficiencies in the logistics flow and reduced logistics costs.

### New stores

During the second quarter April 1 – June 30, 2010, no stores were established. During the first quarter, the group opened one new store in Uppsala, Sweden.

### Cost rationalizations

During the interim period, Hemtex reviewed its portfolio of stores in all countries and decided to discontinue its operations in Denmark, Norway and Poland and to halve the number of stores in Finland. A total of SEK 30.7 M was charged against profit for the costs relating to the discontinuation of operations in Denmark and Norway. During the interim period, Hemtex thus closed 19 stores, of which three were franchise stores. In Sweden, the Group closed stores in Stockholm, Gothenburg, Charlottenberg and Ludvika. In Denmark, one store was closed in Copenhagen and one in Lyngby, and one franchise store was closed in Randers. In Norway, stores were closed in Bergen, Kongsberg, Tønsberg, Lørenskog, Kolbotn, Asker, Oslo och Lillestrøm. In Finland, one store was closed in Tampere and one in Helsinki. The two remaining franchise stores in Poland were also closed.

## OPERATIONS

### Product range and concept

The foundation of Hemtex's offering is an attractively priced and functional range of high-quality textile products. Hemtex's aim is to assume leadership in terms of the range of products offered in the home textile area and to provide the best service in the market. To maintain the leading position in

terms of the product range, it is essential that the range is changed continuously. In terms of the price ladder, a broadening will occur, because there will be more premium products than today. More innovations in the shape of new functions, new material and new material combinations will be launched. Hemtex will continue to focus on the best interests of its current core target group, while simultaneously widening its offering to also include new target groups. The offering to customers will comprise quality home textile products, represented by a more distinct base in the range. Private brands will account for most of the range. These items will be complemented by a limited range of market-leading brands from external suppliers. The Group's strong position in the home textile market will constitute solid ground for initiatives aimed at developing the range, work that will be assigned high priority within the organization.

### Developed communications and new price strategy

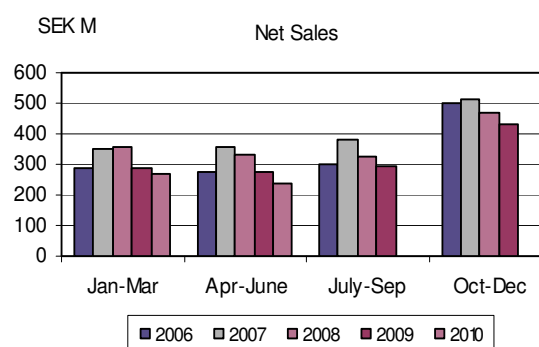
The aim of the communication strategy is to strengthen the Hemtex brand and thereby to increase its market impact, which will result in increased traffic to the stores. During 2010, Hemtex will gradually unveil changes towards a sharper identity. The focus will be shifted from the individual product towards increasing the inspiration to renew one's home more frequently. Hemtex has implemented a thorough review of its previous price strategy, which has resulted in reductions in the ordinary prices of a large variety of products. Reduced prices and sharper communications, combined with a refined range of products, will increase the impact of the Hemtex offering.

## COMMENTS ON THE INCOME STATEMENT AND BALANCE SHEET

### Net sales

The Group's net sales consist of consumer retail sales via proprietary stores and wholesale sales to franchise stores in the Hemtex chain.

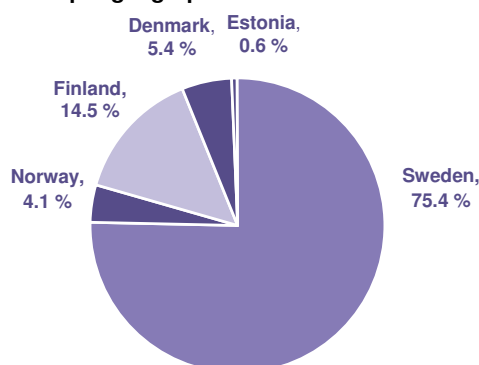
The Group's total net sales decreased during the second quarter by 14.8 % (decrease: 16.8) to SEK 235.4 M (276.2). In local currencies, net sales declined 12.4%.



During the interim report period, the Group's net sales decreased by 10.8% (decrease:17.9) to SEK 505.3 M (566.2). With unchanged currency rates, net sales declined by 8.2%. Of the Group's net sales, Swedish operations accounted for sales of SEK 379.4 M (417.7), Finnish operations accounted for SEK 71.5 M (89.2), operations in Denmark for SEK 29.9 M (30.0), operations in Norway for SEK 21.4 M (25.3) and the operation in Estonia for SEK 3.0 M (4.1).

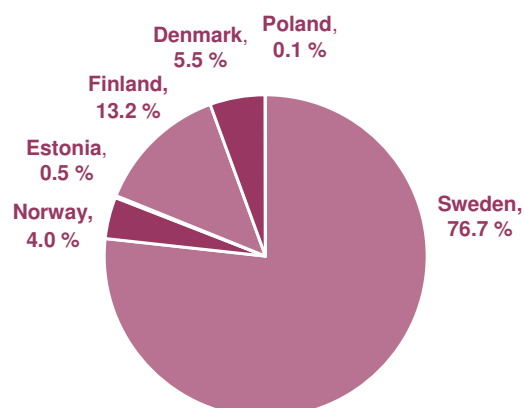
Other operating income amounted to SEK 4.6 M (7.2) and primarily comprised franchise fees and bonus payments from suppliers and business partners.

#### Consolidated net sales during the most recent 12-month period per geographical market



During the most recent 12-month period, net sales at the consumer level (including franchise stores) decreased in all markets by 9.5 % to SEK 1.281 M (1.415).

#### The chain's net sales during the most recent 12-month period per geographical market



#### Sales trend in the Group's comparable stores

	3 months apr-jun 2010	6 months jan-jun 2010	Rolling 12 months jul-jun
Group	- 8%	- 4%	- 6%
Sweden	- 10%	- 4%	- 6%
Finland	- 10%	- 4%	- 11%
Denmark	39%	24%	2%
Norway	38%	20%	8%
Estonia	9%	8%	- 5%

The sales trend in the Group's comparable stores in Sweden and Finland was negative during the second quarter. The sales trend in Denmark and Norway was positive due to clearance sales held in conjunction with the closure of the stores in these markets. The aim of the strategic initiatives now being implemented in the form of product range renewal, a review of the store structure and revised and intensified brand building is to support the future sales trend in comparable stores.

#### Earnings

Consolidated gross profit (net sales less cost of goods sold) declined 9.1 % to SEK 256.9 M (282.5). The gross margin decreased to 50.8 % (49.9).

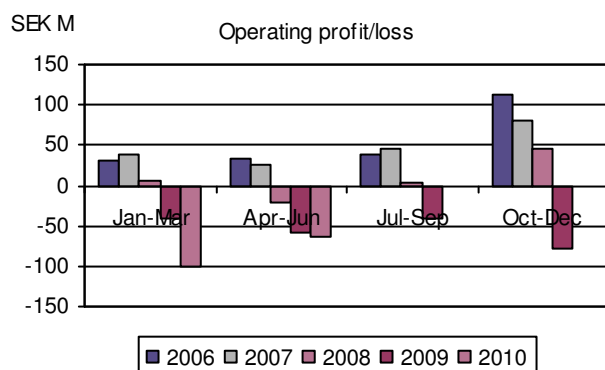
At present, the portion of direct purchases from producers slightly exceeds 78%. For the portion of purchasing from Asia the aim is 80% and the current level is 78%.

To reduce the currency risk, Hemtex hedges a substantial portion of the Group's contracted flows in foreign currency. The Group's finance policy stipulates that at least 65% of contracted flows must be hedged. In total, the exchange-rate differences that affected earnings during the period were positive, amounting to SEK 7.2 M (neg: 4.1). The change in value of outstanding forward contracts, applying IAS 39, had a positive impact of SEK 0.3 M on gross profit during the interim report period.

Operating expenses, excluding goods for resale and depreciation and impairment losses on tangible and intangible assets, amounted to SEK 386.7 M (363.1), of which SEK 30.7 M relates to closing down operations in Denmark and Norway. As a percentage of sales, these expenses amounted to 76.5% (64.1).

Of depreciation/amortization of tangible and intangible fixed assets, rental rights accounted for SEK 2.7 M (1.6) and other depreciation/amortization for SEK 35.3 M (24.3), of which SEK 12.1 M relates to closing down operations in Denmark and Norway.

An operating loss of SEK 163.3 M (loss: 100.7) was reported, corresponding to an operating margin of minus 32.3% (minus 17.8). An operating loss of SEK 132.6 M (loss: 100.7), excluding divestment costs for operations in Denmark and Norway, was reported.



All markets reported operating losses during the second quarter. The results for the various markets are presented in the section on segment reporting on page 11 of this report.

The consolidated loss before tax amounted to SEK 165.9M (loss: 105.6), resulting in a loss margin of 32.8%(minus: 18.7). The loss after tax amounted to SEK 133.9 M (loss: 94.4).

### Investments

The Group's cash-impacting net investments totaled SEK 1.8 M (8.9) during the interim report period.

### Cash flow

Cash flow from operating activities during the first half of 2010 amounted to a negative SEK 48.7 M (neg: 91.8). The improvement was mainly attributable to a reduction in capital tied up in inventories. Cash flow after investments for the interim report period totaled a negative SEK 50.5 M (neg: 100.7).

### Risks and uncertainties

Hemtex's operations are exposed to a number of risks that are fully or partly beyond the control of the company and the Group, but that can impact sales and earnings. The Group is exposed to financial risks and operations-related risks. Examples of financial risks include liquidity, interest-rate and exchange-rate risks. Operational risks consist of business trends, competition, fashion and weather.

Hemtex AB is responsible for the Group's financial risk management. The target for Hemtex's financial policy is to limit the short-term effects on the Group's earnings and cash flow caused by fluctuations in financial markets.

A more detailed description of these risks is presented in the 2009 Annual Report and on [www.hemtex.com](http://www.hemtex.com), Investor Relations.

### Seasonal fluctuations

As with other segments of the home furnishings industry, Hemtex's net sales, operating profit and cash flow from operating activities fluctuate throughout the year. This is because costs are relatively constant, while net sales vary. The Group's strongest earnings are normally generated during the final quarter of the fiscal year, meaning the period from October to December. However, Hemtex aims to reduce seasonal fluctuations on earnings through sales activities and improved work methods and staff planning in our stores.

### Financial position

On June 30, 2010, cash and cash equivalents amounted to SEK 40.9 M (31.0). Net debt, defined as interest-bearing debt less cash and cash equivalents, decreased by SEK 17.3 M during the most recent 12-month period and amounted to SEK 136.6 M (153.9) at June 30, 2010. The net debt/equity ratio at June 30, 2010 was 52.4% (31.8).

The equity/assets ratio amounted to 40.9%, compared with 58.2% on the corresponding date in the preceding year.

### Inventories

On June 30, 2010, inventories amounted to SEK 141.5 M (290.8). Of total inventories, wholesale inventories accounted for SEK 49.7 M (91.2). At the end of June 2010, inventories per store within the Group averaged SEK 0.5 M (1.1). Inventories turnover amounts to 2.8 (2.0) on June 30, 2010.

### Goodwill

The Hemtex Group's total goodwill recognized in the consolidated balance sheet at June 30, 2010 amounted to SEK 246.0 M (283.4). The valuation takes into consideration the Group's accrued earnings values for acquired operations and its market shares in Sweden, as well as established supplier contacts and the expertise of the Group's employees.

### Earnings per share

A loss per share of SEK 3.26 (loss: 2.99) was reported before dilution and of SEK 3.26 (loss: 2.99) after dilution. Equity per share amounted to SEK 6.34 (11.79). The number of shares in Hemtex AB on June 30, 2010 was 41,072,360. The average number of shares during the interim report period was 41,072,360.

### Average number of employees in the Group

The average number of employees in the Group during the interim period, recalculated as full-time employees, was 752 (771). The decrease in the number of employees was due to the reduction in the number of stores.

### Parent Company

Hemtex AB's net sales decreased during the interim report period to SEK 418.2 M (469.5). Net sales in Hemtex AB consist of consumer retail sales via proprietary stores and wholesale sales to subsidiaries and franchise stores. Of the net sales, sales in proprietary stores accounted for SEK 364.3 M (381.5) and wholesales for SEK 53.9 M (88.0).

After financial items, a loss of SEK 99.4 M (loss: 78.4) was reported. The Parent Company's cash-impacting net investments amounted to SEK 7.2 M (7.5).

The average number of employees in Hemtex AB during the interim report period, recalculated as full-time employees was 521, compared with 525 employees in the preceding year.

## OTHER

### Share investment program

The Annual General Meeting held on April 12, 2010 resolved to introduce a combined share matching and share performance program ("Share Program 2010") targeted at the President and senior executives. The program encompasses a total of 12 people.

In brief, the Share Program 2010 entitled participants to actively purchase shares in the company through NASDAQ OMX Stockholm ("Investment Shares") during May 2010, and to retain these shares for a minimum of three years ("vesting period"). Provided that the participants are still employed by the company and still hold their Investment Shares at the end of the vesting period, they will be entitled to receive one Hemtex share ("Matching Share") free of charge for every Investment Share held and a maximum of an additional three Hemtex shares ("Performance Shares"). The allocation of Performance Shares is dependent on Hemtex achieving certain performance requirements and presupposes that the company's equity/assets ratio according to the balance sheets adopted for the 2010, 2011 and 2012 fiscal years is not lower than 25%. The Share Program comprises a total of not more than 55,000 Investment Shares, 55,000 Matching Shares and 165,000 Performance Shares. The total number of Matching Shares and Performance Shares may not exceed 220,000. Calculated in accordance with IFRS 2, the cost for the Share Program 2010 is expected to amount to SEK 2.3 M

and social security expenses to SEK 1.0 M. The total cost is estimated at SEK 3.3 M, including social security expenses. The cost for the Share Program calculated in accordance with IFRS 2 will be allocated straight-line over the three-year period and will be adjusted for changes to the anticipated vesting of Matching Shares and Performance Shares. Social security expenses will be revalued on an ongoing basis taking into consideration the prevailing share price.

The Board of Directors intends to introduce corresponding share programs on an annual basis.

In May 2010, all participants in the Share Program 2010 purchased shares in Hemtex AB. The President purchased 10,000 Investment Shares and other senior executives purchased a total of 45,000 Investment Shares.

### Events after the closing date

During July and August the group has closed 7 stores. In Sweden one store were closed in Stockholm and in Norway one store were closed in Oslo. In Denmark stores were closed in Roskilde, Amanger, Vejle, Taastrup and Copenhagen.

### Reporting dates

The interim report for January 1, 2010 to September 30, 2010, will be published on November 9, 2010. CET 07.00. The year-end report for January 1, 2010 to December 31 2010, will be published on February 15, 2011. CET 07.00

For information about future reports, refer to the financial calendar in the Investor Relations section on [www.hemtex.com](http://www.hemtex.com).

### **Accounting policies**

This report has been compiled in accordance with IAS 34 Interim Reporting. The Annual Accounts Act and the Securities Markets Act have also been applied. In accordance with the description of new accounting policies for 2010 as contained in the 2009 Annual Report, a number of new standards and interpretations issued by the IFRIC became effective on or before January 1, 2010. These changes in standards and new interpretations have had no impact on the Group. In other respects, the same accounting and calculation principles were applied as in the most recent Annual Report.

For the Parent Company, the Annual Accounts Act and the Securities Markets Act have been applied, in accordance with the stipulations of the Swedish Financial Reporting Board's recommendation RFR 2.3, Interim Reporting for Legal Entities. The accounting and calculation principles used for the interim report were the same as those applied in the most recent Annual Report.

This report has not been reviewed by the company's auditors.

Borås, August 17, 2010  
Hemtex AB

Board of directors

### **Further information**

Erik Gumabon, President and CEO.

Ulf Segerström, CFO.

Manuel Ferrer, Head of Pressoffice: +46 (0) 706-66 02 59.

Hemtex AB  
Druveforsvägen 8  
PO Box 495  
SE-503 13 Borås, Sweden  
[www.hemtex.com](http://www.hemtex.com)  
Email: [ir@hemtex.se](mailto:ir@hemtex.se)



**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**

(SEK 000s)

	3 months		6 months		Rolling 12	Abbreviated
	Apr-Jun		Jan-Jun		Jul-jun	fiscal year
	2010	2009	2010	2009	2009/10	May-Dec
Net sales	235,383	276,170	505,271	566,247	1,234,274	916,836
Other operating income	<u>3,516</u>	<u>5,750</u>	<u>4,575</u>	<u>7,243</u>	<u>11,605</u>	<u>7,883</u>
<b>Total operating income</b>	<b>238,899</b>	<b>281,920</b>	<b>509,846</b>	<b>573,490</b>	<b>1,245,879</b>	<b>924,719</b>
<i>Operating expenses</i>						
Goods for resale	- 103,245	- 140,918	- 248,357	- 283,732	- 610,502	- 450,339
Other external costs	- 105,399	- 100,370	- 218,870	- 194,354	- 459,355	- 306,800
Personnel expenses	- 81,029	- 83,603	- 167,851	- 168,709	- 348,931	- 234,991
Depreciation/impairment losses on tangible and intangible assets	<u>- 12,674</u>	<u>- 16,086</u>	<u>- 38,052</u>	<u>- 27,411</u>	<u>- 110,433</u>	<u>- 80,631</u>
<b>Operating profit</b>	<b>- 63,448</b>	<b>- 59,057</b>	<b>- 163,284</b>	<b>- 100,716</b>	<b>- 283,342</b>	<b>- 148,042</b>
<i>Result from financial items</i>						
Other interest income and similar items	3	-	5	49	31	90
Interest expenses and similar items	<u>- 1,532</u>	<u>- 1,275</u>	<u>- 2,611</u>	<u>- 4,947</u>	<u>- 5,602</u>	<u>- 3,633</u>
Total result from financial items	- 1,529	- 1,275	- 2,606	- 4,898	- 5,571	- 3,543
<b>Profit before tax</b>	<b>- 64,977</b>	<b>- 60,332</b>	<b>- 165,890</b>	<b>- 105,614</b>	<b>- 288,913</b>	<b>- 151,585</b>
Tax on profit for the period	<u>11,174</u>	<u>- 1,486</u>	<u>32,025</u>	<u>11,179</u>	<u>62,345</u>	<u>30,320</u>
<b>Net profit/loss for the period</b>	<b>- 53,803</b>	<b>- 61,818</b>	<b>- 133,865</b>	<b>- 94,435</b>	<b>- 226,568</b>	<b>- 121,265</b>
<i>Other comprehensive income</i>						
Translation differences	1,100	162	2,189	- 511	2,679	436
Other comprehensive income for the period	<u>1,100</u>	<u>162</u>	<u>2,189</u>	<u>- 511</u>	<u>2,679</u>	<u>436</u>
<b>Total comprehensive income for the period</b>	<b>- 52,703</b>	<b>- 61,656</b>	<b>- 131,676</b>	<b>- 94,946</b>	<b>- 223,889</b>	<b>- 120,829</b>
Earnings per share before dilution, SEK	- 1.31	- 1.83	- 3.26	- 2.99	- 5.52	- 3.04
Earnings per share after dilution, SEK	- 1.31	- 1.83	- 3.26	- 2.99	- 5.52	- 3.04
Number of shares outstanding on the closing date	41,072,360	41,072,360	41,072,360	41,072,360	41,072,360	41,072,360
Average number of shares outstanding before dilution	41,072,360	33,844,932	41,072,360	31,603,618	41,071,015	39,824,821
after dilution	41,072,360	33,844,932	41,072,360	31,603,618	41,071,015	39,824,821



## GROUP KEY RATIOS

	3 months Apr-Jun		6 months Jan-Jun		Rolling 12 Jul-Jun	Abbreviated fiscal year May-Dec
	2010	2009	2010	2009	2009/10	2009
Sales growth, %	- 14.8	- 16.8	- 10.8	- 17.9	- 9.4	- 9.4
Sales growth, comparable stores, %	- 8.1	- 21.6	- 3.9	- 23.7	- 5.8	- 9.2
Gross profit margin, %	56.1	49.0	50.8	49.9	50.5	50.9
Operating margin, %	- 27.0	- 21.4	- 32.3	- 17.8	- 23.0	- 16.1
Profit margin, %	- 27.6	- 21.8	- 32.8	- 18.7	- 23.4	- 16.5
Return on equity, %	- 75.1	- 56.8	- 82.1	- 41.8	- 60.8	- 48.8
Return on capital employed, %	- 55.9	- 35.7	- 65.4	- 29.3	- 51.2	- 36.4
Return on operating capital, %	- 61.3	- 37.5	- 74.9	- 31.7	- 54.7	- 40.1
Return on total capital, %	- 38.5	- 27.7	- 45.8	- 22.9	- 38.6	- 26.5
Equity/asset ratio, %	40.9	58.2	40.9	58.2	40.9	49.7
Cash flow after investments, SEK M	- 18.4	- 80.8	-50.5	- 100.7	23.9	37.8
Number of warrants outstanding, 000s	240.0	240.0	240.0	240.0	240.0	240.0
Earnings/loss per share before dilution, SEK	- 1.31	- 1.83	- 3.26	- 2.99	- 5.52	- 3.04
Earnings/loss per share after dilution, SEK	- 1.31	- 1.83	- 3.26	- 2.99	- 5.52	- 3.04
Cash flow after investments per share, SEK	- 0.45	- 2.39	- 1.23	- 3.19	0.58	0.95
Shareholders' equity per share, SEK	6.34	11.79	6.34	11.79	6.34	9.55
Number of full-year employees	752	771	752	771	752	768

## CONSOLIDATED CASH-FLOW STATEMENT (CONDENSED)

	3 months Apr 1-Jun 30		Abbreviated fiscal year May-Dec
(SEK 000s)	2010	2009	2009
<b>Cash flow from operating activities before changes in working capital</b>	<b>- 121,212</b>	<b>- 88,901</b>	<b>- 60,334</b>
<b>Cash flow from changes in working capital</b>			
Inventories	76,383	- 1,914	89,695
Operating receivables	21,244	40,781	7,398
Non-interest bearing liabilities	- 25,079	- 41,796	10,079
<b>Cash flow from operating activities</b>	<b>- 48,664</b>	<b>- 91,830</b>	<b>46,838</b>
Cash flow from investing activities	- 1,835	- 8,904	- 8,993
<b>Cash flow for the period after investments</b>	<b>- 50,499</b>	<b>- 100,734</b>	<b>37,845</b>
Cash flow from financing activities	8,259	59,867	23,421
<b>Cash flow for the period</b>	<b>- 42,240</b>	<b>- 40,867</b>	<b>61,266</b>
Net debt at the end of the period	136,570	153,883	83,340

**CONSOLIDATED BALANCE SHEET (CONDENSED)**

(SEK 000s)	June 30		Dec 31
	2010	2009	2009
Intangible fixed assets <sup>1)</sup>	292,190	333,711	293,896
Tangible fixed assets	57,802	121,217	95,223
Financial assets	69,681	17,001	39,091
Inventories	141,487	290,770	220,856
Current receivables	35,356	38,242	53,818
Cash and cash equivalents	<u>40,883</u>	<u>31,021</u>	<u>85,738</u>
<b>Total assets</b>	<b>637,399</b>	<b>831,962</b>	<b>788,622</b>
Shareholders' equity	260,403	484,292	392,079
Long-term liabilities <sup>2)</sup>	83,352	115,033	101,425
Short-term liabilities <sup>2)</sup>	<u>293,644</u>	<u>232,637</u>	<u>295,118</u>
<b>Total equity and liabilities</b>	<b>637,399</b>	<b>831,962</b>	<b>788,622</b>
<sup>1)</sup> Of which, goodwill	246,042	283,409	246,043
<sup>2)</sup> Of which, interest-bearing liabilities	177,453	184,904	169,078

**STATEMENT OF CHANGES IN EQUITY**

(SEK 000s)	3 months Apr 1-Jun 30		Abbreviated fiscal year May-Dec
	2010	2009	2009
<b>Total shareholders' equity at the beginning of the period</b>	<b>392,079</b>	<b>419,245</b>	<b>352,915</b>
New share issue	-	159,993	159,993
Net profit/loss	<u>- 131,676</u>	<u>- 94,946</u>	<u>- 120,829</u>
<b>Total shareholders' equity at the end of the period</b>	<b>260,403</b>	<b>484,292</b>	<b>392,079</b>

## SEGMENT REPORTING

Net sales per geographical market (SEK 000s)thkr	3 months		6 months		Rolling 12	Abbreviated
	Apr-Jun		Jan-Jun		Jul-Jun	fiscal year
	2010	2009	2010	2009	2009/10	May-Dec 2009
Sweden	173,174	201,975	379,446	417,665	930,523	687,616
Finland	34,507	45,166	71,489	89,189	178,708	138,225
Denmark	15,545	13,888	29,900	29,976	66,284	46,601
Norway	10,647	13,179	21,432	25,338	51,647	39,206
Estonia	1,510	1,962	3,004	4,079	7,112	5,188
<b>Total</b>	<b>235,383</b>	<b>276,170</b>	<b>505,271</b>	<b>566,247</b>	<b>1,234,274</b>	<b>916,836</b>

Operating profit per geographical market (SEK 000s)thkr	3 months		6 months		Rolling 12	Abbreviated
	Apr-Jun		Jan-Jun		Jul-Jun	fiscal year
	2010	2009	2010	2009	2009/10	May-Dec 2009
Sweden	- 35,913	- 36,671	- 79,161	- 53,886	- 139,390	- 73,598
Finland	- 10,740	- 11,689	- 23,031	- 24,870	- 43,801	- 28,236
Denmark	- 2,474	- 3,102	- 16,490	- 5,838	- 38,175	- 24,373
Norway	- 14,047	- 8,346	- 43,816	- 16,191	- 60,382	- 20,794
Estonia	- 274	751	- 786	69	- 1,594	- 1,041
<b>Total</b>	<b>- 63,448</b>	<b>- 59,057</b>	<b>- 163,284</b>	<b>- 100,716</b>	<b>- 283,342</b>	<b>- 148,042</b>

Operating margin per geographical market %	3 months		6 months		Rolling 12	Abbreviated
	Apr-Jun		Jan-Jun		Jul-Jun	fiscal year
	2010	2009	2010	2009	2009/10	May-Dec 2009
Sweden	- 20.7	- 18.2	- 20.9	- 12.9	- 15.0	- 10.7
Finland	- 31.1	- 25.9	- 32.2	- 27.9	- 24.5	- 20.4
Denmark	- 15.9	- 22.3	- 55.2	- 19.5	- 57.6	- 52.3
Norway	- 131.9	- 63.3	- 204.4	- 63.9	- 116.9	- 53.0
Estonia	- 18.1	38.3	- 26.2	1.7	- 22.4	- 20.1
<b>Total</b>	<b>- 27.0</b>	<b>- 21.4</b>	<b>- 32.3</b>	<b>- 17.8</b>	<b>- 23.0</b>	<b>- 16.1</b>

The segments' operating profit/loss includes earnings from retail operations in each market and the earnings of Swedish wholesale operations from sales to each market. Profit from sales to franchisees is reported under the Swedish segment.

## NUMBER OF STORES

	December 31					June 30	
	2005	2006	2007	2008	2009	2009	2010
Sweden	66	112	121	123	126	125	123
Finland	20	32	39	41	39	42	37
Denmark	8	9	9	11	10	11	8
Norway	-	6	12	14	12	13	4
Estonia	-	-	1	3	2	2	2
<b>Total stores in the Group</b>	<b>94</b>	<b>159</b>	<b>182</b>	<b>192</b>	<b>189</b>	<b>193</b>	<b>174</b>
Franchise stores in Sweden	54	24	23	23	21	25	21
Franchise stores in Poland	-	-	2	3	2	3	-
Franchise stores in Denmark	-	-	-	2	2	2	1
<b>Total stores in the chain</b>	<b>148</b>	<b>183</b>	<b>207</b>	<b>220</b>	<b>214</b>	<b>223</b>	<b>196</b>

## QUARTERLY EARNINGS – GROUP

SEK M	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Net sales	324.3	471.8	290.1	276.2	296.4	432.6	269.9	235.4
Other operating income	<u>1.2</u>	<u>4.7</u>	<u>1.5</u>	<u>5.8</u>	<u>2.6</u>	<u>4.4</u>	<u>1.1</u>	<u>3.5</u>
<b>Total operating income</b>	<b>325.5</b>	<b>476.6</b>	<b>291.6</b>	<b>281.9</b>	<b>299.0</b>	<b>437.0</b>	<b>270.9</b>	<b>238.9</b>
<i>Operating expenses</i>								
Goods for resale	- 144.4	- 203.4	- 142.8	- 140.9	- 149.8	- 212.4	- 145.1	- 103.2
Other external costs	- 94.2	- 113.6	- 94.0	- 100.4	- 101.8	- 138.7	- 113.5	- 105.4
Personnel expenses	- 72.4	- 101.3	- 85.1	- 83.6	- 87.5	- 93.6	- 86.8	- 81.0
Depreciation/amortization of tangible and intangible assets	<u>- 11.5</u>	<u>- 12.3</u>	<u>- 11.3</u>	<u>- 16.1</u>	<u>- 11.7</u>	<u>- 60.7</u>	<u>- 25.4</u>	<u>- 12.7</u>
<b>Operating profit/loss</b>	<b>3.1</b>	<b>46.0</b>	<b>- 41.7</b>	<b>- 59.1</b>	<b>- 51.7</b>	<b>- 68.3</b>	<b>- 99.8</b>	<b>- 63.4</b>
<i>Operating margin, %</i>	<i>1.0</i>	<i>9.7</i>	<i>- 14.4</i>	<i>- 21.4</i>	<i>- 17.4</i>	<i>- 15.8</i>	<i>- 37.0</i>	<i>- 27.0</i>
Result from financial items	- 2.6	- 4.0	- 3.6	- 1.3	- 1.5	- 1.5	- 1.1	- 1.5
<b>Profit/loss after financial items</b>	<b>0.5</b>	<b>42.0</b>	<b>- 45.3</b>	<b>- 60.3</b>	<b>- 53.2</b>	<b>- 69.8</b>	<b>- 100.9</b>	<b>- 65.0</b>
Tax on profit for the period	- 0.1	- 11.8	12.7	- 1.5	12.0	18.3	20.8	11.2
<b>Net profit/loss for the period</b>	<b>0.3</b>	<b>30.2</b>	<b>- 32.6</b>	<b>- 61.8</b>	<b>- 41.2</b>	<b>- 51.5</b>	<b>- 80.1</b>	<b>- 53.8</b>

## CONSOLIDATED KEY FIGURES FOR QUARTER

	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2
Sales growth, %	- 15.4	- 7.6	- 18.9	- 16.8	- 8.6	- 8.3	- 7.0	- 14.8
Sales growth, comparable stores, %	- 21.2	- 14.2	- 25.7	- 27.5	- 21.6	- 4.6	0.1	- 8.1
Gross profit margin, %	55.5	56.9	50.8	49.0	49.5	50.9	46.2	56.1
Operating margin, %	1.0	9.7	- 14.4	- 21.4	- 17.4	- 15.8	- 37.0	- 27.0
Profit margin, %	0.1	8.9	- 15.6	- 21.8	- 17.9	- 16.1	- 37.4	- 27.6
Return on equity, %	0.3	30.0	- 32.4	- 56.8	- 35.6	- 49.4	- 90.8	- 75.1
Return on capital employed, %	1.9	26.8	- 24.5	- 35.7	- 31.8	- 45.7	- 77.4	- 55.9
Return on operating capital, %	1.9	28.4	- 26.5	- 37.5	- 33.5	- 50.9	- 88.2	- 61.3
Return on total capital, %	1.5	20.9	- 18.5	- 27.7	- 24.5	- 33.3	- 54.4	- 38.5
Equity/asset ratio, %	44.3	45.3	44.3	58.2	51.8	49.7	46.0	40.9
Cash flow after investments, SEK M	- 26.4	59.9	19.9	- 80.9	- 2.5	71.3	- 32.1	- 18.4
Number of warrants outstanding, 000s	240.0	240.0	240.0	240.0	240.0	240.0	240.0	240.0
Earnings/loss per share before dilution, SEK	0.01	1.03	- 1.11	- 1.83	- 1.00	- 1.25	- 1.95	- 1.31
Earnings/loss per share after dilution, SEK	0.01	1.03	- 1.11	- 1.83	- 1.00	- 1.25	- 1.95	- 1.31
Cash flow after investments per share, SEK	- 0.90	2.04	- 0.68	- 2.39	- 0.06	1.74	- 0.78	- 0.45
Shareholders' equity per share, SEK	13.19	14.29	13.16	11.79	10.76	9.55	7.62	6.34
Number of full-year employees	790	787	777	771	766	768	759	752

## MULTI-YEAR REVIEW

	2005	2006	2007	2008	2009	Rolling 12 Jul-Jun 2009/10
Net sales, SEK M	1,041.1	1,363.9	1,596.6	1,485.7	1,295.2	1,234.3
Net sales growth,%	38.4	31.0	17.1	- 6.9	- 12.8	- 9.4
Gross profit margin,%	45.5	51.1	53.7	53.6	50.1	50.5
Operating profit/loss, SEK M	162.3	216.2	190.0	35.5	- 220.8	- 283.3
Operating margin,%	15.6	15.8	11.9	2.4	- 17.0	- 23.0
Net profit/loss, SEK M	118.4	157.9	132.8	15.5	- 187.1	- 226.6
Cash flow after investments, SEK M	1.5	- 54.3	- 91.4	60.5	- 28.4	23.9
Return on equity,%	43.8	38.1	28.4	3.5	- 46.1	- 60.8
Return on capital employed,%	55.6	46.5	29.1	5.1	- 34.9	- 51.2
Return on operating capital,%	91.1	63.2	33.9	5.4	- 39.8	- 54.7
Return on total capital,%	36.0	31.5	20.9	3.8	- 25.8	- 38.6
Equity/assets ratio,%	63.1	57.2	46.7	45.3	49.7	40.9
Net debt/EBITDA, times	- 0.7	0.0	0.9	2.6	- 0.7	- 0.8
Capital turnover ratio, times	5.8	4.0	2.8	2.3	2.3	2.4
Earnings/ loss per share before dilution, SEK	4.43	5.63	4.62	0.53	- 5.14	- 5.52
Earnings/ loss per share after dilution, SEK	4.43	5.63	4.62	0.53	- 5.14	- 5.52
Cash flow after investments per share, SEK	0.06	- 1.94	- 3.18	2.06	- 0.79	0.58
Equity per share, SEK	13.16	16.41	16.23	14.29	9.55	6.34
Number of full-year employees	381	531	711	787	768	752

Figures for 2005-2009 have been restated to the calendar year.

## PARENT COMPANY'S CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

	3 months		6 months		Abbreviated
	Apr-Jun		Jan-Jun		fiscal year
(SEK 000s)	2010	2009	2010	2009	May-Dec
Net sales	190,625	225,631	418,192	469,478	768,769
Other operating income	<u>5,673</u>	<u>5,813</u>	<u>8,156</u>	<u>8,455</u>	<u>12,534</u>
<b>Total operating income</b>	<b>196,298</b>	<b>231,444</b>	<b>426,348</b>	<b>477,933</b>	<b>781,303</b>
<i>Operating expenses</i>					
Goods for resale	- 90,473	- 117,035	- 223,022	- 253,062	- 412,170
Other external costs	- 80,787	- 93,393	- 152,640	- 158,212	- 286,452
Personnel expenses	- 61,966	- 60,965	- 123,811	- 121,473	- 175,589
Depreciation/impairment losses on tangible and intangible assets	<u>- 13,025</u>	<u>- 11,601</u>	<u>- 26,147</u>	<u>- 23,192</u>	<u>- 55,514</u>
<b>Operating profit/loss</b>	<b>- 49,953</b>	<b>- 51,550</b>	<b>- 99,272</b>	<b>- 78,006</b>	<b>- 148,422</b>
<i>Result from financial items</i>					
Income from investments in group companies	-	-	-	-	- 35,246
Other interest income and similar items	1,216	1,710	2,432	4,275	4,666
Interest expenses and similar items	<u>- 1,513</u>	<u>- 1,172</u>	<u>- 2,554</u>	<u>- 4,677</u>	<u>- 3,359</u>
Total result from financial items	- 297	538	- 122	- 402	- 33,939
<b>Profit/loss after financial items</b>	<b>- 50,250</b>	<b>- 51,012</b>	<b>- 99,394</b>	<b>- 78,408</b>	<b>- 182,361</b>
Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,801</u>
<b>Profit/loss before tax</b>	<b>- 50,250</b>	<b>- 51,012</b>	<b>- 99,394</b>	<b>- 78,408</b>	<b>- 160,560</b>
Tax	<u>13,134</u>	<u>6,515</u>	<u>25,914</u>	<u>14,172</u>	<u>22,718</u>
<b>Net profit/loss for the period</b>	<b>- 37,116</b>	<b>- 44,497</b>	<b>- 73,480</b>	<b>- 64,236</b>	<b>- 137,842</b>
<i>Other comprehensive income</i>					
Translation differences	89	469	297	432	73
<i>Other comprehensive income for the period</i>	<u>89</u>	<u>469</u>	<u>297</u>	<u>432</u>	<u>73</u>
<b>Total comprehensive income for the period</b>	<b>- 37,027</b>	<b>- 44,028</b>	<b>- 73,183</b>	<b>- 63,804</b>	<b>- 137,769</b>

**PARENT COMPANY'S BALANCE SHEET (CONDENSED)**

(SEK 000s)	June 30		December 31
	2010	2009	2009
Intangible fixed assets <sup>1)</sup>	233,231	268,563	240,867
Tangible fixed assets	50,085	72,320	61,426
Financial assets	62,996	35,543	37,119
Inventories	122,812	217,410	174,119
Current receivables	136,306	199,883	152,012
Cash and cash equivalents	<u>15,403</u>	<u>11,883</u>	<u>43,792</u>
<b>Total assets</b>	<b>620,833</b>	<b>805,602</b>	<b>709,335</b>
Shareholders' equity	251,430	446,365	324,613
Untaxed reserves	37,067	58,867	37,067
Provisions	6,228	-	6,228
Long-term liabilities <sup>2)</sup>	66,562	94,379	84,688
Short-term liabilities <sup>2)</sup>	<u>259,546</u>	<u>205,991</u>	<u>256,739</u>
<b>Total equity and liabilities</b>	<b>620,833</b>	<b>805,602</b>	<b>709,335</b>
<sup>1)</sup> Of which, goodwill	187,546	219,796	194,317
<sup>2)</sup> Of which, interest-bearing liabilities	174,913	177,010	165,906

**PARENT COMPANY'S STATEMENT OF CHANGES IN EQUITY**

(SEK 000s)	3 months 1 Apr-30 Jun		Abbreviated fiscal year Maj-Dec
	2010	2009	2009
<b>Total shareholders' equity at the beginning of the period</b>	<b>324,613</b>	<b>350,176</b>	<b>302,389</b>
New share issue	-	159,993	159,993
Dividend	-	-	-
Net profit/loss	<u>- 73,183</u>	<u>- 63,804</u>	<u>- 137,769</u>
<b>Total shareholders' equity at the end of the period</b>	<b>251,430</b>	<b>446,365</b>	<b>324,613</b>



## THE HEMTEX SHARE

On June 30, 2010, Hemtex AB's share capital amounts to SEK 102,7 M, represented by 41,072,360 shares each with a quotient value of SEK 2.50. Each share entitles the holder to one vote at General Meetings and all shares carry equal rights to participation in the Company's assets and profits. For up-to-date information on the Hemtex share, reference is made to Investor Relations at [www.hemtex.com](http://www.hemtex.com).

### Shareholders

At June 30, 2010, Hemtex AB had 3,059 shareholders. The information in the table below pertains to the circumstances at that date according to the share register maintained by Euroclear Sweden AB.

<b>Owner</b>	<b>Total no. of shares</b>	<b>Share of voting rights and capital</b>
Hakon Invest AB	28,138,798	68.5%
AB Industrivärden	5,131,146	12.5%
DNB Nor Bank ASA	2,123,455	5.2%
Trollhassel AB m.fl.	608,945	1.5%
SIX SIS AG	436,075	1.0%
EFG Private Bank S.A., W8IMY	326,512	0.8%
SEB Private Bank S.A.; NQI	226,004	0.6%
AB Pernini m. fl.	200,950	0.5%
Löfman, Michael	139,045	0.3%
Pernvik & Pernvik AB m.fl.	130,300	0.3%
Other shareholders	3,611,130	8.8%
<b>Total</b>	<b>41,072,360</b>	<b>100.0%</b>

<b>Ownership structure</b>					
<b>Number of shares</b>	<b>Number of owners</b>	<b>% of all owners</b>	<b>Number of shares</b>	<b>% of capital</b>	
1 - 200	1,373	44.9%	129,039	0.3%	
201 - 1,000	1,277	41.7%	590,907	1.4%	
1,001 - 10,000	345	11.3%	983,014	2.4%	
10,001 - 100,000	53	1.7%	1,895,004	4.6%	
100,001 -	11	0.4%	37,474,396	91.3%	
<b>Total</b>	<b>3,059</b>	<b>100.0%</b>	<b>41,072,360</b>	<b>100.0%</b>	

<b>Distribution of owners</b>	<b>Share of voting rights and capital</b>
Foreign owners	3.0%
Swedish owners	97.0%
of whom, legal entities	93.9%
Private individuals	6.1%

Updated information concerning owners, ownership structure and distribution of owners is available at Investor Relations, [www.hemtex.com](http://www.hemtex.com)

## DEFINITIONS

**Capital employed** – The balance-sheet total less non-interest bearing liabilities including deferred tax liabilities.

**Cash flow after investments** – Profit before depreciation/amortization plus/minus financial items less tax paid plus/minus changes in operating capital minus investments.

**Cash flow after investments per share** – Cash flow after investments divided by the average number of shares outstanding during the period.

**Comparable stores** – Stores that have been operational for more than 12 months.

**Earnings per share** – Profit after tax divided by the average number of shares outstanding during the period.

**Earnings per share after dilution** – Profit after tax divided by the average number of shares outstanding on the closing date as well as warrants outstanding adjusted for possible dilution effects.

**EBITDA** – Operating profit excluding depreciation/amortization and impairment losses.

**Equity/assets ratio** – Shareholders' equity as a percentage of total assets.

**Gross profit margin** – Net sales for the period less the cost of goods sold as a percentage of net sales.

**Hemtex** – "Hemtex" refers to the Hemtex brand or to the entire retail chain including the stores operated by franchisees.

**Hemtex AB** – Refers to the legal entity Hemtex AB that is the Parent Company of the Group and the franchisor in the Hemtex franchise system.

**Net debt** – Interest-bearing liabilities less cash and bank balances.

**Net debt/equity ratio** – Interest-bearing liabilities less cash and bank balances as a percentage of shareholders' equity.

**Net debt/EBITDA** – Interest-bearing liabilities divided by EBITDA.

**Number of annual employees** – The total number of hours of attendance divided by the normal working hours for the particular country.

**Operating capital** – Total assets less cash and cash equivalents. Other interest-bearing assets and non-interest bearing liabilities.

**Operating margin** – Operating profit as a percentage of net sales for the period.

**Profit margin** – Profit before tax as a percentage of net sales for the period.

**Rate on capital turnover** – Sales divided by average operating capital.

**Return on capital employed** – Return before tax plus financial expenses as a percentage of average capital employed.

**Return on equity** – Profit after tax as a percentage of average shareholders' equity.

**Return on operating capital** – Operating profit as a percentage of average operating capital.

**Return on total capital** – Profit before tax plus financial expenses as a percentage of average total assets.

**Shareholders' equity per share** – Shareholders' equity divided by the number of shares on the closing date.

---

*Hemtex is the leading home textile chain in the Nordic region, with a total of 189 stores in August 2010, of which 143 were in Sweden, 37 in Finland, 4 in Denmark, 3 in Norway and 2 in Estonia. Of these stores, 167 are owned by the Hemtex Group and 22 by franchisees. Under a joint brand, the stores sell home-decor products with a focus on home textiles. Sales at the consumer level (including franchise stores) totaled SEK 1.28 billion, excluding value added tax. On June 30, 2010, the Hemtex Group's annual sales amounted to SEK 1.23 billion.*