

Hemtex

Annual Report
2006/2007



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Calendar

AGM	September 5, 2007
First quarter report	September 5, 2007
Second quarter report	December 5, 2007
Third quarter report	March 5, 2008
Year-end report	June 16, 2008



Hemtex in brief

Hemtex is the leading Nordic home textile chain with a total of 191 stores, of which 139 are located in Sweden, 35 in Finland, eight in Denmark, eight in Norway and one in Estonia. Of the stores, 168 are owned by the Hemtex Group and 23 by franchise companies. All of the stores outside Sweden are owned by the Hemtex Group.

Using a common brand, the stores sell home furnishing products, with the focus on home textiles. Sales in the consumer operations – including franchise stores – amount to SEK 1.6 billion annually, excluding VAT. During the 2006/ 2007 fiscal year, the Hemtex Group's sales totaled SEK 1.5 billion.

Hemtex has been included in the Mid Cap list of the OMX Nordic Exchange Stockholm since October 6, 2005.

2006/2007 in brief



The Hemtex Group's net sales rose by 26.8% to SEK 1,470.5 M (1,159.7).

Operating profit advanced by 22.4% to SEK 221.5 M (180.9).

Operating profit for the year rose to SEK 159.5 M (130.5) and earnings per share after dilution increased to SEK 5.47 (4.60).

The Hemtex Group opened a total of 33 new stores and acquired 30 stores previously run by franchise holders.

Seven stores were opened in the new Norwegian market.

Hemtex decided to open its first store in Estonia.

Key data

	2004/2005	2005/2006	2006/2007
Net sales, SEK M	804.6	1,159.7	1,470.5
Sales growth, %	36.4	44.1	26.8
Gross profit margin, %	39.1	47.2	52.2
Operating profit, SEK M	93.0	180.9	221.5
Operating margin, %	11.6	15.6	15.1
Net profit for the year, SEK M	69.2	130.5	159.5
Return on capital employed, %	45.9	55.7	45.5
Return on shareholders' equity, %	40.9	42.6	35.9
Equity/assets ratio, %	60.3	68.0	61.6
Earnings per share before dilution, SEK	2.77	4.76	5.69
Earnings per share after dilution, SEK	2.76	4.60	5.47
Cash flow after investments per share, SEK	3.18	0.48	- 1.54
Equity per share, SEK	8.09	14.21	17.53
Dividend per share, SEK	0.75	2.35	4.85 ¹
Total number of stores	129	153	186
Of which, owned by the Group	62	101	163
Number of full-year employees	284	433	602

1) Proposed dividend, of which SEK 2.85 in ordinary dividend and SEK 2.00 as an extra dividend.

Our rapid expansion continued during the 2006/2007 fiscal year, both geographically and in terms of product range. The year was also characterized by high activity in our stores, as a growing number of customers chose to shop with us.

President's comments

Continued expansion under profitability

We opened a total of 33 new stores within the Group – 13 in Sweden, 12 in Finland, one in Denmark and seven in our new market, Norway. We also acquired 30 stores that were formerly owned by franchisees, thereby increasing the number of stores under Group management from 101 at the start of the year to 163 at fiscal year-end. In addition to our new stores in the Nordic region, we also opened a store in Pärnu, in Estonia – our first store in the Baltic region in the early part of the 2007/2008 fiscal year and, in April, we signed an agreement with a franchisee that plans to open a Hemtex store in Poland.

High rate of new establishments

Hemtex's rapid expansion during recent years has been achieved largely through the establishment of new stores and acquisition of franchise stores. As a result of the high rate of expansion, Group sales have increased by 150% over the past three years – from SEK 590 M in the 2003/2004 fiscal year to SEK 1,471 M during the recently completed fiscal year. The operating margin has also increased sharply during the same period.

Operating profit for the full fiscal year rose from SEK 182 M to SEK 221 M. We retained an operating margin that exceeds the target of 15%, despite the comprehensive investments we have made. I have already mentioned the increase in the number of stores. We also strengthened our purchasing organization with the addition of the new office in Bangladesh and through plans for an office in Shanghai; we also developed the new volume-store concept under the name Hemtex & More and we established a new market presence in Norway.

Our healthy profitability is a prerequisite for continued investments in business growth, which naturally benefits the shareholders. For the fiscal year, the Hemtex Board of Directors has proposed a dividend of SEK 4.85 per share, comprising an ordinary dividend of SEK 2.85 and a bonus dividend of SEK 2.00. The ordinary dividend corresponds to 50% of profit for the year, which corresponds to the Group's dividend policy.

Clearly defined growth strategy for the future

Even after the dividend, which corresponded to a total transfer of SEK 142 M to our shareholders, Hemtex still has a strong financial position. Combined with a favorable cash flow from operations, we have the capacity we need to continue to expand – which is in line with the distinct strategy we have, aimed at continued profitable growth.

Growth will be achieved in several different dimensions: we are expanding conceptually with new store formats and a broader product offering; we are establishing new stores in our existing markets in Sweden, Finland, Denmark and Norway; we are entering new markets in the Baltic region and Poland and we are strengthening our organization with the skills needed for continued growth within the Group. We are building a Hemtex that is sharper at all levels.

Two important projects

During the current fiscal year, we are rolling out two important projects that will contribute to increased sales in the existing markets. The first comprises volume stores under the name Hemtex & More, which is the latest confirmation that we are continuously developing our store format to clarify our product offering, inspire our customers and generate increased sales. With retail floor space of 700–1,000 square meters, Hemtex & More stores will be much larger than today's Hemtex stores. As the name indicates, these stores have a broader product range. The first Hemtex & More store will be opened in Stockholm in October 2007 and will be followed by additional stores in the Nordic markets. We expect to open four to five Hemtex & More stores this fiscal year and foresee long-term potential for about 40 stores in the Nordic region.

The other project calls for further expansion of our product offering. Hemtex's product range has always been and will continue to be based on textile products, but we are now striving to compliment the range with other types of goods in closely related product areas. The offering has been broadened in all product groups during recent years, and the establishment of Hemtex & More represents

“Our healthy profitability is a prerequisite for continued investments in business growth.”



another step in this direction. We believe the broader product range will help offset the seasonal fluctuations in our business and, in turn, strengthen our margins. The expanded product range will also be introduced in the rest of the store portfolio, in addition to the Hemtex & More stores, and will be adapted to each store's particular conditions.

The expansion of our product range also strengthens the brands for which we entered licensing agreements during the past year – U.S. Polo Association, Bamse and figurines by the designer Johanna Lundqvist.

Stores established in old and new markets

We have growth opportunities in all our markets in the Nordic region. Over time, we see the potential for 290 Hemtex stores, compared with slightly more than 190 today. The expansion of our network of stores during the coming year will be concentrated mainly in Norway, where we had eight stores in the Oslo area at the end of the 2006/2007 fiscal year. Norway is an exciting market for Hemtex, where the average resident spends twice as much as we spend in Sweden. We want to capitalize on this significant market, and we are convinced that the Hemtex concept will be a winner also in Norway.

In June 2007, we took our first step outside the Nordic region by opening a store in Pärnu, in Estonia. The store has noted a highly successful start, and we are now looking for store locations in the capital city of Tallinn. The other Baltic countries are also interesting, and we believe there is mid-term scope for 20–25 Hemtex stores in the Baltic region.

As part of our continued expansion, we signed a letter of intent in April for franchise rights with a cooperation partner in Poland. Poland is a large market with strongly expansive purchasing power, and the goal is to establish two to three franchise stores during the 2007/2008 fiscal year.

Franchising is an interesting alternative to proprietary business establishments, particularly in new markets, since the expansion can proceed rapidly with low start-up costs and reduced risk, low capital requirements for the Group and good knowledge of the local market on the part of the franchise holder.

Development and efficiency in terms of the flow of goods

As the Hemtex Group continues to establish a presence in additional markets and expand its product offering, increasing demands are being placed on the efficiency of flows of goods throughout the entire chain from purchasing all the way out to the stores. Improved purchasing processes have already contributed to strengthening our gross margin. Through efforts to integrate down into the value chain and increase the percentage of goods purchased directly from manufacturers, we are creating opportunities for improved control, higher efficiency and increased profitability in purchasing functions. During 2006/2007, purchases without middlemen amounted to slightly more than 60% of total procurements, and our ultimate goal is to reach 80%.

One of Hemtex's strengths is that we maintain a high level of activity in our stores, and act quickly to promote sales. Enterprising spirit is part of our culture and something that we take with us when we establish Hemtex stores in new markets.

Exciting future

Hemtex has an effective business model focused on the customer and control over the entire value chain. With this model as our foundation, we are also establishing a concept that is internationally scalable in key application areas such as product offering, communications, pricing strategy, store operations and sales techniques.

Our business model functions very well and has enabled us to maintain a high rate of business expansion in parallel with increased profitability. It is the key to success as we move ahead, both during the current fiscal year, when we plan to open 25–30 new stores, and beyond.

During the current year, we will expand our network of stores in Norway, open the first volume-stores under the Hemtex & More concept, broaden the product range in several of our stores and establish operations through franchisees in Poland. Hemtex is an exciting company today with strong potential for the continued creation of value for our shareholders.

Borås, June 2007

Anders Jansson
President and Chief Executive Officer

Hemtex is the Nordic region's leading home textiles chain, a position that Hemtex has achieved by continuously endeavoring to have a enterprising spirit and with a focus on what customers demand.

Nordic region's leading home textile chain

Since the start in 1973, Hemtex has developed into the Nordic region's leading retail chain for home textiles.

By April 30, 2007, there were 186 Hemtex stores in Sweden, Finland, Denmark and Norway. Of the stores, 163 were owned by the Hemtex Group and 23 were franchises. All stores outside Sweden are owned by the Hemtex Group. During the 2006/2007 fiscal year, 34 new stores were established in the Hemtex chain, of which 33 by the Group and one in cooperation with a franchise owner. In Sweden, 14 stores were opened, 12 in Finland, one in Denmark and seven in Norway. During the same period, one store was discontinued in Denmark.

Sales at the consumer level (including franchise stores) increased by 17% to SEK 1,606 M (1,376) excluding VAT. The Hemtex Group's net sales rose by 27% to SEK 1,471 M (1,160) and operating income increased by 22% to SEK 221 M (181).

Four product areas

Hemtex's offering is based on an attractively priced and functional range of high-quality textile products. To increase the efficiency of operations and to offer customers the best possible service and inspiration, Hemtex's product range is divided into four product areas: Bedroom, Bathroom, Windows and Dining & Entertaining.

All product areas are supplemented by non-textile home accessories such as flower pots, candlesticks, glass and cups, picture frames and storage products, more traditional accessories such as decorative cushions and table cloths, and expendable goods such as candles and napkins.

Strength factors

Successful business model: Efficiency and control over the entire value chain creates prerequisites for competitive customer offerings in the entire Nordic region. Hemtex stores

have two operating forms: Group-owned stores and franchise stores. Regardless of the operating form, the stores are operated according to Hemtex's concepts and guidelines.

Strong brand in combination with a market-leading position:

Hemtex is the market leader in the Swedish home textile market with a market share of 31.3% (26.9) during the period from April 2006 to March 2007. The closest competitor in Sweden has slightly more than 10%. In Finland and Denmark, Hemtex has a market share of approximately 9% (6.5) and slightly more than 2% (2), respectively. In Norway, Hemtex has been in the market for slightly more than one year and has rapidly established eight stores. Hemtex estimates that the Group's total market share within home textiles in the Nordic region amounts to approximately 9%. Hemtex's goal is to achieve a market share of at least 15% in the Nordic region. The strong market position in combination with a very high spontaneous brand recognition provides a stable base for continued growth in the Nordic region.

Focus on home textiles: Hemtex is the Nordic player that offers the broadest range of home textiles. The company has few true competitors in the market.

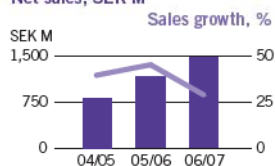
Strong product range: Hemtex offers attractively priced and competitive products that please many people.

Strategic store locations: Hemtex stores are found in attractive locations near major customer flows and other stores that attract customers.

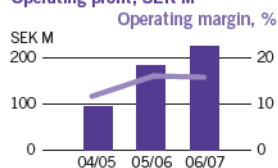
Financial strength: Hemtex has a strong financial position, which creates prerequisites for continued expansion.



Net sales, SEK M



Operating profit, SEK M



	Sweden	Finland	Denmark	Norway
Number of stores, Group	113 (70)	34 (22)	8 (8)	8 (1)
Share of consolidated sales	79.1	13.4	5.8	1.7
Share of consolidated operating income	89.6	9.4	2.6	-1.6

The segment's operating income includes retail operations in each market, as well as income from the Swedish wholesale operations' sales to each market.





Hemtex's offering is based on an attractively priced and functional assortment of high quality textile products.



The Hemtex share has been listed on the OMX Nordic Stock Exchange since October 6, 2005 and is included in the list of Mid-Cap companies.

Positive development for the Hemtex share

The Hemtex share trades under the HEMX symbol and is included in the index for durable goods and services, SX25 Consumer Discretionary. A round lot consists of 200 shares.

On April 30, 2007, Hemtex's share capital amounted to SEK 70.0 M distributed among 28,017,400 shares, each with a par value of SEK 2.50. Each share entitles the holder to one vote at the Annual General Meeting and all shares carry equal rights to the company's assets and profits.

Share price rose by 20%

During the 2006/2007 fiscal year, the trend has been generally positive on the world's leading stock exchanges. On the Stockholm Stock Exchange, which reflects the development on the exchange as a whole, the OMXS index rose by 23% from May 1, 2006 to April 30, 2007.

The price of the Hemtex share rose by 20%, from SEK 115 on May 1, 2006 to SEK 138.50 on April 30, 2007. The highest price paid was SEK 158.50 on January 22, 2007 and the lowest price was SEK 88.25 on May 22, 2006. At the end of the fiscal year, the market value of Hemtex was SEK 3,880 M.

During the period, a total of 23.6 Hemtex shares were traded with a value of SEK 2,905 M. This corresponds to a turnover of 84% of the total number of Hemtex shares. The turnover rate for the Stockholm Stock Exchange as a whole amounted to 146% during the same period. The P/E ratio calculated on earnings for 2006/2007 amounted to 24 (24).

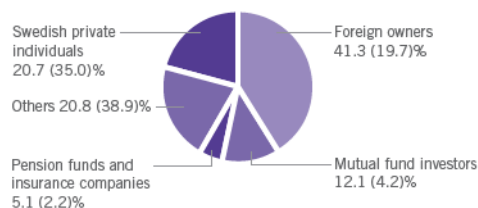
Hemtex had 5,529 shareholders

On April 30, 2007, Hemtex had 5,529 shareholders. Most shareholders, 4,922, owned 1,000 shares or less. The pro-

Ownership structure

No. of shares	No. of owners	% of all owners	No. of shares	% of share capital
1-200	3,090	55.9	418,760	1.5
201-1,000	1,832	33.1	1,015,012	3.6
1,001-10,000	427	7.7	1,387,276	5.0
10,001-100,000	125	2.3	4,310,056	15.4
100,001-	55	1.0	20,886,296	74.5
Total	5,529	100.0	28,017,400	100.0

Distribution of owners, %



Shareholder structure

At April 30, 2007, Hemtex had 5,529 shareholders. The figures in the table apply to the situation on that date according to the ownership list maintained by VPC AB.

Owner	No. of shares	Total share of capital and voting rights
AB Industrivärden	2,578,800	9.2%
Modulus Europe	1,775,100	6.3%
SMALLCAP World Fund Inc.	1,435,000	5.1%
Orkla ASA	1,353,600	4.8%
SSB CL Omnibus AC	798,202	2.8%
EFG Private Bank S.A., W8IMY	789,716	2.8%
Första AP-fonden	743,900	2.7%
Investors Bank & Trust Company	725,619	2.6%
Cantillion Capital Management LLP	700,000	2.5%
Aktie-Ansvar funds	672,800	2.4%
Other owners	16,444,663	58.8%
Total	28,017,400	100.0%

portion of institutional ownership amounted to 79% (65) and foreign ownership was 41% (20).

On April 28, 2007, Hemtex's Group Management owned a total of 260,400 shares in Hemtex, which corresponds to 0.9% of the capital and voting rights. The Board of Directors owned 285,560 shares, corresponding to 1.0% of the capital and voting rights.

Full subscription for Hemtex's two warrants programs

Hemtex AB had two outstanding warrant programs on April 30, 2007, T01 and T02, with a total of 33,000 subscription warrants. The subscription period for both warrants programs was May 1 to July 31, 2007. The warrants were issued to key employees and senior executives. The warrants were acquired at market price, which was based on an external valuation in accordance with the Black & Scholes model. The outstanding warrants programs contain no conditions that might trigger costs for the company, for example, social security fees. The warrants programs generated a total of SEK 601,000 during the period.

Each warrant entitled the holder to subscribe for 40 new shares in Hemtex. All warrants were subscribed during June 2007, which means that the number of shares increased from 28,017,400 to 29,337,400 and the share capital by

SEK 3.3 M to SEK 73.3 M. This corresponds to a dilution of the share capital and voting rights of 4.5%.

Program	No. of outstanding warrants	Exercise price (SEK/share)	Subscription period	No. of shares subscribed
T01	10,000	8.00	May 1–July 31 2007	400,000
T02	23,000	22.50	May 1–July 31 2007	920,000

The Chairman of the Board redeemed 2,000 warrants against 80,000 shares, the President 9,400 warrants against 376,000 shares, other senior executives 15,400 warrants against 616,000 shares and others redeemed 6,200 warrants against 248,000 shares.

Dividend policy

The Board of Director's goal is to propose dividends that over time correspond to an average of approximately 30 to 50% of consolidated profit for the year after tax for the Group. The date for, as well as the amount of future dividends, will be dependent on the company's earnings, expansion and acquisition opportunities and financial position in other respects (equity/assets ratio should not fall below 35%).

How the Hemtex share is analyzed

The Hemtex share is monitored and analyzed continuously by Swedish banks and stockbrokers. Since the listing in October 2005, primarily the stockbrokers Enskilda (SEB) and Swedbank have published regular analyses of Hemtex. During the year, Carnegie, Handelsbanken and others were also included.

Analysis factors

The assessments and valuation models of individual analysts and stockbrokers vary. However, they are often based on similar analysis factors. A compilation of the factors that analysts consider to be most important is provided below:

- Home textile market as a whole. The market for home furnishings and textiles is among the fastest growing retail sectors.
- Hemtex's strategy for profitable growth and the company's financial goals.

- Business model – Hemtex' revenues are generated from three sources – mainly sales in own stores, but also wholesaling to franchises and franchise fees.
- Growth rate in comparable stores and the number of new establishments.
- How well the establishment in Norway is progressing is important for future growth and profitability.
- How well the establishment of the new store concept, such as the volume stores, Hemtex & More, is progressing will become an increasingly important factor for future growth in existing markets.
- Gross profit margin trend – Hemtex focuses on upstream integration in the value chain for better control and increased efficiency and profitable purchasing.
- Follow-up of the largest controllable cost items – personnel costs and other expenses.

A current list of the analysts who follow Hemtex is available under Investor Relations at: www.hemtex.com.

Proposed dividend of SEK 4.85

The Board of Directors of Hemtex AB proposes that the Annual General Meeting on September 5, 2007 approve a dividend for the 2006/2007 fiscal year amounting to SEK 4.85 (2.35) per share, corresponding to SEK 142.3 M (65.8). The proposed dividend comprises an ordinary dividend of SEK 2.85 corresponding to 50% (49) of the year's profits and an extra dividend of SEK 2. Assuming that the Annual General Meeting approves the Board of Directors' proposal, the dividend is expected to be paid by VPC on September 13, 2007.

The final day for trading in Hemtex shares including the right to dividends is Monday, September 10, 2007.

Persons with insider status

Trading in shares in a company in which a person has insider status is called insider trading. Such trading must be registered according to law and reported to the Swedish Financial Supervisory Authority. Hemtex is obligated to report to the Financial Supervisory Authority which persons are insiders in Hemtex. These persons must register their

shareholdings and all changes in their holdings. Certain closely related individuals and legal entities may also be subject to the reporting obligation. Hemtex' management, Board of Directors, auditors and certain other employees are considered to have insider status in Hemtex. A link to a complete list of the persons with insider status is available under Investor Relations at: www.hemtex.com.

Stock market information

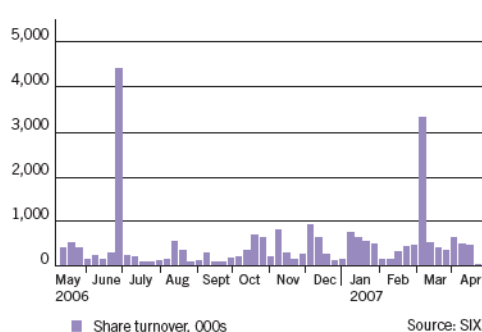
Hemtex's information to the stock market must be characterized by openness, accuracy, relevance and speed. Shareholders who wish to receive the annual report directly by post may obtain it after registering their request under Investor Relations at: www.hemtex.com.

Hemtex' press releases, interim reports and annual reports are available under Investor Relations at: www.hemtex.com. The website also contains additional information about the company, financial trends and the share. In addition, it is possible to subscribe on the website for press releases, interim reports, annual reports and the share's closing price.

The Hemtex share trend



The Hemtex share turnover



Development of share capital

Date	Transaction	Increase in number of shares	Total number of shares	Increase in share capital, SEK	Total share capital, SEK
Jan. 29, 1970	Company founded		100		10,000
Nov. 18, 1974	New issue	650	750	65,000	75,000
May 5, 1980	New issue	610	1,360	61,000	136,000
May 5, 1980	Bonus issue	140	1,500	14,000	150,000
Jan. 13, 1981	New issue	1,390	2,890	139,000	289,000
Jan. 13, 1981	Bonus issue	110	3,000	11,000	300,000
Jan. 18, 1982	New issue	2,950	5,950	295,000	595,000
Jan. 18, 1982	Bonus issue	50	6,000	5,000	600,000
Mar. 14, 1983	New issue	2,000	8,000	200,000	800,000
June 27, 1984	New issue	2,000	10,000	200,000	1,000,000
Mar. 27, 1985	New issue	3,000	13,000	300,000	1,300,000
Apr. 7, 1988	New issue	3,000	16,000	300,000	1,600,000
Jan. 18, 1989	New issue	7,000	23,000	700,000	2,300,000
Mar. 2, 1990	New issue	7,000	30,000	700,000	3,000,000
Feb. 12, 1991	New issue	8,500	38,500	850,000	3,850,000
Feb. 12, 1991	Bonus issue	1,500	40,000	150,000	4,000,000
Mar. 26, 1992	New issue	10,000	50,000	1,000,000	5,000,000
Dec. 16, 1992	New issue	4,000	54,000	400,000	5,400,000
Dec. 16, 1992	Bonus issue	11,000	65,000	1,100,000	6,500,000
Jan. 9, 1995	New issue	15,000	80,000	1,500,000	8,000,000
Jan. 9, 1995	Bonus issue	20,000	100,000	2,000,000	10,000,000
June 2, 2000	New issue	190,000	290,000	19,000,000	29,000,000
Feb. 12, 2002	New issue	50,825	340,825	5,082,500	34,082,500
July 1, 2003	New issue	100,000	440,825	10,000,000	44,082,500
Jan. 20, 2004	New issue	155,585	596,410	15,558,500	59,641,000
Oct. 13, 2004	New issue	43,740	640,150	4,374,000	64,015,000
Mar. 1, 2005	New issue	15,000	655,150	1,500,000	65,515,000
Mar. 16, 2005	New issue	9,660	664,810	966,000	66,481,000
Aug. 18, 2005	Split 40:1	25,927,590	26,592,400		66,481,000
Oct. 6, 2005	New issue	1,425,000	28,017,400	3,562,500	70,043,500
June 20, 2007	New issue	400,000	28,417,400	1,000,000	71,043,500
June 20, 2007	New issue	920,000	29,337,400	2,300,000	73,343,500

Information in these fact boxes are updated under Investor Relations at: www.hemtex.com prior to all interim reports.

Business concept, goals and strategies

Vision

Hemtex's vision "Inspiration and renewal for all rooms" is the guide for the Group's development. Hemtex's ambition is to offer the best possible service and guidance to customers and provide them with inspiration and ideas.

Business concept

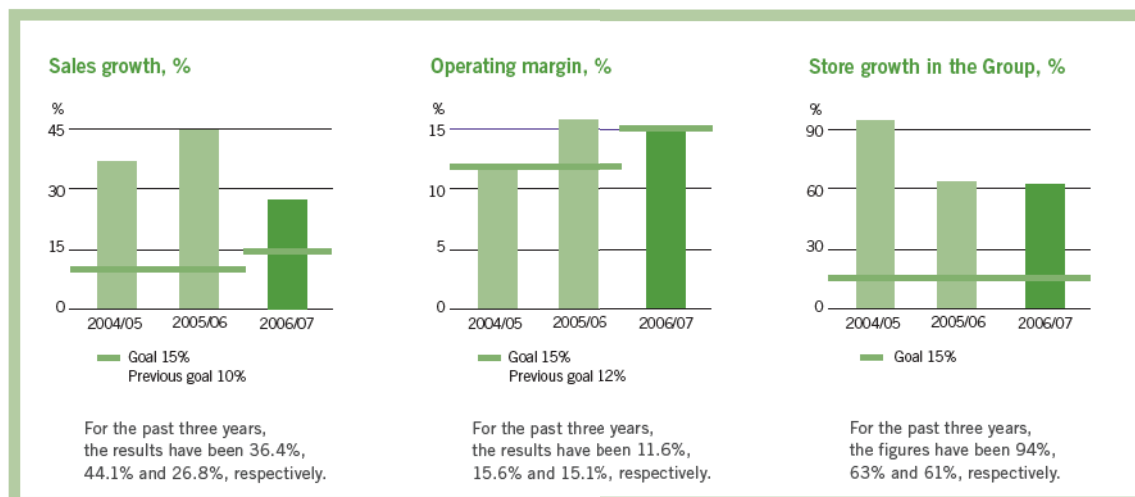
Hemtex's business concept is to sell contemporary home furnishing products that offer value for money and appeal to a broad spectrum of people. Hemtex endeavors to be close to customers and offer an inspiring and sales-promoting store environment.

Goals

Hemtex's overall goal is to retain its position as the leading and most successful home furnishing chain in Sweden and one of the leaders in the Nordic region as well as achieving favorable growth and profitability. The goal is to achieve a market share of 15% in the Nordic market for home textiles. The financial goals are:

- An annual, average total sales growth of more than 15%.
- An operating margin of more than 15% during one business cycle.

In Hemtex's strategy, during the current and the next fiscal year, the number of stores shall increase by more than 15% per year. The plan is for store area to increase at a more rapid rate.



Strategies going forward

- Volume sales to a broad, consumer target group
- A blend of proprietary stores and franchise stores
- Upstream integration
- Growth strategy going forward
 - Establishment of stores
 - Geographic expansion
 - New store design
 - Broadening of product assortment

Financial goals

- Sales growth exceeding
- Operating margin exceeding
- Market share in the Nordic region exceeding

15%

A clear strategy

Hemtex conducts store sales with focus on a broad target group of consumers. Hemtex has expanded its product line focused on the upper-middle-class segment to encompass a well-developed assortment in the mid- and low-price segments as well as the other quality and price segments.

Hemtex operates through a combination of proprietary and franchise stores. In the Swedish market, Hemtex has acquired franchise stores to create efficient operational organizations in every geographic area. Franchising is especially attractive as an alternative for establishing stores in new markets since it allows for expansion on the basis of lower establishment costs, reduced risk and less tied-up capital for the Group.

Through upstream integration and increasing the proportion of products purchased directly from the manufacturers, conditions are created for increased monitoring, higher efficiency and increased profitability in connection with purchasing. During 2006/2007, direct purchasing accounted for slightly more than 60% of total purchasing and the goal is that it will eventually account for 80%.

Hemtex's rapid expansion has largely involved establishing new stores in existing and new markets as well as acquiring franchise stores. This expansion has brought about a 150% increase in the Hemtex Group's sales in three years – from SEK 590 M during 2003/2004 to SEK 1,471 M during 2006/2007. At the same time, the operating margin has risen from 9.2% to 15.1%.

Growth strategy going forward

Hemtex's future growth and profitability targets are to be achieved through the establishment of stores, geographic expansion, new store designs and a broadening of the product selection. Following the extensive acquisitions of franchise stores in recent years, Hemtex is characterized by a favorable balance between proprietary stores and franchise stores.

During 2007/2008, the Hemtex Group anticipates opening between 25 and 30 stores. In the spring of 2007, a decision was reached to establish operations in Estonia, and the Group opened a store in Pärnu in June 2007. Stores may also be established in the other Baltic countries.

With regard to continued geographic expansion, it has been decided that Hemtex may seek partners by offering franchise rights as a complement to the establishment of proprietary stores. In April 2007, a letter of intent in connection with franchising rights was signed with a partner in Poland. The aim is to establish two or three franchise stores in Poland during 2007/2008. Franchising may eventually be employed in a number of markets in Europe. Over the long term, the potential exists for a total of 150 Hemtex stores in Sweden, 50 in Finland, 40 in Denmark, 50 in Norway and between 20 and 25 in the Baltic region.

New store design encompasses continued review of the store concept, new store formats and expansion of the store area of existing stores. The most recently developed format is that for the Hemtex & More volume stores, which will be larger and offer a wider selection of products than customers are familiar with. Hemtex will be establishing four or five Hemtex & More stores in the Nordic region during 2007/2008 and approximately 40 stores over the long term.

Expansion of the product line entails stores being provided with a wider selection of products within all product categories. An expanded product line broadens the target group and increases sales to existing customers. Product-line development covers complementary home accessories, an expanded assortment for Hemtex & More that includes small pieces of furniture, and supplemented product assortments for existing store formats. Hemtex has also signed agreements with regard to licensing rights connected with a number of strong brands and is devoting special efforts to expanding the assortment for children. Taken together, these measures provide Hemtex with favorable prospects for continued growth on comparable stores for the future.

Demand for home textiles is highly influenced by overall trends in society, for example, the increasing interest in recent years in house and home has contributed to the growth within the home textiles sector.

Strong position in a growing market

Naturally, demand is also influenced by the performance in the general economy and particularly the development in private consumption. However, Hemtex estimates that the home textile segment is less cyclic than other retail sales sectors. The reasons are that most products are of the type that must be replaced relatively frequently and the cost of purchasing home textiles is comparatively low.

Normally, customers are not particularly brand conscious with regard to home textiles. This makes the name of the retail company, availability in stores and prices important competitive tools in the market.

Sector in long-term growth

The Nordic market for home textiles to consumers is estimated by Hemtex at approximately SEK 17.2 billion for 2006, measured in sales value, of which the Swedish market accounted for approximately SEK 5.3 billion, the Finnish market for approximately SEK 2.3 billion, the Danish market for approximately SEK 4.1 billion and the Norwegian market for approximately SEK 5.5 billion.

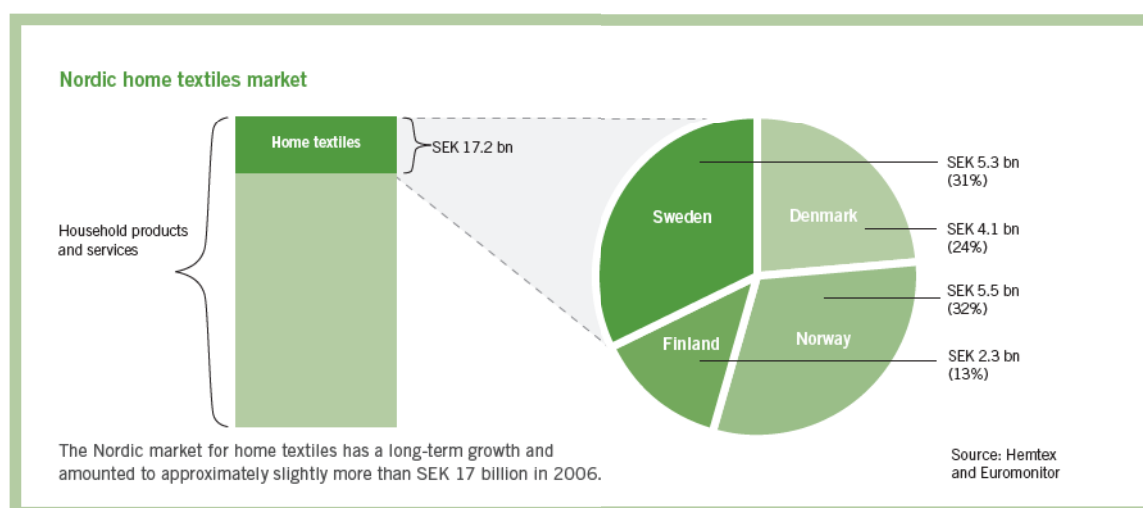
Viewed in a longer perspective, home furnishings and home textiles are among the fastest growing in the retail sector. In the past five years, the market has grown by 3–4% yearly in Sweden and the rest of the Nordic Region.

In the same period, Hemtex has grown more rapidly than the market, by an average of 27% annually. Hemtex' favorable performance is due to its success in gaining market shares due to a strong brand combined with a successful business model. In addition, investments in expansion through new stores, growth in comparable stores, new store form and increased assortment generated significant results. Hemtex's expansion, in terms of new stores, was implemented at an increasingly faster rate than its competitors.

Broadest assortment

Hemtex has a leading position in the Swedish market for interior decorating products with a focus on home textiles. Hemtex is also the Swedish player that offers the broadest range of home textiles. Hemtex focuses on home textiles while its competitors are furniture stores, superstores and department stores, and have their main operations in areas other than home textiles. However, the Norwegian chain KID, which has entered the Swedish market, also focuses on home textiles.

Hemtex's market position, in relation to its competitors, focuses on the medium price sector but with a certain assortment in the higher areas of the price sector. Traditionally, Hemtex's position in terms of fashion parameters has



been in the middle. The goal is that this position shall develop to include the upper areas of the fashion sector that are generally regarded as more modern.

Hemtex is a very strong brand, particularly in the Swedish market, and surveys show that Hemtex is a company that Swedish consumers often mention (nearly 70%) when asked where home textiles can be purchased.

The broadening of the range and a larger collection of home furnishings generate growth and also means that sales can be more consistent during the year, since it creates possibilities of working on campaigns and activities in the low season.

Several competitors

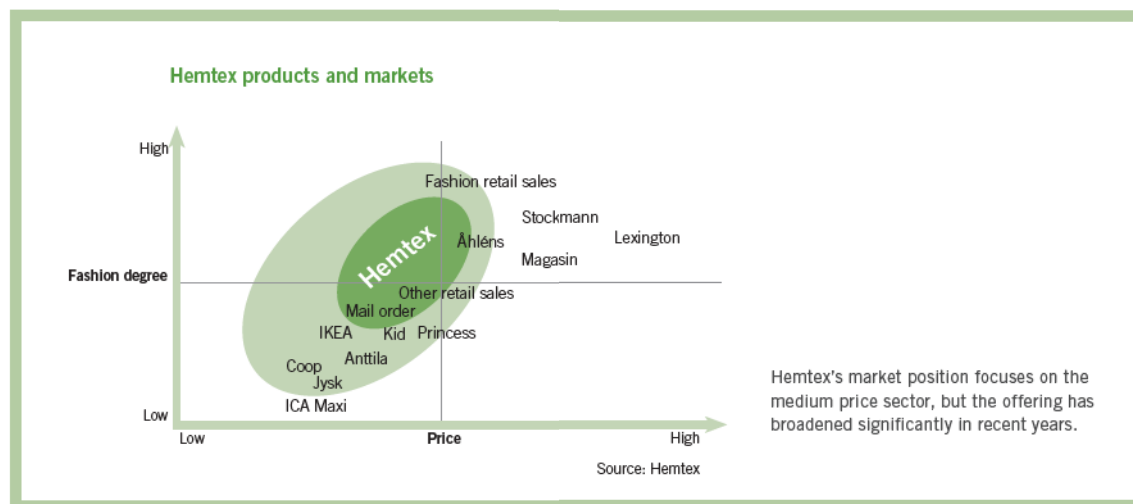
Product offering from companies in the home textiles markets in the Nordic region varies considerably. Certain companies have a product offering consisting only of home textiles, while other companies have a broader selection of products such as furniture, mattresses, rugs and other interior decorating items.

Hemtex, Kid Interiør, Princess Gruppen, Eurokangas, Jotex and Hansen & Dysvik are the largest Nordic companies with a product offering consisting mainly of home tex-

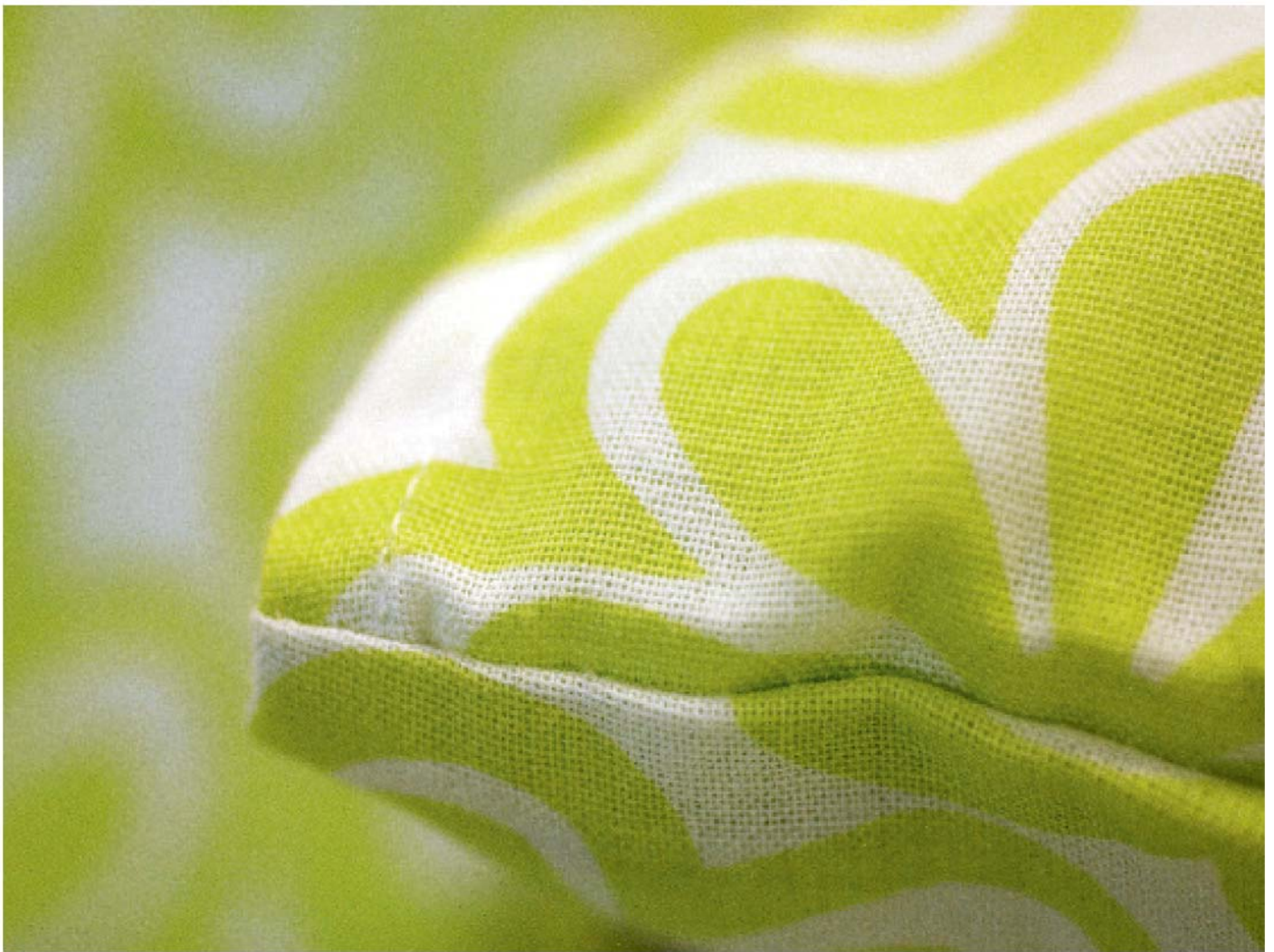
tiles. Jysk has a broader product offering with a significant collection of furniture and interior decorating products, where home textiles are responsible for between 20 and 25% of total sales. At IKEA, home textiles accounts for a limited portion of total sales, but significant in terms of absolute numbers.

Hemtex Group's sales and profitability strengthened during the period 2006/2007. A total of 34 new Hemtex stores opened during the year, of which the Group was responsible for 33 and franchise holders for one. In Sweden, 14 stores were added, in Finland 12, seven in Norway and one in Denmark. During the same period, one store was closed in Denmark.

The growth potential through establishing own stores remains favorable. Store expansion will be implemented mainly in Sweden, Finland and Norway, as well as the Baltic region, in which Hemtex opened its first store on June 7, 2007, and through franchise stores in Poland. During the 2007/2008 fiscal year, Hemtex will commence introduction of volume stores with an increased assortment within home textiles and associated assortment areas of accessories and small furniture. Hemtex will continue to maintain a high establishment pace during 2007/2008.







Hemtex offers inspiration and renewal for all rooms — regardless of whether an overall concept or individual parts are involved.



The Hemtex business model is based on efficiency and control of the entire value chain, from design and purchase via distribution to store sales, which creates favorable conditions for making competitive offerings to customers.

Hemtex puts the customer in focus

Efficient business model

Hemtex has considerable knowledge of customers' preferences through retailing and its own market surveys and through purchasing/wholesaling, Hemtex is an efficient purchaser of material and products.

Hemtex continuously monitors trends in home textiles and related sectors. When fashion trends are about to reach commercial volumes, Hemtex reacts rapidly. In order to hit the target regarding assortment, time is an important factor – which is why it is important that design and purchase occur as close as possible to the sales season. Consideration should also be given to the fact that manufacturing and delivery require lead time in order to keep costs at a reasonable level. Central functions at the head office in Borås ensure that the entire value chain, from concept to retailing, is implemented as efficiently as possible.

Largely proprietary designs

Hemtex' product line includes primarily products of its own design. For example, textile patterns produced by the design department at the Borås office or patterns purchased from independent designers.

Hemtex designers gain inspiration from several different sources, for example trend travels, trade fairs, clothing fashion, magazines and TV. They work closely with purchasers and collect ideas from the world around and from stores in order to ensure that the stores continuously have access to the right, current assortment. During the year, the design department was strengthened to further increase speed and accuracy in terms of design.

Hemtex's Product Line and Market Council, with participants from store operations and central functions at the Borås office, develop the product line, store concept and activity plans. Hemtex also works actively with trial sales programs to identify products with favorable sales potential.

Stores with two forms of operation

Hemtex stores have two forms of operation: proprietary stores and franchise stores. Regardless of the operation form, the stores are managed in accordance with the Hemtex concept and guidelines but with scope for local business influences. However, the target picture, strategy and culture are the same for everyone working at Hemtex, regardless of

the store's ownership form or the country in which one works.

The Hemtex Group shall manage proprietary stores in selected retail centers, primarily in large city areas and in strategic locations. In each geographical area, the number of stores shall be numerous enough so that an operating organization can be formed to ensure sales, earnings and competency development.

By managing the stores on a proprietary basis, Hemtex acquires direct contact with the market, which is also advantageous for the wholesale operations. In this manner, Hemtex can become an even more efficient supplier, which also benefits franchise holders.

At present, there are only franchise stores operated in the Swedish market. The Board decided during the 2007/2008 fiscal year to allow franchise agreements to be reached with respect to foreign markets as well. The markets to be addressed next are the Polish and Danish markets.

Expansion of the Hemtex Group store operations has resulted in increased profitability for the Group. Supplementation through the franchise concept facilitates additional economies of scale since the expansion is implemented with lower establishing costs and with reduced tied-up capital for the Group than would otherwise be possible.

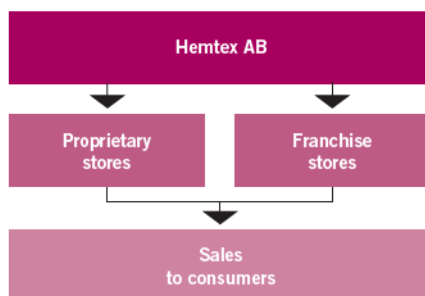
More efficient purchasing

Hemtex does not own its own factories. It purchases its products from more than 150 suppliers in some 30 countries. Hemtex is not dependent on one particular supplier; to a larger extent, current suppliers are all replaceable.

In recent years, concurrent with Hemtex becoming more fashion-oriented, the demand on the purchasing process has grown. An increased share of the purchasing shall occur in the season to guarantee delivery precision. Simultaneously, the lead time from design to availability of the product in the store, is reduced. The agreement between Hemtex and its suppliers is normally order unique. A written agreement, purchase order and quality control though Hemtex Purchasing Instructions are prepared with each supplier. The agreement regulates everything from product specifications to supply and terms of payment. It also includes a Code of Conduct that the suppliers must pledge to comply.



Business model



Agreement with franchise holders

Agreements with franchise stores have been negotiated with the Hemtex franchise association. The agreements regulate the rules that apply in the Hemtex franchise system. They include a franchise fee, which was 2.5% of the sales during the 2006/2007 fiscal year. In addition, another fee is linked to sales and is earmarked exclusively for marketing. This fee can be adjusted in accordance with an established consultation procedure. The agreement also includes a commitment from the franchise holders to purchase products from Hemtex wholesale operation or, to a limited degree, from suppliers that have signed central agreements with Hemtex. The franchise stores are operated according to the same concept and guidelines as the owned stores.

Three sources of revenue

Hemtex is a retail trade company, which at the end of the 2006/2007 fiscal year operated 163 stores of its own and franchised 23 stores. The Group's revenue derives primarily from sales to consumers in proprietary stores, wholesale to franchise holders and franchise fees.

Sales to consumers

Sales from the Group's proprietary stores amounted to SEK 1,288 M (856) during the 2006/2007 fiscal year. During the same period, sales to consumers for all Hemtex stores amounted to SEK 1,606 M (1,376), excluding value-added tax.

Wholesale selling to franchise holders

Hemtex AB has a wholesale role towards the franchise stores. During 2006/2007, sales to consumers for franchise holders amounted to SEK 318 M (520), excluding VAT.

Franchise fees

Franchise holders pay an affiliation fee at the start of operation and a continuous monthly franchise fee based on store sales. They also pay a certain amount to Hemtex AB for centrally produced or purchased marketing. During 2006/2007, the franchise holders' fees amounted to approximately SEK 8 M (13).

Hemtex also has other revenues resulting from bonuses from suppliers and partners and non-marginal sales, for example, store decorations for franchise holders.



Hemtex value chain



The Hemtex business model is based on efficiency and control of the entire value chain, from design and purchase via distribution to store sales, which creates favorable conditions for making competitive offerings to customers.

Hemtex actively searches for new suppliers and continuously evaluates current suppliers and purchasing markets with regard to prices, quality and performance in terms of the Code of Conduct and delivery times. The aim is to reduce the number of suppliers and purchase countries and for Hemtex to choose the best suppliers to enhance purchasing efficiency and reduce purchase costs.

The intention is also to increase the number of products being purchased directly from the manufacturers without going through an intermediary, to reduce purchase prices and thereby strengthen Hemtex's margins. With increased cooperation with manufacturers and by more precise demands from the Quality and Sourcing function, Hemtex will have increased possibility of controlling and influencing factories than when purchasing takes place through an intermediary. Direct purchasing also creates the possibility of ensuring that suppliers adhere to the Code of Conduct. During the 2006/2007 fiscal year, slightly more than 60% of supply value was purchased without intermediaries. The long-term target is for 80% to be purchased directly from suppliers.

Establishment of purchasing offices

Work on following up and monitoring Hemtex's suppliers is being expanded successively. To facilitate finding the correct supplier, develop current suppliers, monitor quality, secure delivery and control supplier's environmental work, Hemtex has decided to establish a purchasing office in Asia.

The first office was established in 2006 in Dhaka, Bangladesh. In September 2007, Hemtex will also open a purchasing office in Shanghai, China. The office in Dhaka has functioned as a hub for the development of Hemtex's monitoring system for suppliers. Hemtex has produced its own inspection manuals that follow the Group's Code of Conduct, which is based on previous experience from established systems, BSCI and SA8000.

Hemtex carries out inspections under its own management and also contracts inspections from independent, certified companies such as SGS and ITS. During the fiscal year, all of the company's suppliers in Bangladesh, one third

of the suppliers in India and two thirds of the suppliers in the Baltic countries were inspected. During the 2007/2008 fiscal year, the focus will be on inspection of suppliers in China and India.

IT and logistic support expansion

For a rapidly growing retail company such as Hemtex, efficient logistics is a significant competitive factor. Well-functioning logistics, from the planning stage until the customer leaves the store with a bag in hand, are of utmost importance to retain profitability growth. The right product in the right amount must be available in the right store at the right time to maximize sales potential.

Hemtex cooperates with Schenker in terms of logistic and distribution. All product distribution to stores is carried out from a distribution center in Gothenburg. Basic products and volume products are replenished using an automatic replenishment system. When the number of products reaches a certain minimum level, an order is automatically sent to the central warehouse. Seasonal products are replenished continuously. Planning occurs increasingly at the retail level and a product distribution that is based on forecasts adapted to actual sales.

Packaging and delivery to stores are customized for efficient handling, meaning that stores' stock can be kept to a minimum. Instead of allocating space for stocks, the space could be used for sales.

The Hemtex IT strategy is based on IT being a media for supporting the development of the Group's business model. Through centrally controlled IT systems, cooperation and economies of scale are created. Development of the Group's IT support occurs continuously. Hemtex' central business system and the store computer system link the head office to all stores in the Group's market. Sales statistics and key ratios for stores are always available centrally and in the store. Hemtex store employees have access to Hemtex' intranet and e-mail directly from the cash register, which facilitates and enhances the efficiency of the office functions in the store. All stores also have broadband for communications.

Activity-driven marketing

The store, with its display windows, entrances and inspirational areas, is the most important location for advertising, and special effort is devoted to enhancing presentation in the stores. In each store, the product offering must be presented clearly and inspirationally in a manner that encourages purchases.

High activity in the stores

The aim of Hemtex' marketing is to attract customers to the stores, while the stores are simultaneously the starting point for communications between Hemtex and the customers, current and potential.

A joint activity plan is the basis for work in the stores. This sets the tone for the store's appearance, display changed and the sales opportunities that the various seasons provide. Because displays in the stores are constantly changes so that the products are exposed in new ways, regular customers always feel that there is something new to discover.

To increase the effectiveness of advertising and thus Hemtex's profitability, there is an expressed goal of successively reducing the Group's relative costs for marketing. This will take place through a clearer change in media exposure between different sales periods and though initiatives based on the Hemtex customer card as a marketing instrument. During the weak intermediate periods, Hemtex customers will be attracted to the stores by welcoming displays and smaller advertisements with good value offers. On important occasions, such as payday weekends during peak seasons and the Christmas season, media exposure will be increased with larger advertisements and more detailed campaigns. By alternating between high-profile activities on important sales occasions and simple, price-focused communication in the intermediate periods, traffic and dynamism is created in customer communication.

According to Orvesto Konsument, the Hemtex stores in Sweden were visited by more than every second Swede during 2006.

Clear campaigns

Hemtex's marketing is characterized by high activity with offers that generate interest among customers and encourage them to visit the nearest store. Campaigns in progress are made evident in graphics and display designs in the stores so that customers recognize them and can find the products that they are seeking. Price communication is combined with hints and inspiration in the stores.

Complete interiors with matching products from the entire product range are created in what are called inspirational areas.

The displayed products are made easily available by placing them adjacent to the inspirational areas.

The Hemtex Club customer card

Hemtex has a group of very loyal customers who are very important for the company. Over the coming years, some communication resources will be transferred from mass media to information targeted to these customers at the individual level.

In the summer of 2005, Hemtex introduced a customer card in Sweden called the Hemtex Club in cooperation with Ikano Bank. In Finland, the customer card was introduced at the beginning of 2006. Hemtex Club consists of a credit card with such functions as partial payment and credit. Special offers are extended to card customers. The intention is also to use the information provided by Hemtex Club to specially adapt marketing activities over time based on the interests of various customer categories.

At the end of the fiscal year, the Hemtex Club had about 100,000 members in Sweden and 38,000 in Finland. Hemtex Club members visit stores more frequently, and their purchases are significantly higher. During the coming fiscal year, the buildup of the Hemtex Club will be a highly prioritized area, together with enhancement of communication with those who are already Hemtex Club members.





Customers buy more at Hemtex

Hemtex targets women and men who need to furnish, renew and beautify their homes. According to a study by Orvesto Konsument, 80 percent of the visitors to Hemtex stores are women.

According to the same study, the women who shop at Hemtex are married to a greater extent than the average but do not have children living at home. Hemtex's customers also to a greater extent live in apartments in metropolitan areas and have a median or higher income. Furthermore, this profile is strengthened among the market's largest groups, which are middle-age couples without children in medium-size and small communities.

The goal is to attract more visitors and secure more customers

The Hemtex customer visited one of the stores on average 3.4 times during 2006, an increase from 3.1 times during 2005. Compared with clothing stores, this is a low figure, which indicated that there is significant potential for attracting more visitors to Hemtex stores. A more detailed analysis of Hemtex's prime target group, which is women aged 25 to 59, they visit a Hemtex store on average six times a year.

Every fifth visitor to a Hemtex store also becomes a paying customer, which means that what is called the conver-

sion ratio is 20 percent. Hemtex's goal is increase both visit-or frequency and the conversion ratio.

Hemtex's customers are very loyal – customers who at some time make a purchase at Hemtex buy an average of 47 percent of their home textiles here. This means that Hemtex has the highest of what is termed the value share in the industry. During the 2006/2007 fiscal year, the customer trend remained very strong. During the period, the number of receipts in the stores increased by slightly more than 15 percent, compared with the preceding year.

Average purchase increased

The average purchase during the 2006/2007 fiscal year amounted to SEK 201 excluding VAT, which was an increase of 2 percent since 2005/2006, when the average purchase was SEK 197. More paying customers and higher average purchases are important factors underlying increased profitability for Hemtex. In this area, however, there is still potential for Hemtex. By creating inspiring store environments that display attractive combinations of matching accessories, customers can be encouraged to buy more products from Hemtex, instead of going to the gift shop further down the street, for example.

Broad product range with affordable products

The product range is largely the same in Hemtex stores in all four countries, thus creating synergies across the entire value chain. To increase operational efficiency and offer customers the best possible service and inspiration, Hemtex has chosen to divide the product range into four product areas: Bedroom, Bathroom, Window and Dining & Entertaining.

Bedroom – largest product area

The Bedroom product area consists of textile products for the bedroom, such as quilts, pillows, quilt covers, sheets and pillowcases. This is Hemtex's largest product area.

Within the Bathroom product area there are such products as hand towels, bath towels, bathrobes and bathroom mats, as well as some supplementary bathroom accessories. Hemtex is the Swedish market leader in bathrobes, for example, ahead of the major clothing chains.

The Window product area consists of ready-made curtains and curtain accessories. The trend has been from piece goods to ready-made curtains.

The Dining & Entertaining product area has a basic product line consisting of tablecloths, tablemats, napkins and runners.

Expansion of product line

The product line is based on textile products, which account for about 85% of sales. All product areas are complemented by non-textile home accessories, such as flowerpots, candlesticks, boxes, storage solutions and picture frames.

Hemtex strives to increase the share of sales in the non-textile segment to stimulate more purchases and thus convert more visitors to customers. An expanded product range

will be added to many Hemtex stores with the goal of increasing sales. This initiative will mean that the product range is extended and given greater depth in all product areas, although primarily in home furnishings. The products are coordinated and supplement the core product range.

Expansion of the product range will be evident in the stores during the second half of 2007 and primarily in the volume stores to be opened in October.

Traditional, modern and trendy

Planning of the product range is based on themes: classic and traditional, modern and the latest trends. Within these themes, the product range is updated each season with pattern groups that are coordinated with a constantly renewed base product range of patterned and solid-color textiles and products. Since themes and pattern groups are coordinated, it is easy for customers to find inspiration and matching combinations for their home, apartment or summer cottage.

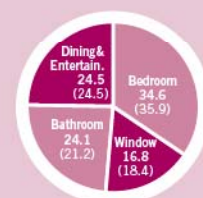
In the spring of 2007, the pattern groups were inspired by classic blue and East Indian porcelain, as well as classic Swedish checkered and striped patterns. Continued high interest for antiques and furniture was reflected in pattern offerings with such names as Primera and Cottage Blue for the classical and traditional theme. The modern theme was also nostalgic and romantic, with foliage and an Eastern orientation with Japanese cherry boughs reflecting peace and quiet. There were also stark blacks and whites in contrast to the romantic influences.

Base and seasonal products

Hemtex combines seasonal products with volume goods. Base products with a long product life cycle are the foundation for the product range. These products are always



Sales per product area, %



Hemtex's product range



stocked at Hemtex's central warehouses and are delivered to stores several times each week via an automated replenishment system. Examples of base products are quilts, pillows and solid color towels. Base products account for about 35 percent of the product range.

To achieve renewal and create attractive campaigns, Hemtex stores are continuously supplied with modern seasonal products.

It must be easy for customers to supplement their purchases of base products with the latest products within home textiles and decorating, which contributes to increased sales.

Large share of own brands

To be able to maintain high quality, function and design in combination with attractive prices, most of Hemtex's product range consists of own brands. Proprietary brands also strengthen Hemtex's margins.

These brands are supplemented by a limited selection of marketing-leading brands from external suppliers, with which Hemtex has central purchasing agreements. A common characteristic of both proprietary and external brands is that they are all products that are carefully designed and hand-picked to fit the Hemtex concept of carefully chosen interior decorating products of high quality and unique design. External brands are being reduced in favor of proprietary brands.

Hemtex's strategy for the product range is to follow fashion trends but not to set them. Hemtex will focus on a fashion trend when it begins to create a volume market. When a seasonal fashion trend emerges, Hemtex will limit volumes and breadth.

The product range must consist of a mix of proprietary brands (about 95 percent) and market-leading brands from contracted suppliers (about 5 percent).

Hemtex's product range is coordinated, appeals to different styles and contains a mix of inspirational and volume products. The base for the product range is textile products, which account for some 85 percent of sales.

Hemtex acquired rights to several strong brands

In May 2007, Hemtex signed contracts for license rights to U.S. Polo Association, Bamse and patterns by Johanna Lundqvist. These licenses are part of Hemtex's initiatives to expand the product range to include significantly more children's products, for example.





With these contracts, Hemtex gains access to strong brands with substantial potential that can contribute to Hemtex's position as the company that leads development in the home textiles segment. Hemtex's strategy for profitable growth includes expanding the product range, and these contracts are naturally a step in that direction.

The rights to U.S. Polo apply to both home textiles and home furnishings in Hemtex's existing markets, as well as in Poland and the Baltic countries. The first U.S. Polo-branded products will appear in the stores in March 2008.

The initiative to expand the product range for children resulted in signing two new partnership agreements. The license for Bamse applies for characters and brands for such products as home textiles, lamps, bathrobes and slippers in all Hemtex markets. The Bamse range will gradually be introduced and sold in all Hemtex stores.

Hemtex has signed a contract with the well-known designer Johanna Lundqvist for patterns for home furnishings, porcelain, home textiles and night clothes for all Hemtex markets. Products with Johanna Lundqvist's popular characters will be sold in Hemtex's volume stores starting in October 2007.

Hemtex's own brands

	A broad range in all product groups
	A series of home textiles of high quality for all rooms
	A combination of the highest quality and exclusive design
	A broad selection of quilts and pillows in down and synthetic materials

Licensed brands

	The brand is owned by the U.S. Polo Association, which was founded in 1890. The rights to U.S. Polo apply for both home textiles and furnishings in Hemtex's existing markets, as well as in Poland and the Baltic countries.
	The license for Bamse applies for figures and brands for such products as home textiles, lamps, bathrobes and slippers in all Hemtex markets.
	Hemtex has signed a contract with the well-known designer Johanna Lundqvist for patterns for home furnishings, porcelain, home textiles and night clothes for all Hemtex markets.

Inspiring stores in prime locations

The stores are the most important media for communications with customers. Hemtex stores shall be sited in prime locations. They shall inspire customers to want to beautify their homes. The high flow of the latest fashion and constant changes shall attract customers to visit Hemtex stores frequently.

The best locations in the industry are referred to as A locations and are characterized by strong trade, and located close to major customer flows. A store in an A location has large, bright display windows that entice customers into the store.

Bright and spacious stores

Hemtex stores shall be bright and spacious to inspire customers to want to renew and beautify their homes. During the fiscal year, the newly developed design concept was introduced in all new and renovated stores.

The renovation of Hemtex stores follow a plan, which involves stores undergoing limited renovations/upgrading every third year. Every fifth year, a major renovation is implemented, when the entire store is reviewed and updated according to the most recent interior design concept.

All stores follow a common plan so that Hemtex customers will always recognize the store and have the same experience, regardless of what store they visit. The plan also means that customers follow a specific pattern in the store in order to experience the entire assortment. It should be easy to shop at Hemtex.

The level of activity in the stores is high. Change and novelty value are created by constantly changing signs and displaying products in new ways. The objective is that all Hemtex stores should, in a consistent manner, communicate

Hemtex's core values – know-how, service, inspiration, market-leading, value for money, comprehensive and contemporary – thus strengthening the Hemtex brand. This is regulated in the action plan, which also includes guidelines for how stores can take advantage of the different seasonal sales opportunities.

Effective operation and continuous monitoring

The Hemtex retail chain is characterized by an enterprising spirit, customer focus and a common approach to the market. Significant competitive advantages are gained through joint profiling and a coordinated approach. The central store communication function, with regional and store communicators, is responsible for ensuring that every store has the expertise required to display goods as effectively and as inspirationally as possible. They also ensure that the stores have a common profile.

Hemtex constantly strives to make store operation as efficient as possible in terms of customer service and sales per hour. The development of the stores is monitored using key indicators and compared with other stores both regionally, nationally and between countries. There are centrally compiled, clear manuals that provide guidelines for store operation. Special checklists are available to facilitate efficient renovations, new store openings and take over of acquired stores, which cover the division of responsibility, time schedules, etc.

Efficient merchandise flows are a prerequisite for attaining sales increases and superior operating profit. It is crucial that stores have a good inventory structure that ensures rapid and smooth optimization of the merchandise flow.



Own stores provide coordination benefits

The Hemtex Group has maintained a high rate of establishments in recent years, as well as the acquisition of franchise stores. This has resulted in geographical areas being sufficiently large to generate coordination benefits.

During 2006/2007, Group-owned stores accounted for 80% of the chain's total sales at the consumer level. In 2005/2006, the corresponding figure was 42%, while it was 42% for the preceding year.

The intention is that Hemtex stores that will be established in the future will primarily be owned by the Group, and acquisition of existing franchise stores will continue, but to a lesser degree than previously.

Opening of Hemtex & More

At the end of October 2007, Hemtex will be opening its first volume store – Hemtex & More. The store will be located on Sergelgatan in Stockholm, and the opening will mark the start of an investment in larger stores with a broader assortment.

The volume store at Sergelgatan will be monitored by many, both in Sweden and Finland. Hemtex & More will be established in city locations and traditional shopping malls as well as external commercial centers and will have a significantly larger sales area, 700–1,000 square meters, than today's Hemtex stores. The store at Sergelgatan is approximately 800 square meters large.

Expansion through the new store format and the broadening of the assortment is an important part of Hemtex's growth strategy. There is the possibility to establish about 40 volume stores in Sweden and Finland, of which approxi-

mately 35 in Sweden. It might be necessary to rearrange a few of the existing Hemtex stores where there is scope to increase the sales volume.

Volume stores are not only larger than existing stores; they will also provide a new assortment. The base is Hemtex's inspiring textile products which will be supplemented by a broad and specialized assortment of ornaments, such as vases and candle holders and practical accessories made of glass and copper, as well as cups and other porcelain products. A range of small furniture will also be included.

A central division in the Hemtex & More stores will be the seasonal market, which is a complete setting comprising the very latest products. The setting will change with the seasons so that the stores always have an atmosphere of newness.

Also included in the effort is that all Hemtex's existing stores that are more than 300 square meters will reserve 50–100 square meters for this assortment.

Sales increase in comparable stores within the Group, %

	2005/2006	2006/2007
Group total	13	2
Sweden	15	3
Finland	11	2
Denmark	4	–3
Norway	—	16

4 different store formats for Hemtex stores

Compact stores	
City or shopping mall location	180–220 m ²
Normal format	
City or shopping mall location	220–350 m ²
Large format	
City or shopping mall location	350–500 m ²
Volume store (Hemtex & More)	
Volume shopping location	700–1,000 m ²
(the first stores will open during the autumn of 2007)	







Hemtex sells value-for-money interior decorating products that are in fashion and are attractive to many people.





Hemtex's geographic markets

Expansion to new countries

For the 2006/2007 fiscal year, Hemtex Group's net sales increased by 27% to SEK 1,471 M (1,160). Sales in comparable stores rose by 2% (13). The total sales to consumers including franchise stores amounted to SEK 1,606 M, an increase of 17% compared with SEK 1,376 M the year earlier. Sweden is the Group's largest market with 79% (81) of net sales. Finland accounted for 13% (12), Denmark for 6% (7) and Norway for 2% (0).

Expansion of store operations

During the fiscal year, the Hemtex Group opened a total of 33 new stores, of which 13 were in Sweden, 12 in Finland, 1 in Denmark and 7 in Norway. During the same period, one store was closed in Denmark. In addition, 30 stores were acquired from franchise holders in Sweden. One franchise store was opened during 2006/2007 in Sweden. At year-end, 163 Hemtex stores were under Group management and 23 stores were managed by franchise holders.

Hemtex estimates that the Group's total share of the market for home textiles in the Nordic countries is 9%. The goal is to achieve a market share of at least 15% in the Nordic market. In June 2007, after the end of the fiscal year, Hemtex opened its first store in the Baltic States, in Pärnu, Estonia. Towards the end of 2007, Hemtex expects the first franchise stores to open in Poland.

Continued growth potential

The potential for continued growth through establishing proprietary stores remains favorable. Store expansion will be implemented mainly in Sweden, Finland and Norway. Hemtex anticipates opening 25–30 new stores during 2007/2008, in accordance with its strategy of increasing the number of stores by at least 15% per year.

Hemtex in Sweden

Home textiles market in Sweden is growing

The Swedish market for the sale of home textiles to consumers during the 2006 calendar year was worth approximately SEK 5.3 billion, according to GfK. This was an increase of 3.6%, compared with SEK 5.2 billion in 2005. Hemtex's sales increased by 17% (22) and accounted for 25% of the market growth.

During 2006, Sweden's GDP grew by 4.2% (2.7), while private consumption increased by 2.8% (2.4). Sales in actual retail stores (not including the Swedish Alcohol Retailing Monopoly and the National Corporation of Swedish Pharmacies), rose by 10.4% (8.2).

During the first quarter of 2007, the home textile market grew by 6%, according to GfK. In the past five years the market has grown at an average of between 3% and 4% per year.

Hemtex's main Swedish competitors are IKEA, Jysk, Åhléns and the mail order sector. Within the low-price segment of bedrooms and bathrooms, the main competitors are IKEA, Jysk and the mail order sector. Within the medium price segment, Åhléns is the main competitor and within the high-price segment, it is the specialized retailers. The major growth within the sector is in volume trade, particularly in the bedrooms and curtains segments. In the curtains segment, IKEA, with its low-priced assortment and relatively high fashion level, and Åhléns, with its high fashion level in the medium-price segment, have advanced their positions.

In addition to these competitors, new niche players are continually emerging, while players in the food industry are developing their offering within home textiles. Home textiles are a minor segment of the assortment for several competitors. Hemtex offers the broadest home textile range.

Hemtex is the market leader with a share of 31.3% for the period April 2006 to March 2007, compared with 26.9% the preceding twelve-month period. The mail order sector follows with 10.4%, IKEA with 10.3%, Jysk with 8.5% and Åhléns with 4.4%, according to GfK.

Hemtex continues to grow

In Sweden, the Hemtex Group increased its net sales during 2006/2007 by 24% to SEK 1,163.1 M (940.9). For comparable stores, the sales increase was 3% (15). Sales increase in current stores was influenced by the strong demand for the Group's products and well-planned and implemented campaigns. Operating profit rose by 23% to SEK 198.4 M (161.7).

14 new stores

During the period 2006/2007, a total of 14 new Hemtex stores were opened in Sweden. Hemtex AB opened 13 stores and franchise holders opened one store. In addition, Hemtex AB acquired and took control of 30 stores from franchise holders.

Potential for expansion

According to the Swedish government, GDP is estimated to increase by 3.7% during 2007. The Riksbank forecasts growth of 3.5%. According to the Swedish Retail and Wholesale Trade Research Institute, retail sales are estimated to increase by 6.0% during the year.

Hemtex anticipates that the Swedish market for home textiles will continue to grow at approximately the historical rate, namely, by 4% during the 2006/2007 fiscal year.

Hemtex also expects to maintain its high rate of establishing stores during 2007/2008. In Sweden, there is the possibility of establishing a number of additional stores, clustered around large and mid-sized stores. Long term, Hemtex estimates that there is room for slightly more than 150 Hemtex stores in the country. In addition to new establishments, a number of structural measures will be implemented in connection with conversion of smaller stores to volume stores.

Hemtex in Sweden, April 30, 2007

Share of the Group's operating profit, 89.6%

Year of establishment: 1973 Market share: 31.3 (26.9)%
 Number of stores: 136¹ (122) Net sales: SEK 1,163.1 M (940.9)
 New stores 2006/2007: 14² Operating profit*: SEK 198.4 M (161.7)

Focus for 2007/2008: Continued establishment of proprietary stores, launch of volume stores under the Hemtex & More name.

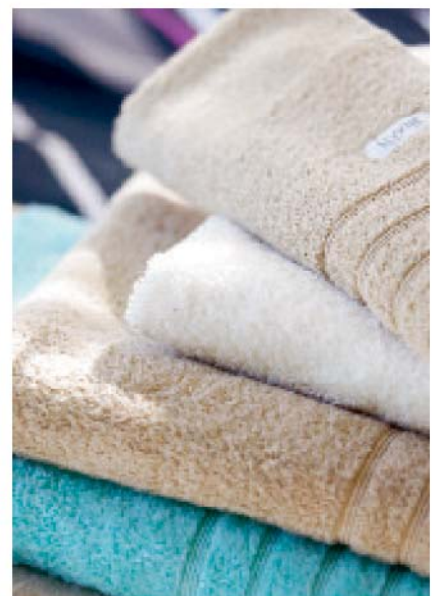
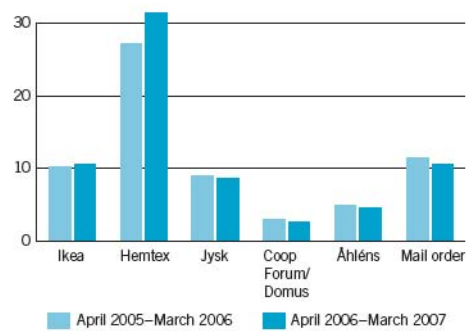
1) 113 (70) are operated by the Group and 23 (52) by franchise holders.
 2) One is franchise.

* Earnings in Sweden include earnings from the Swedish retailing operations and earnings from wholesale operations from central warehouse sales to proprietary stores and franchise stores in Sweden.





Market shares
in the Swedish home textiles market



Hemtex in Finland

Positive market trend

During 2006, Finland's GDP rose 5.5% (2.9), while private consumption increased by 3.0% (3.8), according to Statistics Finland. Retail sales rose by 5.7% (5.0).

According to Hemtex assessment, the Finnish market for home textiles was worth approximately SEK 2.3 billion during 2006.

In Finland, Hemtex's main domestic competitors are Kesko with Anttila and Kodin Ykkönen, SOK, Tradeka and Stockmann. The domestic chains sell primarily home textiles with strong local brands and own brands. In addition, foreign players operate in the Finnish home textile markets. IKEA has two department stores in the Helsinki region, while Jysk is a nationwide chain. All these chains compete primarily in the low- and medium-price segments. In mail order, Hobby Hall and NetAnttila have leading positions. Specialized trade consists of Eurokangas, a fabric chain that is strong in the market for piece goods in low and medium price ranges, and to a lesser degree, in small fabric stores.

Hemtex has a market share of approximately 9% (6.5) in Finland, according to the Company's own assessment.

Expansion with profitability for Hemtex

In Finland, the Group's sales rose in 2006/2007 by 43% to SEK 197.7 M (138.3). For comparable stores, the sales increase was 2% (11) in local currency. Sales increase in existing stores was the result of the continuing increase in awareness in the market. Operating profit rose by 53% to SEK 20.9 M (13.7).

Finland has a strong design tradition and interest in home textiles is considerable. Hemtex's concept appears to function satisfactorily in the Finnish market. Surveys show that consumers regard Hemtex as a chain with a broad assortment of highly fashionable products.

50% new stores

During the 2006/2007 fiscal year, the rapid expansion in Finland continued. The number of Hemtex stores grew from 22 at the beginning of the year to 34 at its end. Stores were opened in Helsinki (Vuosaari and Malmi), Kempele, Kotka, Lempäälä, Riihimäki (2), Rovaniemi, Salo, Tampere, Hämeenlinna and Vantaa.

Excellent growth prospects

According to the central bank, Finland's Bank, the Finnish economy is expected to grow by 3.0% during 2007 and by 2.5% in 2008. Private consumption is expected to increase at an annual rate of about 3% during 2007 and 2008. According to the Labor Institute for Economic Research, trade volume is expected to increase by between 4% and 5%. Hemtex estimates that the home textile market will grow by between 2% and 5% during 2007/2008.

Hemtex's prospects for expanding in the Finnish market remain favorable. Hemtex retains its plan to open six to eight stores annually in Finland during the next few years, a number of which could be Hemtex & More. Establishments will occur throughout the country. Long term, there is room for approximately 50 Hemtex stores in Finland.

Hemtex in Finland, April 30, 2007

Share of the Group's operating profit, 9.4%

Year of establishment: 2001 Market share: 9 (6.5)%
 Number of stores: 34 (22) Sales: SEK 197.7 M (138.3)
 New stores 2006/2007: 12 Operating profit*: SEK 20.9 M (13.7)

Focus for 2007/2008: Continued store expansion, improved profitability, building customer awareness of and trust in Hemtex.

* Earnings in Finland include earnings from the Finnish retail operations and the Swedish wholesale operation's sales earnings from Finnish stores.



Hemtex in Denmark

The Danish market

Denmark's GDP grew by 3.2% (3.4) during 2006, according to Statistics Denmark. Private consumption increased by 3.4% (4.2) and retail sales rose by 6.4% (4.9).

During 2006, the Danish textile market was worth approximately SEK 4.1 billion. As in Sweden, interest in interior decorating is widespread in Denmark. There are numerous magazines and TV programs about interior decorating. The Danish market is more polarized than any other market in the Nordic region. A relatively large portion of sales occurs in the upper segment with high design content and high prices as well as in the low-price segment.

In Denmark, Hemtex competes with Jysk, Botex, IKEA, Ilva, and department stores, Magasin and Salling, Coop and Dansk Supermarked. Magasin, Salling and Ilva operate in the high-price segment, while the others operate in the low and middle price categories. In addition, Bahne and Inspiration sell a certain amount of home textiles and compete in home accessories, rugs, pillows and bedclothes. In recent years, several independent home textile stores have closed down, which created room for Hemtex to expand. In Denmark, Jysk has the largest market share in the home textile market, followed by Botex. Hemtex's own estimation is that the company in Denmark has a market share of slightly more than 2% (2).

Hemtex increases sales in Denmark

During 2006/2007, sales in Hemtex's Danish operations rose by 6% to SEK 84.4 M (79.9). For comparable stores, sales decreased by 3%, compared with an increase of 4% for 2005/2006. Operating profit amounted to SEK 5.6 M (6.1), a decrease of 8%. During the latter part of the fiscal year, development of Hemtex in Denmark was favorable in terms of the sales organization in the stores. The foundation is set for continued expansion.

Danish operations were merged with those in the southern region of Sweden, with positive results for the Group.

One new store in Denmark

During the 2005/2006 fiscal year, a moderate expansion was initiated in Denmark, involving two new stores being opened in the Copenhagen area. During the 2006/2007 fiscal year, one store was opened on Fredriksborggade in Copenhagen concurrently with the closing of a store in the Illum shopping center in Copenhagen.

Going forward, it has not been ruled out that additional stores, especially outside the Copenhagen area, will be operated by franchise holders.



Hemtex in Denmark, April 30, 2007

Share of the Group's operating profit, 2.5%

Year of establishment: 1999 Market share: 2 (2)%
Number of stores: 8 (8) Sales: SEK 84.4 M (79.9)
New stores 2006/2007: 1 Operating profit*: SEK 5.6 M (6.1)
and 1 closure
Focus for 2007/2008: Cautious expansion of store operations, increased volume and improved profitability.

* Earnings in Denmark include earnings from the Danish retail operation and the Swedish wholesale operation's sales earnings from Danish stores.

Positive prospects

The Danish economy, measured in GDP, is expected to grow by 1.8% during 2007 and by 1.4% during 2008, according to Det Økonomiske Råd. Private consumption is estimated to grow by 1.8% in 2007 and by 2.4% in 2008. Hemtex anticipates that demand will increase in line with private consumption in Denmark.

During 2007/2008, Hemtex is planning some expansion of store operations in Denmark. Hemtex estimates that there is room for approximately 40 stores in the Danish market.

Hemtex in Norway

The Norwegian market for home textiles

Norway's GDP grew by 2.8% (2.4) during 2006, according to Statistics Norway. Private consumption rose by 6.4% (4.2) and retail-trade sales increased by 8.7% (6.8).

The Norwegian market for home textiles was worth approximately SEK 5.5 billion in 2006. This makes Norway the largest market for home textiles in the Nordic region in terms of value. On a per capita basis, the Norwegian market is twice as large as the Swedish market.

Hemtex's somewhat more expensive product line sells well in Norway, where competitors include IKEA, Hansen & Dysvik, Kid Interior and Princess Gruppen.

Establishment of stores impacts earnings

During 2006/2007, sales from Hemtex's Norwegian operations rose from SEK 0.6 M to SEK 25.4 M. The operating loss amounted to SEK 3.5 M (0.5). Earnings were charged with costs associated with establishing new stores.

Seven new stores

The first Hemtex store in Norway opened on March 23, 2006, at CC Vest, a shopping center in Oslo. Seven more stores were added in Norway during 2006/2007, giving a

total of eight Hemtex stores in the country at year-end. The stores were opened in Oslo (House of Oslo and Torggade), Bergen, Lilleström, Moss, Skien and Tönsberg.

The background to the expansion in Norway is that, in terms of value, the market is the largest in the Nordic region and also possesses one of the highest growth rates. In addition, home textile markets in the Nordic region are relatively homogenous with regard to consumers' demands and existing trends. This is why Hemtex estimates that the Group's concept will be strong in the Norwegian market.

Potential for 50 stores

The Norwegian economy, measured in terms of GDP, is expected to grow by 2.9% during 2007 and by 4.0% during 2008, according to Statistics Norway. Private consumption is expected to grow by 4.7% during 2007 and 3.9% during 2008. Hemtex expects demand for home textiles to grow in step with private consumption in Norway.

There are significant opportunities for Hemtex to grow in Norway. Hemtex has plans for continued expansion of store operations in Norway during 2007/2008. From a longer-term perspective, there is room for approximately 50 Hemtex stores in the Norwegian market.

Hemtex in Norway, April 30, 2007

Share of the Group's operating result, -1.6%

Year of establishment: 2006	Market share: No information due to company being newly established in market.
Number of stores: 8 (1)	
New stores 2006/2007: 7	Sales: SEK 25.4 M (0.6)
	Operating loss*: SEK 3.5 M (0.5)

Focus for 2007/2008: Establishing new stores and increasing customer awareness of Hemtex.

* Earnings in Norway include earnings from the Norwegian retail operation and the Swedish wholesale operation's sales earnings from Norwegian stores.



Expansion to Estonia and Poland

First store in Estonia

In June 2007, Hemtex opened its first store in the Baltic region, a 200-square-meter store in Pärnu, Estonia. Operation of the Estonian store is conducted with support from Hemtex in Finland.

The Estonian, Latvian and Lithuanian economies are characterized by rapid growth. For the past three years, growth in Estonia and Latvia has averaged approximately 10% annually. Lithuania, a larger country, is only slightly behind, with annual growth of approximately 8%.

Estonia represents an important first step in testing the Baltic market, and Hemtex anticipates opening a number of stores going forward. Potential exists for eventually opening 20–25 Hemtex stores in the three countries. The expansion will occur in stages.

Agreement with franchise holder in Poland

In April 2007, as an element of the company's continued expansion, Hemtex signed a letter of intent with regard to franchising rights with a partner in Poland, which will be the company's second market outside the Nordic region, after the Baltic region. The objective is to establish two or three franchise stores in Poland during the 2007/2008 fiscal year. The first stores will primarily be established in major cities.

The cooperation arrangement in Poland ensued from a decision authorizing partners to be sought in connection with franchising rights, as a complement to the establish-

ment of new stores. By pursuing establishment in Poland in cooperation with a franchise holder, expansion can occur rapidly with a low level of tied-up capital, reduced risk and substantial knowledge of the local market.

Poland, with nearly 40 million inhabitants, represents a large market. The country has undergone a major economic transformation in recent years and the economy is growing quickly, while a rise in consumer spending has benefited the retail trade. At present, a number of Swedish retail chains are established in Poland.

Expansion through both franchise stores and proprietary stores

Expansion through the establishment of franchise stores in new markets is an important element in Hemtex's growth strategy. Significant potential exists for supplementing expansion through proprietary stores with franchise stores in new and existing markets. The strength of Hemtex's concept combined with that of entrepreneurs possessing substantial knowledge of local markets is a key to successful establishment.

The franchise rights granted in Poland or future markets pertain to individual stores as opposed to entire regions, since Hemtex wants to retain the option of eventually opening proprietary stores in these markets.

Hemtex sees potential for growing in new markets both by means of proprietary stores, as in Estonia, and through franchise agreements, as will be the case in Poland for the time being.



The basic idea of Hemtex's personnel policy is to take the Group's vision, business concept and general guidelines as the starting point for stimulating all employees to show initiative, be creative and take responsibility. This is achieved by, among other means, ongoing development of managers, informal meetings within the various operational organizations and regular talks between managers and employees, among other activities.

More employees in expanding Hemtex

The number of annual employees in the Group was 602 persons during the 2006/2007 fiscal year, which was 169 more than in the preceding fiscal year. The increase was primarily attributable to the higher number of Group-owned stores.

Open culture free from prestige

Job satisfaction, motivation, the ability to influence the work situation and opportunities for development, as well as sound leadership, are fundamental for a good workplace. Major resources are devoted to creating a sound work environment in which employees feel good both physically and mentally. People who feel good perform better on the job. Significant emphasis is placed on a systematic approach to the work environment within Hemtex's retail organization and all store managers receive training in this connection.

Hemtex follows certain basic guidelines in its work. The Hemtex culture should be free from prestige and characterized by cooperation, continuous improvement, openness and communication between various parts of the organization and between individuals. The company places its trust in people to perform their work to the best of their ability.

All leaders within Hemtex have a key role when it comes to creating a work environment in which all employees feel satisfied and involved. Leadership within Hemtex shall be characterized by an enterprising approach, clarity and active internal communications.

An important part of Hemtex's efforts to create a sound work culture is the view that diversity is enriching and that all people have equal rights and value, regardless of ethnic or social background, political or religious convictions, gender, age, sexual orientation, marital status or functional disability.

Investing in expertise

All employees within both the Group and the franchise companies are important ambassadors for Hemtex, and skills development is therefore one of Hemtex's most important and most long-term investments.

The foundation for skills development is the development talks that each employee has with his or her immediate supervisor at least once a year. It is the supervisor's responsibility to help employees to develop in a direction that is rewarding for both the individual and the company. It is important to utilize all employees' skills in the best manner. Both the company and the individual are responsible for the individual's development.

A variety of development and career opportunities exist within the company, both centrally and regionally, and the establishment of purchasing offices in Asia has created additional opportunities.

Skills development within a company with such broad operations as Hemtex can take many forms and range from store displays to training in leadership and enterprise. Hemtex's view of skills development, however, is based on the belief that learning best takes place in daily work and through the transfer of knowledge between employees. This is also supplemented by internal and external specialist training. During the past year, a new one-year management-development program for mid-level managers has been implemented.

Skills development is also a central component of Hemtex's ambition to be an attractive employer that can retain and develop existing employees and to increase its ability to recruit new employees with the right skills.

Hemtex works long-term at developing its reputation as an attractive employer and ensuring effective short- and long-term recruitment. Hemtex stores receive large numbers of unsolicited applications for employment and our experience is that we can recruit highly skilled individuals at other levels of the organization as well. It is important for the company that this situation is maintained.

To ensure good service and high availability for customers, activities continue to make work schedules more efficient in the stores, as well as programs for training of Hemtex store managers.



During the fiscal year, costs for fitness programs, including health care and physiotherapy, amounted to SEK 443 (447) per employee.

Total absence due to illness was 4.2% (5.2), of which short-term absence accounted for 2.6% (2.4) and long-term absence for 1.6% (2.8).

Bonus systems

Most of Hemtex's employees are linked to a bonus system. Store employees' bonus is based on the store's sales, among other factors, while the bonus for store and regional managers is also linked to the stores' profits.

Key data

	2004/2005	2005/2006	2006/2007
Number of full-year employees	284	433	602
Sales per employee, SEK M	2.8	2.7	2.4
Added value per employee, SEK M	0.8	0.9	0.8

Gender distribution



Women 93%
Men 7%

Age distribution



< 29 years 39%
30-49 years 49%
> 50 years 12%

Number of employees per country



Sweden 466
Finland 75
Denmark 44
Norway 17

Hemtex is responsible for ensuring that Group operations are sustainable in the long term, both with regard to the company's own operations and those carried out by companies with which Hemtex chooses to cooperate. The responsibility applies to all those countries and communities in which Hemtex is active.

Responsibility for sustainable development

Hemtex purchases all of its textiles and other products from suppliers globally. In recent years, purchasing in Asia has increased in scope.

Since Hemtex is not directly in control of production, the company has produced guidelines for suppliers in terms of a Code of Conduct. The Code of Conduct is based on the UN's Convention on the Rights of Children and conventions that the UN's agency for labor market issues, ILO, has established for working conditions and rights in working life. The Code of Conduct deals with such issues as discrimination, child labor, working hours, salaries, working conditions and the right to form and belong to trade unions. The Code of Conduct exists so that Hemtex can ensure that its products are manufactured under satisfactory working conditions.

All Hemtex suppliers have signed framework agreements regarding delivery, quality and ethical demands and also demands in terms of copyright protection. The framework agreement is connected to the purchasing conditions, Hemtex Purchasing Instructions.

Environmental requirements with regard to manufacturing

Hemtex operations have the greatest impact on the environment in conjunction with manufacturing and transport. Among other aspects, environmental work focuses on reducing the use of chemicals in manufacturing through establishing stop lists and permissible levels for certain chemicals, and making environmentally conscious choices as regards packaging materials.

In the framework agreement that was signed by suppliers, Hemtex demands that they must follow local environmental laws and have all necessary approvals for their operations. With regard to environmental work connected to products, Hemtex is working on a stop list for chemicals.

Hemtex's inspection protocol contains specifications with regard to suppliers' use of chemicals, occurrence of water treatment, noise reduction and noise protection and factories' air quality.

Monitoring of suppliers

During the 2006/2007 fiscal year, Hemtex initiated implementation of systematic monitoring of work conditions and environmental practices at supplier operations. Hemtex has produced its own inspection manuals that follow the company's Code of Conduct and build on previous experience with the established BSCI and SA8000 systems.

Hemtex operates purchasing centers in Dhaka, Bangladesh and will be opening another purchasing center in Shanghai, China in the autumn of 2007. The purchasing centers function as hubs for both purchasing and inspection activities, which are closely connected. Hemtex carries out inspections under its own management and also contracts inspections from independent, certified companies such as SGS and ITS. During the fiscal year, all of the company's suppliers in Bangladesh, one third of the suppliers in India and two thirds of the suppliers in the Baltic countries were inspected. During the 2007/2008 fiscal year, the focus will be on inspection of suppliers in China and India.

Environmental requirements with regard to transports

For transports, Hemtex has set clear requirements with regard to environmental issues and also demands for improved, fewer and more environmentally friendly packaging. For logistic services, suppliers are contracted who strive to be leaders in environmentally sustainable transport and logistic solutions.

For the most part, shipments occur by vessel and to a lesser degree by air. The increased control of purchasing improves prospects for minimizing unplanned air transports.

Hemtex' environmental policy

For us at Hemtex, it is important to assume responsibility for the environment and to contribute to a sustainable society. Our environmental work shall be characterized by an overall approach and shall be a continuous process, in which we always strive to improve our work to ensure a reduction of our operations' impact on the environment. We shall behave responsibly in the societies in which we operate and, accordingly, we have established the following guidelines for our work:

Health and safety

Hemtex products shall be manufactured with regard to both the environment and the health and safety of all people with whom we interact, from the suppliers' employees to our own employees and customers.

Environmental legislation

We shall comply with current environmental legislation and keep up-to-date with changes that affect us.

Environmental awareness among employees and suppliers

Hemtex' employees and suppliers shall receive information about Hemtex' environmental impact and environmental requirements. We shall motivate our staff to participate in and assume responsibility for environmental work to ensure that it becomes a natural part of daily work.

Environmental demands on suppliers

We shall endeavor to reduce the environmental impact in the manufacturing of our home textiles and other products by ensuring that our suppliers improve their operations in accordance with our environmental requirements.

The environmental aspect shall be one of the considerations in the choice of packaging and the design of stores.

Hemtex' environmental demands in the purchase of products and services shall be constantly improved.

Transports

Hemtex shall strive to reduce the environmental impact of transports and take the environment into consideration in the choice of mode of transport.

Hemtex' environmental work 2007/2008

Purchasing

- Update Code of Conduct requirements to include environmental requirements
- Increase the number of health and safety-labeled products
- Review the possibility of having products made of ecological cotton

Logistics

- Review and establish goals for the share of goods purchased by Hemtex that are transported to Sweden by air
- Review emissions from transports of goods (both transport from the manufacturer to storage and distribution to stores)
- Improve the level of filling of boxes for transport

Marketing and sales

- Compile information on how suppliers of goods that are not for sale (for example, packaging and furnishing) work with the environment and establish a list of requirements based on this

At Group level

- Review and establish goals for electricity consumption
- Adopt a new travel policy to minimize travel in general and air travel in particular
- Provide information on the Group intranet about Hemtex' environmental policy and instructions about its application

Board of Directors' report

The Board of Directors and the President of Hemtex AB (publ), Corporate Registration Number 556132-7056, hereby present the Annual Report and consolidated financial statements for the fiscal year May 1, 2006–April 30, 2007.

Operations

Hemtex is the leading home textile chain in the Nordic region, with a total of 186 stores as of April 30, 2007, of which 136 in Sweden, 34 in Finland, eight in Denmark and eight in Norway. Of the stores, 163 are owned by the Group and 23 by franchises. On April 30, 2007, there were no franchise stores outside Sweden.

Under a common brand, Hemtex sells interior decorating products focused on home textiles. The assortment is divided into four product areas: Bedroom, Bathroom, Windows and Dining & Entertainment. All product areas are supplemented by non-textile home accessories. The chain stores have two forms of operation: own stores and franchise stores. Regardless of operation form, the stores are managed in accordance with the Hemtex concept and guidelines, but with scope for local business influences.

Hemtex AB is the Group's Parent Company. The Parent Company operates Swedish stores and is responsible for concept development, marketing, business management, controlling and product supply to Hemtex stores. In addition to the Parent Company, Hemtex AB, the Hemtex Group includes wholly-owned subsidiaries Hemtex Oy (Finland), Hemtex A/S (Denmark), Hemtex AS (Norway) and seven dormant companies.

Ownership

Hemtex AB is a Nordic Mid-Cap company, listed on OMX Nordic Exchange Stockholm AB. The principal owner at the close of the fiscal year was AB Industrivärden with 9.2% of the shares.

Risk factors

Hemtex is exposed to a number of risk factors, which are wholly or partly beyond the control of the company, but which can influence the Group's sales and profit.

Cyclical

Demand for home textiles are highly influenced by overall trends in society, for example, the recent increase in interest for house and home has contributed to growth in the home textile industry. Demand is also naturally influenced by the general development of the economy and in particular by the development in private consumption. A positive business

trend normally has a positive impact on Hemtex sales and profit development. A weak business trend has a negative impact on sales and profits if disposable income simultaneously decreases. However, Hemtex estimates that the home textile industry is less cyclical than certain other retail segments. The reason is that most products are replaced relatively frequently and the cost to purchase home textiles is comparatively low.

Weather and seasonal variations

The weather affects sales of home textiles. A mild autumn and winter normally has a negative impact on sales and a cold and rainy summer normally contributes to higher sales figures.

Sales of home textiles also have seasonal variations. During the autumn and winter, more expensive products such as quilts and pillows for the bedroom are sold, while summer sales comprise mostly terry towels. In general, sales are highest during the autumn and winter, with December being traditionally the best month.

Fashion risks

Demand for interior decorating and home textiles is influenced more today by fashion trends than in the past, similar to the clothing industry. Consequently, Hemtex is dependent upon consumers' preferences in terms of design, quality and prices of goods in Hemtex stores. Accordingly, Hemtex continuously monitors trends within home textiles and associated industries. When fashion trends are about to reach commercial volumes, Hemtex reacts rapidly. In order to choose the correct assortment, time is an important factor and it is also vital that design and purchasing occur as closely as possible to the sales season. It is also important to keep in mind that manufacture and delivery require lead times to keep costs at a reasonable level. Central functions at the head office in Borås are working on ensuring that the entire value chain, from idea to sales, is handled as efficiently as possible.

Financial risk management

For information on financial risks and risk policies, refer to Note 31.

Key events

The market

During the 2006/2007 operating year, Hemtex reported very strong customer growth. The number of customer receipts increased during the year by slightly more than 15% (27). The average purchase increased to SEK 201 (197)

per receipt. This reflects the continued success for the Hemtex concept and a positive response from customers pertaining to the Hemtex product range, marketing strategy and reception in stores. Hemtex maintains its strong position as market leader in the Swedish market for home textiles, according to a survey by the GfK market research company. Measured over the past 12-month period (April 2006–March 2007), Hemtex market share rose to 31.3%, compared with 26.9%, during the period April 2005–March 2006. The closest competitor had slightly more than 10%. However, the market share declined somewhat to 29.1% (30.8) during the most recent three-month period, January–March 2007.

In Finland, the market share amounted to approximately 9% (6.5) for 2006, according to Hemtex's calculations. In the Danish market, Hemtex estimates that the market share will amount to slightly more than 2% (2).

Establishments and acquisitions

During the 2006/2007 operating year, the Group opened 33 new stores, of which 13 in Sweden, 12 in Finland, 7 in Norway and 1 in Denmark. In Sweden, stores were opened in Gothenburg, (Ale Torg, Bäckebo and Södra Högsbo), Bålsta, Charlottenberg, Haparanda, Hyllinge, Karlskrona, Karlskoga, Ludvika, Stockholm (Stureplan and Tumba) and Vetlanda. In Finland, stores opened in Helsinki (Vuosaari and Malmi), Kempele, Kotka, Lempäälä, Riihimäki (2), Rovaniemi, Salo, Tampere, Hämeenlinna and Vantaa. In Norway, stores were opened in Oslo (House of Oslo and Torggatan), Bergen, Lilleström, Moss, Skien and Tönsberg. In Denmark, one store was opened in Fredriksborggade in Copenhagen. During the same period, one store was discontinued in Illum, Copenhagen. One franchise store opened in Katrineholm, Sweden.

The Group acquired a total of 30 franchise stores in Sweden during the operating year. The acquired stores are located in Avesta, Boden, Borlänge, Borås (2), Falkenberg, Falun, Gävle (2), Helsingborg (2), Jönköping (2), Karlstad (2), Kristianstad, Luleå (2), Mariestad, Norrköping, Stockholm (Kista, Nacka, Sickla and Sollentuna), Uppsala (2), Varberg, Värnamo, Växjö and Ängelholm. Additional information on the acquisitions is available in Note 29.

As Hemtex expands its network of outlets, it simultaneously enhances its ability to project its brand identity. Sales growth in the various markets becomes easier as the number of visitors and customers increases and more opportunities to sell the Hemtex range are established.

Implemented new establishments and acquisitions, combined with the otherwise positive development of the Hemtex Group, secure the Hemtex strategy, which is focused on continued growth through the establishment of new stores, geographic expansion, launching of new store formats and the broadening of the range.

Mergers

During the 2006/2007 operating year, the wholly-owned subsidiary, Täby Hemtextil AB, merged with Hemtex AB.

Comments on the income statement

Net sales

Consolidated sales consist of sales to consumers in own stores and wholesale selling to franchise stores in the Hemtex chain. The Group's total net sales increased during the 2006/2007 operating year by 26.8% (44.1) to SEK 1,470.5 M (1,159.7). Organic growth accounted for 17.9 percentage points and acquired franchise stores for the remaining 8.9 percentage points. Including unchanged exchange rates, the increase was 27.4%. Sales increases

Number of stores per market

April 30	2000	2001	2002	2003	2004	2005	2006	2007
Sweden	3	8	10	12	21	44	70	113
Finland	—	—	4	4	5	12	22	34
Denmark	6	8	7	4	6	6	8	8
Norway	—	—	—	—	—	—	1	8
Total stores in the Group	9	16	21	20	32	62	101	163
Franchise stores in Sweden	79	76	77	78	75	67	52	23
Total no. of stores in chain	88	92	98	98	107	129	153	186

during the fiscal year are a result of continued favorable demand for the Group's products and capital from newly established and acquired stores.

Of the Group's net sales, the Finnish operation accounted for SEK 197.7 M (138.3), the operation in Denmark for SEK 84.4 (79.9) and the operation in Norway for SEK 25.4 M (0.6). Other operating revenue amounted to SEK 15.1 M (18.7) and consists primarily of franchise fees and bonuses from suppliers and partners.

During the 2006/2007 fiscal year, net sales to consumers (including franchise stores) increased in all markets by 17% to SEK 1,606 M (1,376).

Earnings

Consolidated gross profit (sales revenue less cost of goods sold), increased by 40.2% to SEK 766.9 M (547.2). The gross profit margin rose to 52.2% (47.2), due mainly to an increase in the share of consolidated store sales, favorable exchange rate movement and lower purchase prices due to the company's investments in improved purchasing processes. The reasons for the increase in the share of consolidated store sales are the establishment of new stores and acquisitions of franchise stores. Consequently, the share of wholesale selling to franchise stores has declined.

The objective of the purchasing effort involves increasing the share of products that are purchased directly from producers to approximately 80%. Today, the share of direct purchasing amounts to slightly more than 60%, which is 10 percentage points higher than the year-earlier period.

Change in value of outstanding forward contracts did not influence the gross profit during the 2006/2007 operating year, compared with a negative impact of SEK 3.5 M in the preceding year.

Operating expenses excluding goods for resale, depreciation of tangible assets and amortization of intangible assets amounted to SEK 534.2 M (364.2). These expenses accounted for 36.3% (31.4) of sales. As planned, this increased share of expenses is due to store expansion but is more adequately covered by growth in the gross profit margin on newly established and acquired stores.

Depreciation of tangible assets and amortization of intangible assets is distributed as SEK 5.0 M (3.5) for renting rights and SEK 21.4 M (17.1) for other depreciation or amortization.

Operating profit increased to SEK 221.5 M (180.9), which meant that the operating margin declined to 15.1% (15.6). All markets reported favorable operating profits except the newly established market in Norway, where

establishment expenses had a negative impact on profits. Profit before tax amounted to SEK 221.1 M (181.0), which generated a profit margin of 15.0% (15.6). Net profit for the year amounted to SEK 159.5 M (130.5), corresponding to 10.8% (11.2).

During the operating year, the return on shareholders' equity was 35.9% (42.6). The return on operating capital amounted to 54.7% (75.2). The interest-coverage ratio amounted to a multiple of 111.9 (180.2).

Comments on the balance sheet

Goodwill

The Group's total goodwill, which is reported in the consolidated balance sheet on April 30, 2007, amounted to SEK 279.3 M (112.3). Of the Group's goodwill, SEK 261.7 M (94.5) pertains to the Swedish operation and the remainder to the Danish operation.

The valuation takes into account the yield value of acquired operations and the Group's market shares in Sweden and Denmark, the strength of the Hemtex brands in these markets, established supplier contacts and the competency of employees within the Group.

Inventories

The rate of inventory turnover declined somewhat during the year and at the end of the operating year amounted to 2.9 (3.5) times annually. The value of inventories on April 30, 2007 amounted to SEK 264.5 M (222.2). The inventory's growth is mainly due to the increased number of stores and increased share of proprietary imports. Hemtex's purchasing function represents slightly more than 95% of the stores' sales, while the share of external brands declined continuously. Of total inventories, wholesale inventories accounted for SEK 101.7 M (101.1). Inventory per store within the Group was an average of SEK 1.0 M (1.2) at the end of April 2007.

Financial position

On April 30, 2007, the Group's cash and cash equivalents amounted to SEK 56.7 M (113.6).

Interest-bearing liabilities increased during the operating year, as a result of major investments in the Group's store portfolio, and amounted to SEK 72.7 M (18.4) on April 30, 2007. Of the interest-bearing liabilities, SEK 64.8 M will mature during the period ending on April 30, 2007 and the remaining SEK 7.9 M will mature later. All liabilities will mature within five years. Overdraft facilities are reported as current liability.

The total credit limits for the Hemtex Group amounted to SEK 222.6 M (84.3) on April 30, 2007, including limits on letters of credit and currency forward contracts. Of the total credit facilities, SEK 110.5 M (26.3) was utilized by the end of the operating year.

The collective value of purchase orders for which currency forward contracts were signed amounted to USD 13.0 (9.0) on April 30, 2007. The value of these outstanding currency forward contracts amounted to a negative SEK 2.5 M (negative: 2.5) on the closing date.

Net debt, defined as interest-bearing liabilities less cash and cash equivalents, increased by SEK 111.2 M and amounted to SEK 16.0 M (negative: 95.2) at the end of the operating year.

The net debt/equity ratio amounted to 3% (neg: 24) on April 30, 2007. Equity/assets decreased to 62% compared with 68% on April 30, 2006.

Comments to the cash-flow statement

Cash flow and investments

Cash flow from operating activities increased by SEK 81.1 M to SEK 199.5 M. Cash flow after investments for the 2006/2007 operating year amounted to a negative SEK 43.3 M (positive: 13.2), as a result of the high degree of acquisitions and establishments during the second and third quarter.

Due to the expansion of the Group's store portfolio, the investment level remains high. During the 2006/2007 operating year, 30 stores were acquired from franchise holders, compared with 15 stores during the preceding operating year. The Group's net investments affecting cash flow amounted to SEK 242.8 M (105.3) during the 2006/2007 fiscal year. Of the investments, SEK 186.3 M (71.6) was attributable to the acquisition of stores and SEK 56.5 M (33.7) to other investments, which primarily consisted of investments in new and renovated stores. Investments in goodwill amounted to SEK 167.0 M (42.9) during the fiscal year.

Human Resources

During the 2006/2007 fiscal year, the number of full-year employees was 602 (433). The personnel increase is mainly attributable to store expansion. During the year, the number of Group-owned stores increased from 101 to 163 units, which corresponding to an increase of 61%. The distribution is 7% men and 93% women. Approximately 88% work in the store organization and 12% in central functions such as purchasing, logistics, marketing and administration.

Hemtex's gender equality plan is continuously revised and shall characterize the work within many areas. Examples contained in the policy include: salary differences based on gender must not exist, working conditions shall be adapted to both women and men and educational and developmental opportunities shall be equal. A salary survey based on an equality perspective was implemented during the year.

The systematic work environment effort within Hemtex is based on all employees within the Group being provided with sound, safe and pleasant workplaces and that all managers are educated within the area. Courses on working environment and safety are conducted on a continuous basis to include new employees in the organization. Within Hemtex, all store managers are required to participate in this course. Work environment inspections and subsequent action plans are implemented annually to continuously improve the environment and satisfaction in Hemtex operations.

To ensure efficient crisis management, a comprehensive crisis management plan was established during the operating year. The plan highlights potential incidents that could occur and how they shall be handled. A central crisis management team and crisis support representatives in stores were appointed and trained. The crisis team meets on a regular basis to develop the crisis management work and ensure that the organization is prepared in the event of unforeseen incidents, such as the risk of injury to an individual employee or the company in its entirety.

Hemtex AB has collective bargaining agreements with the Salaried Employees Union HTF and the Swedish Commercial Employees Union.

Board activities during 2006/2007

The Board of Directors is responsible for the Company's organization and management of the Company's business, which includes establishing the Company's strategy. The Board also has the task of appointing a president. The Board's work follows an annual agenda that is designed to secure the Boards requirement for information. In other respects, the Board and the President follow the special work instruction established by the Board that defines the division of work between the Board and the President. The control issues that are the responsibility of the Board will be handled by the Board in its entirety.

During the fiscal year, Hemtex AB was the Franchiser in accordance with contracts signed with each Franchise Holder. The existing franchise contracts was most recently

revised in the spring of 2004. The Franchise Holders are linked through an association and are represented by the Board of the Franchise Holders' Association in contacts with Hemtex AB.

An evaluation of the Board's work was conducted during the period February–April 2007. This was undertaken by an external party based on a survey of and interviews with the members of the Board regarding the Board's work. After compiling the evaluation, the evaluation was reviewed and a follow-up discussion held within the Board. Hemtex' Nomination Committee has been given access to parts of the evaluation relevant to its work.

For further information about the meetings held by the Board, the work of the Nomination Committee and the Remuneration Committee, refer to the Corporate Governance section on pages 84–85.

Significant events after the close of the fiscal year

In May 2007, Hemtex signed agreements regarding license rights for U.S. Polo Association, Bamse and patterns by Johanna Lundqvist. The licenses are part of Hemtex's focus on broadening its range to include considerably more children's products.

Hemtex's first store in Estonia opened on June 5, 2007 in Pärnu.

In June 2007, all warrants in the two outstanding option programs were redeemed by option holders.

More details on the events after the close of the fiscal year are available in Note 33.

Future development of the Hemtex Group

Hemtex's future growth and profitability goals will be achieved through the establishment of stores, geographic expansion, new store design and the broadening of the product range. Following the recent years' extensive acquisitions of franchise stores, Hemtex has a favorable distribution between wholly-owned stores and franchise stores.

During 2007/2008, the Hemtex Group will open between 25 and 30 stores. In the spring of 2007, a decision was made to establish Hemtex in Estonia, and in June 2007, the Group opened a store in Pärnu. Stores may also be established in the other Baltic States.

To continue geographic expansion, Hemtex has decided to search for cooperation partners through franchise rights to complement the establishment of wholly-owned stores. In April 2007, letters of intent were signed pertaining to franchise rights with a partner in Poland. The objective is to establish two to three franchise stores in Poland in 2007/2008. In the long term, franchise might be considered for several markets in Europe. There is also long-term potential for a total of 150 Hemtex stores in Sweden, 50 in Finland, 40 in Denmark, 50 in Norway and between 20 and 25 in the Baltic region.

Within the new store design, there is scope for continued review of the store concept, new store format and expansion of store space in current stores. The most recently developed format is volume stores, Hemtex & More. They are larger and have a broader range than customers are accustomed to. Hemtex will be establishing four to five Hemtex & More in the Nordic region in 2007/2008 and approximately 40 stores in the long term.

Broadening the product range means that the stores will supply a more advanced and broader range within all product categories. A broader product range will expand the target group and increase sales to existing customers. The range development will comprise additional home accessories, a detailed assortment of smaller furniture for Hemtex & More and additions to the range in current stores. Hemtex has also signed agreements pertaining to license rights for several strong brands and will focus especially on expanding the range for children as an important part in the effort to increase the assortment. This will collectively generate favorable opportunities for Hemtex to continue to grow in comparable stores in the years ahead.

Income statements

May 1–April 30		Group			Parent Company		
SEK 000s	Note	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Net sales	2	804,643	1,159,698	1,470,495	726,346	1,062,810	1,342,930
Other operating income	3	21,440	18,650	15,130	20,993	23,488	21,720
Total operating income		826,083	1,178,348	1,485,625	747,339	1,086,298	1,364,650
Operating expenses							
Goods for resale	21	– 489,688	– 612,525	– 703,626	– 476,873	– 618,008	– 710,071
Other external costs	5	– 120,573	– 192,400	– 294,561	– 93,970	– 143,235	– 213,315
Personnel expenses	4	– 107,595	– 171,829	– 239,609	– 83,020	– 139,606	– 197,819
Depreciation/amortization and impairment of tangible and intangible assets	6	– 15,251	– 20,652	– 26,377	– 9,164	– 12,171	– 23,463
Operating profit	7, 25	92,976	180,942	221,452	84,312	173,278	219,982
Result from financial items							
Financial income		1,006	1,026	1,650	964	3,264	5,571
Financial expenses		– 1,765	– 1,010	– 1,994	– 1,110	– 436	– 1,486
Net financial items	8	– 759	16	– 344	– 146	2,828	4,085
Profit after financial items					84,166	176,106	224,067
Appropriations	9				7,410	– 9,200	– 16,600
Profit before tax		92,217	180,958	221,108	91,576	166,906	207,467
Tax	10	– 23,005	– 50,503	– 61,581	– 25,646	– 46,199	– 58,163
Net profit for the year		69,212	130,455	159,527	65,930	120,707	149,304
Attributable to:							
Parent Company's shareholders		69,212	130,455	159,527			
Earnings per share before dilution, SEK	11	2.77	4.76	5.69			
Earnings per share after dilution, SEK		2.76	4.60	5.47			
Number of shares outstanding on closing date		26,592,400	28,017,400	28,017,400			
Average number of shares outstanding		24,956,560	27,396,647	28,017,400			
Average number of shares outstanding after dilution		25,061,105	28,380,074	29,138,829			

Balance sheets

April 30		Group			Parent Company		
SEK 000s	Note	2005	2006	2007	2005	2006	2007
ASSETS							
Fixed assets							
Intangible fixed assets	12						
Capitalized expenditure for computer software		1,491	689	3,710	1,491	689	3,710
Renting rights		13,935	26,892	45,340	12,955	16,056	29,477
Goodwill		69,363	112,267	279,298	40,924	51,858	98,259
Advance payments for intangible assets		50	—	—	50	—	—
Total		84,839	139,848	328,348	55,420	68,603	131,446
Tangible fixed assets	13						
Inventories and installations		32,183	54,493	79,357	13,309	26,762	45,601
Improvement costs for non-Group property		—	3,211	17,440	—	3,211	9,100
Advance payments for tangible assets		—	1,459	2,702	—	1,459	113
Total		32,183	59,163	99,499	13,309	31,432	54,814
Financial fixed assets	14						
Participations in Group companies					20,805	56,740	181,824
Other securities held as fixed assets		3,820	28	28	3,820	4	4
Deferred tax assets	15	2,522	2,039	3,578			
Other long-term receivables		3,369	4,760	6,550	372	696	1,236
Advance payments for financial fixed assets		4,811	—	—	4,811	—	—
Total		14,522	6,827	10,156	29,808	57,440	183,064
Total fixed assets		131,544	205,838	438,003	98,537	157,475	369,324
Current assets							
Inventories							
Goods for resale		132,596	222,230	264,455	112,791	176,944	204,917
Current receivables							
Accounts receivable – trade		23,185	22,415	8,959	23,140	22,406	8,650
Tax receivables		577	483	1,236	—	—	—
Receivables from Group companies					22,457	54,947	105,602
Other receivables		838	1,060	1,922	559	560	392
Prepaid expenses and accrued income	16	11,388	19,613	26,095	10,199	17,074	21,550
Total		35,988	43,571	38,212	56,355	94,987	136,194
Cash and bank balances		56,685	113,610	56,681	51,311	103,776	30,144
Total current assets		225,269	379,411	359,348	220,457	375,707	371,255
Total assets		356,813	585,249	797,351	318,994	533,182	740,579

April 30		Group			Parent Company		
SEK 000s	Note	2005	2006	2007	2005	2006	2007
EQUITY AND LIABILITIES							
Equity	17						
Share capital		66,481	70,044	70,044	66,481	70,044	70,044
Other contributed capital		49,538	116,910	116,910			
Share premium reserve					49,538	—	—
Reserves		– 238	144	– 310			
Statutory reserve					900	117,810	117,810
Retained earnings and profit for the year		99,325	210,925	304,611	71,944	172,707	256,170
Total equity		215,106	398,023	491,255	188,863	360 561	444,024
of which, restricted equity in Parent Company					116,919	187,854	187,854
of which, non-restricted equity in Parent Company					71,944	172,707	256,170
Untaxed reserves	18				22,367	31,567	48,167
Provisions							
Provisions for taxes	15				—	—	2,240
Total provisions					—	—	2,240
Long-term liabilities							
Deferred tax liabilities	15	8,864	14,785	23,318			
Interest-bearing liabilities to credit institutions	19	12,291	12,344	7,871	—	—	—
Total long-term liabilities		21,155	27,129	31,189	—	—	—
Current liabilities							
Interest-bearing liabilities to credit institutions	19	7,924	6,057	46,006	—	—	40,000
Overdraft facilities	20	—	—	18,795	—	—	18,795
Accounts payable		52,911	57,047	63,126	49,779	52,395	57,724
Liabilities to Group companies					2,832	120	—
Income tax liabilities		25,624	43,186	46,325	25,180	43,186	46,325
Derivatives held for hedging	21	—	2,458	2,461			
Other liabilities		9,142	8,500	28,681	6,969	7,083	22,144
Accrued expenses and deferred income	22	24,951	42,849	69,513	23,004	38,270	61,160
Total current liabilities		120,552	160,097	274,907	107,764	141,054	246,148
Total equity and liabilities		356 813	585,249	797,351	318,994	533,182	740,579
Pledged assets and contingent liabilities							
Pledged assets	23	139,103	130,969	130,913	134,235	127,250	127,250
Contingent liabilities	24	1,000	5,000	6,126	11,569	13,448	11,111

Statement of changes in consolidated shareholders' equity

SEK 000s	Equity attributable to Parent Company's shareholders						Total equity
	Share capital	Other contributed capital	Reserves	Retained earnings and profit for the year	Total	Minority interest	
Opening equity at May 1, 2004	59,641	33,909	– 138	30,113	123,525	—	123,525
Change in provision for translation differences			– 100		– 100		– 100
Total¹	59,641	33,909	– 238	30,113	123,425	—	123,425
Net profit for the year				69,212	69,212	—	69,212
Total²	59,641	33,909	– 238	99,325	192,637	—	192,637
New share issue	6,840	15,629			22,469	—	22,469
Closing equity at April 30, 2005	66,481	49,538	– 238	99,325	215,106	—	215,106
Opening equity on May 1, 2005	66,481	49,538	– 238	99,325	215,106	—	215,106
Adjustments for change in accounting principles	—	—	—	1,089	1,089	—	1,089
Adjusted equity at May 1, 2005	66,481	49,538	– 238	100,414	216,195	—	216,195
Change in provision for translation differences			382		382	—	382
Total¹	66,481	49,538	144	100,414	216,577	—	216,577
Net profit for the year				130,455	130,455		130,455
Total²	66,481	49,538	144	230,869	347,032	—	347,032
Dividends				– 19,944	– 19,944	—	– 19,944
New share issue ³	3,563	67,372			70,935	—	70,935
Closing equity at April 30, 2006	70,044	116,910	144	210,925	398,023	—	398,023
Opening equity on May 1, 2006	70,044	116,910	144	210,925	398,023	—	398,023
Change in provision for translation differences			– 454		– 454		– 454
Total¹	70,044	116,910	– 310	210,925	397,569	—	397,569
Net profit for the year				159,527	159,527	—	159,527
Total²	70,044	116,910	– 310	370,452	557,096		557,096
Dividends				– 65,841	– 65,841	—	– 65,841
Closing equity at April 30, 2007	70,044	116,910	– 310	304,611	491,255	—	491,255

1) Changes in net asset value reported directly against shareholders' equity, excluding transactions with the company's owners.

2) Changes in net asset value, excluding transactions with the company's owner.

3) New share issues totaling SEK 79,800,000. The company's expenses for the listing process amounted to SEK 8,865,000 and reported as a reduction of the proceeds received for the new share issue in conjunction with the listing.

Statement of changes in Parent Company shareholders' equity

SEK 000s	Restricted shareholders' equity			Non-restricted equity		Total equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings and profit for the year	Share premium reserve	
Opening shareholders' equity at May 1, 2004	59,641	900	33,909	5,118	—	99,568
Net profit for the year				65,930	—	65,930
Total¹	59,641	900	33,909	71,048	—	165,498
New share issue	6,840		15,629		—	22,469
Merger difference				896	—	896
Closing shareholders' equity at April 30, 2005	66,481	900	49,538	71,944	—	188,863
Opening shareholders' equity at May 1, 2005	66,481	900	49,538	71,944	—	188,863
Net profit for the year				120,707	—	120,707
Total¹	66,481	900	49,538	192,651	—	309,570
Dividends				– 19,944	—	– 19,944
New share issue	3,563	67,372			—	70,935
Transfer from share premium reserve to statutory reserve		49,538	– 49,538			
Closing shareholders' equity at April 30, 2006	70,044	117,810	0	172,707	—	360,561
Opening shareholders' equity at May 1, 2006	70,044	117,810	0	172,707	—	360,561
Net profit for the year				149,304	—	149,304
Total¹	70,044	117,810	—	322,011	—	509,865
Dividends				– 65,841	—	– 65,841
Closing shareholders' equity at April 30, 2006	70,044	117,810	—	256,170	—	444 024

1) Changes in net asset value reported directly against shareholders' equity, excluding transactions with company's owners.

Cash-flow statements

May 1–April 30		Group			Parent Company		
SEK 000s	Note	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
OPERATING ACTIVITIES							
Profit before tax		92,217	180,958	221,108	84,166	176,106	224,067
Adjustment for non-cash flow items, etc.	26	15,151	20,670	27,634	9,164	12,171	26,217
		107,368	201,628	248,742	93,330	188,277	250,284
Tax paid		– 11,510	– 29,161	– 56,348	– 10,666	– 28,193	– 55,584
Cash flow from operating activities before changes in working capital		95,858	172,467	192,394	82,664	160,084	194,700
Changes in working capital							
Inventories		– 13,697	– 68,535	– 3,729	– 6,148	– 60,282	11,421
Operating receivables		– 5,085	– 6,184	2,669	10,053	– 32,549	– 40,593
Non-interest-bearing liabilities		32,104	20,701	8,175	8,155	15,284	– 1,845
Cash flow from operating activities	28	109,180	118,449	199,509	94,724	82,537	163,683
Investing activities							
Acquisition of subsidiary/operation	29	– 19,375	– 71,591	– 186,304	—	– 16,331	– 29,163
Acquisition of intangible fixed assets		– 1,113	– 2,985	– 9,364	– 13,648	– 7,152	– 51,700
Divestment of intangible fixed assets		—	—	—	—	—	—
Acquisition of tangible fixed assets		– 10,497	– 30,742	– 47,246	– 10,498	– 23,865	– 24,544
Divestment of tangible fixed assets		985	—	226	985	—	221
Acquisition of financial fixed assets		—	—	– 85	– 2,486	– 32,119	– 125,083
Divestment of financial fixed assets		131	28	—	—	—	—
Cash flow from investing activities		– 29,869	– 105,290	– 242,773	– 25,647	– 79,467	– 230,269
Cash flow after investing activities		79,311	13,159	– 43,264	69,077	3,070	– 66,586
Financing activities							
New share issue		—	69,339	—	—	69,339	—
Loans raised		11,327	—	52,430	—	—	58,795
Amortized loans		– 48,841	– 5,676	—	– 28,720	—	—
Dividends paid to Parent Company's shareholders		—	– 19,944	– 65,841	—	– 19,944	– 65,841
Cash flow from financing activities		– 37,514	43,719	– 13,411	– 28,720	49,395	– 7,046
Cash flow for the year		41,797	56,878	– 56,675	40,357	52,465	– 73,632
Cash and cash equivalents at the beginning of the year		14,888	56,685	113,610	10,373	51,311	103,776
Exchange-rate difference in cash and cash equivalents		—	47	– 254	—	—	—
Cash and cash equivalents from merged subsidiaries		—	—	—	581	—	—
Cash and cash equivalents at the end of the year		56,685	113,610	56,681	51,311	103,776	30,144
Unutilized lines of credit							
Granted, but unutilized lines of credit		40,917	40,930	– 27,751	40,000	40,000	21,205
Change in net loan debt							
Net loan debt at beginning of the year		35,965	– 36,470	– 95,209	6,298	– 51,311	– 103,776
Net loan debt from merged subsidiary		—	—	—	11,468	—	—
Change in interest-bearing liabilities		– 30,638	– 1,814	54,271	– 28,720	—	58,795
Change in cash and cash equivalents		– 41,797	– 56,925	56,929	– 40,357	– 52,465	73,632
Net loan debt at the end of the year		– 36,470	– 95,209	15,991	– 51,311	– 103,776	28,651

Notes and comments

1. Accounting and valuation principles

General accounting principles

In accordance with standards and regulations

The annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) that have been approved by the European Commission for application within the EU. In addition, the Swedish Financial Accounting Standards Council's recommendation RR30:05, Complementary accounting rules for Groups, is applied.

The Parent Company applies the same accounting principles as the Group except in cases listed below under the section "Parent Company accounting principles." In cases in which the Parent Company's accounting principles deviate from the Group, this is due to the limited prerequisites in applying IFRS in the Parent Company as a consequence of the Annual Accounts Act and the law on safeguarding of pension commitments and, in certain cases, for tax reasons.

The Annual Report and the consolidated accounts were approved for publication by the Board of Directors on June 14, 2007. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet are subject to approval by the Annual General Meeting on September 5, 2007.

Change in accounting principles

During 2006, the following amendments of standards and new interpretations (IFRIC) were approved and adopted by the EU.

- Amendments to IAS 19 Employee Benefits relating to treatment of actuarial gains and losses
- Amendments to IAS 21 Effects of Changes in Foreign Exchange Rates relating to net investments in foreign operations (financing from other Group companies than the Parent Company)
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement relating to cash-flow hedging of certain Group-internal transactions in the fair value option and financial guarantee contracts
- IFRS 6 - Exploration for and Evaluation of Mineral Assets
- IFRIC 4 Determining Whether an Arrangement Contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The changes in IAS 19, IAS 21, IAS 39, IFRS 6 and IFRIC 4, 5 and 6 have no effect on the Hemtex Group's income statement, balance sheet, cash flow or shareholders' equity.

New IFRS and interpretation that have not yet begun to apply

A number of new standards, amendments to standards and interpretation statements will not take effect until the 2007/2008 fiscal year and were not applied in preparing these financial reports.

IFRS 7 Financial Instruments: Disclosures and IAS 1 Preparation of Financial Reports require extensive information regarding the importance for the Company's financial position and earnings of financial instruments and qualitative and quantitative information

regarding the nature and extent of risks. IFRS 7 and the associated changes in IAS 1 will result in additional information in the Group's financial reports for the 2007/2008 fiscal year regarding the Group's financial instruments and share capital.

IFRIC 9 Reassessment of Embedded Derivatives establishes a new assessment of the conditions by which embedded derivatives must be separated from the host contract if only the host contract is changed. IFRIC 9 is not deemed to have any significant effects on the Group's financial reports.

IFRIC 10 Interim Financial Reporting and Impairment prohibits reversal of impairment losses recognized in a previous period regarding goodwill, investments in equity instruments or in financial assets reported at acquisition value. IFRIC 10 will be applied in the Group's financial reports for the 2007/2008 fiscal year. The statement must be applied starting from the date at which the Group first began applying the impairment rules in IAS 36 and the valuation rules in IAS 39, meaning January 1, 2004 with respect to goodwill and January 1, 2005 with respect to financial instruments. Since no such reversals took place, the statement will have no effect on the Group's financial reports.

Conditions for preparation of the financial statements for the Parent Company and the Group

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, if not otherwise stated, are rounded-off to the nearest thousand. Assets and liabilities are reported at historical acquisition value, with the exception of certain financial assets and liabilities that are valued at fair value. Financial assets and liabilities, which are valued at fair value, consist of derivative instruments.

Preparing the financial statements in accordance with IFRS requires that management make assessments and estimates as well as assumptions that affect the application of accounting principles and the reported figures for fixed assets, liabilities, revenues and expenses. Estimates and assumptions are based on historical experience and a number of other factors, which under prevailing circumstances are considered reasonable. The results of these estimates and assumptions are then used in determining the reported values of assets and liabilities, which are not otherwise evident from other sources. Actual outcome may differ from these estimates and assumptions.

Estimates and assumptions are reviewed on a regular basis. Changes in estimates are reported in the period in which the change occurs, if the change only affects that period, or in the period the change occurs and future periods if the change affects both the current period and future periods.

Assessments made by management in the application of IFRS that have significant impact on the financial statements and appreciations, which can cause substantial adjustments in the following years' financial statements are described in detail in Note 34.

The accounting principles for the Group presented below were consistently applied in all periods presented in the Group's financial reports, if not otherwise stated below. The Group's accounting prin-

Cont. Note 1

ciples were consistently applied in reporting and consolidation of the Parent Company and subsidiaries.

Segment reporting

The Group applies IAS 14 Segment Reporting. The Company's risks and opportunities are primarily affected by the fact that it operates in four different countries. Consequently, geographical areas are the Company's primary basis of division for segment reporting. All internal accounting and follow-ups are based on the geographical division. Secondly, the Company's risks are associated with the products offered to final consumers, through owned stores and franchise stores. The product line has been divided into four product areas: Bedroom, Bathroom, Windows and Dining & Entertaining. However, the characteristics of the goods, the purchasing process, handling process and customer categories are the same. Accordingly, the different product areas have similar opportunities and risks. The Hemtex Group operates solely in one line of business, which is why the secondary segment in the report coincides with the report for the Company as a whole. The Company's operation comprises wholly of the sale of home textiles in various geographical markets. Market division is based on the location of customers. The location of assets also essentially coincides with the markets where customers are located.

Classification

Fixed assets, long-term liabilities and provisions essentially consist of amounts that are expected to be recovered or paid after more than twelve months from the closing date. Current assets and current liabilities essentially consist of amounts that are expected to be recovered or paid within twelve months from the closing date.

Consolidation principles

The consolidated accounts include the Parent Company, Hemtex AB, and all companies in which Hemtex AB directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling influence over the operating and financial management. Controlling influence implies having the right, directly or indirectly, to influence the company's financial and operative strategies for the purpose of obtaining economic benefits. Consequently, income statements and balance sheets of franchise holders are not included in the Group's accounting.

The consolidated accounts were prepared for all Group companies as of April 30 and in accordance with the purchase method. The equity in the acquired subsidiaries is determined based on a market valuation of the assets and liabilities at the time of acquisition (that is, acquisition analysis). In cases in which the market valuation of assets and liabilities results in values other than the book values of the acquired company, these market values comprise the Group's acquisition value. If the acquisition value of the subsidiary's shares exceeds the net assets as per the date of acquisition, the difference is reported as consolidated goodwill. If the acquisition value is less than the value of the net assets, the surplus is immediately recognized as earnings in the income statement.

With respect to operations acquired after May 1, 2002, goodwill represents the difference between the acquisition value for the acquisition and the fair value of the identifiable net assets acquired.

For acquisitions prior to this date, goodwill is reported at its assumed acquisition value, which corresponds to the reported value according to prior accounting principles. The classification and accounting of business acquisitions that occurred prior to May 1, 2002, were not reviewed according to IFRS 3 in preparing the Group's opening balance according to IFRS on May 1, 2002.

Goodwill is valued at acquisition value less any accumulated impairment losses. Goodwill is distributed among cash-generating units and is no longer amortized, but instead tested each year for impairment to determine if there is a need to recognize an impairment loss, see Impairments.

When the net fair value of the acquired share of the acquired unit's identifiable assets, liabilities and contingent liabilities exceeds the acquisition value at acquisition, the difference is reported directly in the income statement.

During the fiscal year, the consolidated income statement includes acquired companies as of the time of acquisition. Divested companies are included up until the date of sale. During the fiscal year, Hemtex acquired Hemtextila Produkter i Karlstad AB, Textil Produkter i Gävle AB, Textil Produkter i Falun AB, Hemtextila Produkter i Varberg AB, Elmgrens Hemtextil i Stockholm AB, Hemtextila Produkter i Helsingborg & Ängelholm AB and Textilvaror i Norrbotten AB. All of these companies are dormant and will be merged into Hemtex AB during the coming fiscal year.

Group-internal transactions

Group-internal receivables and liabilities, income and expenses, and every unrealized gain or loss that arises from Group-internal transactions are eliminated in the consolidated accounts.

Unrealized losses are eliminated in the same manner as unrealized gains, although only to the extent that there is no indication of a need to recognize an impairment loss.

Deliveries between Group companies are priced in accordance with business principles.

Financial reports of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated from the foreign operation's functional currency to SEK at the exchange rate pertaining on the closing date. Revenues and costs in foreign operations are translated to SEK using an average rate that corresponds to an approximation of the exchange-rates pertaining at each transaction date. Translation differences that arise in translating foreign operations are recognized directly in shareholders' equity as a translation reserve.

Transactions in foreign currencies

Purchasing and sales in foreign currencies are reported at the transaction-date exchange rate. Receivables and liabilities in foreign currencies are valued at the rate on the closing date, except forward-hedged receivables and liabilities, which are translated at the forward rate. In hedging of future contracted currency flows, the translation differences on the hedging transactions are reported in the income statement in the same period as the underlying flows. Translation differences are included in operating profit/loss in their entirety.

Revenue

Net sales for the Hemtex Group consist mainly of the sale of goods to consumers in own stores and wholesale sales to franchise stores within the Hemtex chain. Revenue from the sale of goods is reported as revenue in the income statement on delivery. Sales are reported including VAT and after discounts.

Other operating income consists mainly of franchise fees, initial affiliation fees for new stores and bonuses from suppliers and business partners. Franchise fees and bonuses from suppliers are accrued in the income statement as they are earned. Initial affiliation fees for new franchise stores are reported in the period in which the

stores open. The Parent Company's invoicing of marketing services has reduced other external expenses.

Financial income and expenses

Financial income and expenses consist of interest income on cash and interest-bearing securities, interest on loans, dividends received, exchange-rate differences, unrealized and realized gains on financial investments.

Dividends received are recognized when the right to receive dividends is determined.

The Group and Parent Company do not capitalize the interest in the acquisition value of assets.

Financial instruments

Financial instruments for the Group are valued and reported in accordance with regulations in IAS 39.

Financial instruments reported among assets in the balance sheets include cash and cash equivalents, accounts receivables and derivatives. Accounts payable, issued debt instruments and equity instruments, loan and bond liabilities and derivatives are reported among liabilities and equity.

Financial instruments are initially reported at the acquisition value corresponding to the fair value of the instrument plus transaction costs for all financial instruments except those belonging to the category financial assets reported at fair value in the income statement, which are reported at fair value excluding transaction costs. Subsequently, reporting is dependent on the classification shown below.

A financial asset or liability is reported in the balance sheet when the company becomes a party to the contractual terms for the instrument. Accounts receivable are included in the balance sheet when an invoice has been issued. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. Accounts payable are included when an invoice has been received.

A financial asset is removed from the balance sheet when the contractual rights to the asset are realized, extinguished or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is removed from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a financial liability.

Acquisition and divestment of financial assets are reported on the trade date, which is the date at which the company commits to acquire or divest the asset. In cases where the company acquires or divests listed securities, the settlement date accounting applies.

IAS 39 classifies financial instruments in categories. The classification is based on the intention underlying the acquisition of the financial instrument. Management determines the classification on the original acquisition date. Hemtex has the following categories:

- **Financial assets valued at fair value through the income statement**

Derivatives, in the form of currency forward contracts that have a positive market value, are included in this category. In this category, assets are continuously valued at fair value with value changes reported in the income statement.

- **Loan receivables and accounts receivables**

Loan receivables and accounts receivable are financial assets that do not represent derivatives with fixed payments or with payments that can be determined, and are not listed in an active

market. Receivables arise when a company supplies money, goods or services directly to debtors without the intention of trading the claims. The category also includes acquired receivables. Assets in this category are valued at accrued acquisition value. Accrued acquisition value is based on the effective interest rate that is calculated at the time of acquisition.

- **Financial liabilities valued at fair value through the income statement**

Derivatives, in the form of currency forward contracts that have a negative market value, are included in this category. In this category, liabilities are continuously valued at fair value with value changes reported in the income statement.

- **Other financial liabilities**

Financial liabilities that are not held for trading are valued at accrued acquisition value. Accrued acquisition value is based on the effective interest rate calculated when the liability is recognized. This means that the surplus value and deficit, as well as direct issue costs, are accrued over the term of the liability.

Cash and cash equivalents

Cash and cash equivalents include cash, immediately accessible bank balances and other monetary market instruments with an original maturity of less than three months.

Financial investments

Financial investments represent either financial fixed assets or short-term investments depending on the intention of the holding. If the duration or the expected holding is longer than one year, they represent financial fixed assets and if the time is shorter than one year, they represent short-term investments.

When valuing at fair value through the income statement, value changes are reported in operating profit, under goods for resale.

Long-term receivables and other receivables

Long-term receivables and other current receivables are receivables that arise when the company supplies money without the intention of trading in claims. If the expected holding period is longer than one year, they represent long-term receivables and if the time is shorter they represent current receivables. These receivables are included in the category loan receivables and accounts receivable.

Accounts receivable

Accounts receivable are classified in the category loan receivables and are reported in the amounts that are expected to be received after reduction for doubtful receivables, which are assessed individually. The expected maturity of accounts receivable is short, meaning that the value is reported at the actual amount without interest. When there is a forward contract that hedges the flow of goods or services between countries, accounts receivable are valued at the forward rate in cases where the contract is less than three months. In other cases, the receivable is valued at the exchange rate on the date on which the forward contract was entered. Impairments of account receivables are reported as operating expenses.

Liabilities

Liabilities are classified as other financial liabilities and are initially reported in the amount received after reduction for transaction costs. After the acquisition date, the loan is valued at the accrued acquisition value according to the effective interest-rate method.

Cont. Note 1

The accrued acquisition value is determined based on the effective interest rate when the loan was taken. This means that surplus and deficit amounts, as well as direct issue costs, are distributed over the loan's maturity period. Since the loan cannot be paid off before the maturity date, these amounts are distributed over the entire maturity period. Long-term liabilities have an expected maturity of more than one year while current liabilities mature in less than one year.

Accounts payable

Accounts payables are classified in the category other financial liabilities. Accounts payable have a short expected maturity and are valued at the actual amount without interest. Liabilities in foreign currency that are hedged with forward contracts are translated at the hedging rate in cases where the hedging period is less than three months. When the hedging period is greater than three months, the liability is translated at the exchange rate on the date on which the forward contract was entered.

Derivate instruments

Derivate instruments include forward contracts, options and swaps that are utilized to cover risks in exchange-rate fluctuations and exposure of interest rate risks. Derivatives are also agreement conditions that are embedded in other agreements. Embedded derivatives should be reported separately if not closely related to the host contract. The company uses mainly currency forwards to hedge purchases in USD. Hemtex does not apply hedging accounting; instead, value increases and value reductions on derivatives are reported as income and expenses in operating income or in financial net items based on the purpose underlying the use of the derivative instruments and how the usage relates to a business item or a financial item.

Intangible assets*Goodwill*

Goodwill represents the difference between the acquisition value for the acquired operation and the fair value of acquired assets, liabilities taken over and contingent liabilities.

With regard to goodwill for acquisitions before May 1, 2002, in conjunction with the transition to IFRS, the Group did not apply IFRS retroactively; instead the reported value on that date represents the Group's acquisition value after impairment testing.

Goodwill is valued at the acquisition value less any accumulated impairment. Goodwill is distributed among cash-generating units and is not amortized; instead it is tested annually for any impairment.

Capitalized expenditure relating to computer software

The acquisition cost of licenses and development of major IT systems for internal use is capitalized if it is believed they will be of value to the company over a period of several years. Direct and indirect external and internal expenses for development of software for the company's use are capitalized. Expenses for preliminary study, training and regular maintenance are expensed as incurred.

Other intangible assets

Other intangible assets acquired by the Group are reported at the acquisition value less accumulated amortization and impairment. Expenses for internally generated goodwill and brand names are reported in the income statement as a cost when they arise.

Additional expenditures for an intangible asset are added to the acquisition value only if they increase the future economic value, and expenses can be calculated in a reliable manner. All other expenses are expensed as incurred.

Tangible assets

Tangible fixed assets are reported as assets in the balance sheet if it is believed that they will be of future economic value to the company and the acquisition value of the asset can be calculated in a reliable manner.

Tangible fixed assets in the Group are reported at their acquisition cost less deduction of accumulated depreciation and impairment, if any. The acquisition value includes the acquisition price and expenses directly attributable to the asset being put into position and in working order for utilization according to the purpose of the acquisition. Examples of directly attributable expenses included in the acquisition value are costs for delivery and handling, installation, consultancy services and legal services.

Additional expenses are added to the acquisition value to the extent the performance of the assets has been improved in relation to its performance level when originally acquired. Other added expenditures are reported as a cost in the period in which they arise.

Leased assets

As a lessee, the company and the Group have signed financial and operational leasing and rental agreements. In the consolidated accounts, the leasing assets in financial leasing agreements are reported as tangible fixed assets and the future obligation to the lessor as a liability in the balance sheet. Other agreements are operational agreements in which the leasing costs are distributed evenly over the agreement period. In the Parent Company, all leasing agreements are reported as operational. The consolidated financial leasing agreements include store fixtures and fittings, computers, vehicles and IT systems. The consolidated operational leasing agreements refer mainly to premises for offices and stores.

Depreciation/amortization

Tangible and intangible assets are depreciated/amortized based on the original acquisition value less the calculated residual value and are depreciated/amortized straight-line over the estimated useful life and reported as an expense in the income statement. The following periods are applied:

Intangible assets

Capitalized expenses for computer software	5 years
Renting rights	5–10 years

Tangible assets

Equipment, fixtures and fittings	3–5 years
Improvement expenses to premises not belonging to Hemtex	20 years

In accordance with IAS 38 Intangible Assets, there is no amortization of goodwill in the consolidated accounts. Instead, these assets must be tested for impairment at least once each year. This testing may be performed more often, if events or circumstances indicate that there may be a need to recognize an impairment loss. Each individual store is defined as the smallest cash-generating unit. Stores are grouped in cash-generating units.

Inventories

Inventories are valued in accordance with IAS 2 Inventories and reported at the lower of the acquisition value and the net selling value. The net selling value is the estimated sales price in ongoing operations less estimated costs for completion and selling costs. This ensures that the obsolescence risk is taken into account. Acquisition value is calculated according to weighted average prices.

Impairment

On every closing date, impairment testing is performed to determine whether there is any indication that the reported values (carrying amount) of Group assets should be reduced. If such indications exist, the recovery value of an asset is calculated. For goodwill, impairment testing takes place at least once a year, regardless of whether or not there is an indication of a need to recognize an impairment loss. The recovery value is the higher of an asset's net selling price and its value in use. With respect to recovery values for goodwill, they are based on the value in use. To determine an asset's value in use, the discounted present value of the estimated future cash flows expected to arise from the asset during its useful life is calculated. The present value calculation is based on a computed interest rate before tax that reflects the current market rate and the risk attributable to the asset. If the recovery value is less than the reported value, the asset is written down to its recovery value. Reversals of impairment losses are made if there has been a change in the assumption that formed the basis for the recovery value. Impairment of goodwill is not reversed. Impairment losses are only reversed to the extent that the asset's reported value after the reversal does not exceed the reported value that the asset would have had if there had been no impairment and with consideration taken to the impairment that then would have been recognized. Impairment losses and reversals of impairment are recognized in the income statement.

Dividends

Dividends are reported as liabilities following the approval of dividends by the Annual General Meeting.

Earnings per share

The calculation of earnings per share is based on profit in the Group attributable to the Parent Company shareholders and the weighted average number of outstanding shares during the year. In calculating earnings per share after dilution, profit and the average number of shares are adjusted to take into account the effects of potentially diluting common shares, which during the reporting period are attributable to the warrants acquired by senior executives and key persons within the Group.

Pensions

Commitments for pensions are classified either as defined-contribution plans or as defined-benefit plans. The plans comprise mainly an old-age pension, sickness pension and survivor pension. Obligations relating to contributions for defined-contribution plans are reported as an expense in the income statement as they arise. The value of a defined-benefit plan is determined by the current value of the defined-benefit commitment plus/minus actuarial gains and losses not included in the income statement, less the actual value of any managed assets with which the commitment is to be met. If the net value consists of a liability, it is reported in the balance sheet as a provision. If the net value consists of an asset, it is reported as a long-term financial receivable. The Hemtex Group's commitments for salaried employees in Sweden are secured through insurance with Alecta. In accordance with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force (URA 42), this is a defined-benefit plan that comprises several employers. At present, Alecta is unable to provide such information that would make it possible to report this ITP plan as a defined-benefit plan. Accordingly, the pension plan in accordance with ITP

that is secured through a policy with Alecta is reported as a defined-contribution plan. Pensions in Finland, Denmark and Norway are defined-contribution pension plans. This year's pension expenses are specified in Note 4.

Severance pay

A provision is reported in conjunction with termination of employees only if the company is unquestionably obligated to terminate an employee prior to the scheduled time or when compensation is paid as an offer to encourage voluntary resignation. In cases where the company terminates employees, a detailed plan is prepared that includes workplace, positions held and the approximate number of employees involved and the contributions for each personnel category or position and the time for the implementation of the plan.

Share-related payments

At Hemtex AB, there were two outstanding warrant programs on April 30, 2007. The warrant programs did not include conditions that result in any expenses for the Company. More information is available in Note 4.

Provisions

A provision is reported in the balance sheet when the Group has an existing legal or informal obligation resulting from a transpired event and it is likely that a flow of economic benefits will be required for its settlement. Where the effect of when payment occurs is significant, provisions are calculated by discounting the expected future cash flow at an interest rate before tax that reflects current market assessments of the monetary value over time and, if appropriate, the risks associated with the debt.

Taxes

The Company and the Group apply IAS 12. Total tax consists of current tax and deferred tax. Taxes are reported on the income statement except when the underlying transaction is booked directly against equity, whereby the associated tax effect is reported under equity.

Current tax is tax that is to be paid or received in reference to the current year. This also includes adjustment of current tax attributable to prior periods.

Deferred tax is calculated in accordance with the balance sheet method, based on temporary differences between reported and tax values of assets and liabilities. The amounts are calculated based on how the temporary differences are expected to be settled and with the application of the tax rates and tax rules that have been adopted or announced as per the closing date. Temporary differences are not taken into consideration in consolidated goodwill or in differences attributed to shares in subsidiaries and associated companies that are not expected to be taxed within the foreseeable future. Untaxed reserves including deferred income tax liability are reported in a legal entity. In the consolidated accounts, on the other hand, untaxed reserves are divided into deferred income tax liability and equity.

Deferred tax assets pertaining to deductible temporary differences and loss carry-forwards are reported only to the extent to which they are likely to result in lower tax expense in the future.

Borrowing costs

Borrowing costs are charged against earnings in the period to which they are attributable, regardless of how the borrowed funds are utilized. No borrowing costs were capitalized.

Cont. Note 1

Contingent liabilities

A contingent liability is reported when there exists a possible obligation arising from past events and whose existence will only be confirmed by one or more uncertain future events or when there exists an obligation that is not reported as a liability or provision since it is not probable that an outflow of resources will be required.

Cash-flow statement

The cash-flow statement was prepared in accordance with the indirect method, implying that profit after financial items was adjusted for transactions that did not involve receipts or disbursements during the period and for any revenue or expenses attributable to cash flow from investing activities. Cash and cash equivalents are defined as cash and bank balances. Approved, unutilized overdraft facilities are not reported as cash and cash equivalents.

The Parent Company's accounting principles

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Accounting Standards Council's recommendation RR32:05 Accounting for legal entities. RR 32:05 means that the Parent Company, in the annual account for legal entities, will apply all EU-approved IFRS and statements, as far as possible, within the framework of the Annual Accounts Act and taking into account the connection between the accounting and taxation. The recommendation specifies which exceptions and supplements that should be applied in relation to IFRS.

Differences between the consolidated and Parent Company accounting principles

Differences between the accounting principles of the Group and the Parent Company are stated below. The accounting principles for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company.

Subsidiaries

Shares in subsidiaries are reported in the Parent Company according to the acquisition value method. Revenue reported includes only received dividends on condition that these are attributable to profits earned after the acquisition. Dividends exceeding these earned profits are regarded as a repayment on investments and reduce the shares' reported value.

Financial instruments

Due to changed rules in RR 32, as well as the connection between accounting and taxation, the rules in IAS 39 regarding financial instruments are not applied in the Parent Company as a legal entity. Instead, these rules will only be applied in the consolidated accounts in the future. What is otherwise stated above with regard to financial instruments, however, also applies in the Parent Company. Derivative instruments consist of currency forward contracts that are used to reduce transaction exposure in foreign currency and for which hedge accounting is not applied.

Financial guarantees

The Parent Company applies the relaxation rule in RR 32:06.72 which means that a legal entity does not need to apply the rules in IAS 39 regarding guarantee agreements on behalf of subsidiaries and associated companies. Instead, the rules in IAS 37, items 14

and 36, are applied in these cases, meaning that financial guarantee agreements are reported as a provision in the balance sheet when Hemtex AB has a legal or informal obligation as a result of a transpired event and when it is probable that an outflow of resources will be required to settle the obligation. In addition, it must be possible to reliably estimate the amount.

Intangible assets

In the Parent Company, goodwill is reported in the balance sheet as accrued due to the merger of subsidiaries and in conjunction with asset acquisition. In the Parent Company, impairment of goodwill occurs over 20 years, unlike the Group, which is motivated by the long-term strength in the Parent Company's operations.

Leased assets

All leasing agreements in the Parent Company are reported in accordance with the rules for operational leasing.

Inventories

In the Parent Company, inventories are valued at the acquisition value less a standard obsolescence rate of 3%.

Taxes

In the Parent Company, untaxed reserves including deferred accrued taxes are reported. However, in the consolidated accounts, untaxed reserves are divided into deferred accrued taxes and equity.

Pensions

In the Parent Company, other criteria are applied in calculating defined-benefit plans than what is stated in IAS 19. The Parent Company complies with the provisions regarding the law on safeguarding of pension commitments and directives from the Swedish Financial Supervisory Authority, since this is a condition for tax deduction rights. Compared with the rules in IAS 19, the significant differences are how the discount rates are determined, that the calculation of the defined-benefit commitment is based on current salary levels without assumptions on future salary increases, and that all actuarial gains and losses are reported in the income statement as they arise.

Mergers

During the year, the previously wholly owned dormant company Täby Hemtextil AB was merged with Hemtex AB. The merger was reported in accordance with BNFAR 1999:1 "Mergers with wholly-owned subsidiaries." The consolidated value method was applied, which means that Hemtex AB reported the assets and liabilities of the merged subsidiary as they were reported in the consolidated accounts.

Shareholders' contribution and Group contributions

The Company reports Group contributions and shareholders' contributions in accordance with statements from Emerging Issues Task Force. Shareholders' contributions are reported directly against equity of the recipient and capitalized in shares and participations of the contributor, to the extent that write-down is not required. Group contributions are reported according to financial significance. It means that Group contributions that are paid in order to minimize the Group's total tax are reported directly against retained earnings after deduction for its current tax effect.

2. Segment reporting

Net sales per geographic market 2004/2005

	Group				Total
	Sweden	Denmark	Finland	Elimination	
Income					
External net sales	663,738	74,162	66,743	—	804,643
Internal net sales	62,606	—	—	– 62,606	—
Total	726,344	74,162	66,743	– 62,606	804,643
Operating profit	81,769	5,792	5,415	—	92,976
Undistributed interest income	—	—	—	—	1,006
Undistributed interest expenses	—	—	—	—	– 1,765
Profit after financial items	—	—	—	—	92,217
Other information					
Inventories	112,791	14,532	14,586	– 9,317	132,596
Other assets	197,420	19,409	12,914	– 20,095	209,644
Undistributed assets	—	—	—	—	14,573
Total assets	310,211	33,941	27,500	– 29,412	356,813
Liabilities	117,723	12,924	18,324	– 19,025	129,946
Undistributed liabilities	—	—	—	—	11,761
Total liabilities	117,723	12,924	18,324	– 19,025	141,707
Investments	38,773	—	6,070	—	44,843
Depreciation/amortization, tangible assets	9,251	1,648	1,846	—	12,745
Depreciation/amortization, intangible assets	2,351	—	155	—	2,506

Net sales per geographic market 2005/2006

	Group					Total
	Sweden	Denmark	Finland	Norway	Elimination	
Income						
External net sales	940,909	79,852	138,313	624	—	1,159,698
Internal net sales	121,901	—	—	—	– 121,901	—
Total	1,062,810	79,852	138,313	624	– 121,901	1,159,698
Operating profit	161,671	6,119	13,667	– 515	—	180,942
Undistributed interest income	—	—	—	—	—	1,026
Undistributed interest expenses	—	—	—	—	—	– 1,010
Profit after financial items	—	—	—	—	—	180,958
Other information						
Inventories	176,944	15,516	33,374	1,209	– 4,813	222,230
Other assets	412,727	35,344	19,348	3,125	– 113,772	356,772
Undistributed assets	—	—	—	—	—	6,247
Total assets	589,671	50,860	52,722	4,334	– 118,585	585,249
Liabilities	157,216	29,495	42,207	2,415	– 44,107	187,226
Undistributed liabilities	—	—	—	—	—	—
Total liabilities	157,216	29,495	42,207	2,415	– 44,107	187,226
Investments	36,757	4,322	8,317	757	—	50,153
Depreciation/amortization, tangible assets	12,115	1,516	3,499	11	—	17,141
Depreciation/amortization, intangible assets	3,268	84	159	—	—	3,511

Cont. Note 2

Net sales per geographic market 2006/2007

	Group					Total
	Sweden	Denmark	Finland	Norway	Elimination	
Income						
External net sales	1,163,073	84,378	197,660	25,384	—	1,470,495
Internal net sales	179,857	—	—	—	– 179,857	—
Total	1,342,930	84,378	197,660	25,384	– 179,857	1,470,495
Operating profit	198,372	5,643	20,896	– 3,459	—	221,452
Undistributed interest income	—	—	—	—	—	1,650
Undistributed interest expenses	—	—	—	—	—	– 1,994
Profit after financial items	—	—	—	—	—	221,108
Other information						
Inventories	204,916	14,161	45,682	6,873	– 7,177	264,455
Other assets	410,748	33,846	31,255	22,027	22,162	520,038
Undistributed assets	—	—	—	—	—	12,858
Total assets	615,664	48,007	76,937	28,900	14,985	797,351
Liabilities	256,386	35,191	70,610	26,462	– 82,553	306,096
Undistributed liabilities	—	—	—	—	—	—
Total liabilities	256,386	35,191	70,610	26,462	– 82,553	306,096
Investments	66,903	3,804	10,889	8,902	—	90,498
Depreciation/amortization, tangible assets	10,820	1,444	4,655	1,047	2,850	20,816
Depreciation/amortization, intangible assets	5,471	185	156	—	– 251	5,561

The operating profit for the segments includes retail stores' income for each market and the Swedish wholesale operations income from sales to each market.

The internal price between the various markets of the Group is based on the "arms-length" principle, meaning between parties that are independent of each other, well informed and with an interest in the implementation of transactions. This is regulated through price-fixing and internal charges.

Net sales per geographic market for the Parent Company

	2004/05	2005/06	2006/07
Sweden	663,738	940,909	1,163,073
Finland	38,681	90,750	125,903
Denmark	23,927	29,731	38,046
Norway	—	1,420	15,908
Total	726,346	1,062,810	1,342,930

Net sales	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Sales to franchise stores	355,440	304,128	182,785	355,440	304,128	182,784
Sales to subsidiary stores	—	—	—	62,606	121,901	179,857
Sales to consumers in own stores	449,203	855,570	1,287,710	308,300	636,781	980,289
Total	804,643	1,159,698	1,470,495	726,346	1,062,810	1,342,930

In addition to sales of goods in terms of Hemtex' own product line, sales to franchise stores also include invoicing of goods from con-

tract suppliers without markups and re-invoicing of the stores' inventories and computer equipment.

3. Other operating income

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Franchise income	16,153	13,013	7,965	16,153	13,013	7,965
Other	5,287	5,637	7,165	4,840	10,475	13,755
Total	21,440	18,650	15,130	20,993	23,488	21,720

4. Employees and personnel costs

Average number of employees

The average number of employees of the Group, as well as wages, salaries and other remunerations are shown in the following table. The average number of employees has been calculated by placing

the number of hours in attendance in relation to the normal working time for each country. The information on the number of full-year employees and on wages, salaries and other remunerations refers to the period from May 1–April 30, of each year.

	2004/05		2005/06		2006/07	
	Average number of employees	Of whom men	Average number of employees	Of whom men	Average number of employees	Of whom men
Parent Company						
Hemtex AB	195	21	325	22	466	30
Subsidiaries						
Hemtex Oy, Finland	49	1	66	2	75	4
Hemtex A/S, Denmark	40	9	42	8	44	6
Hemtex AS, Norway	—	—	—	—	17	—
Total, Group	284	31	433	32	602	40

Gender distribution in company management

	2004/05		2005/06		2006/07	
	No. of men	No. of women	No. of men	No. of women	No. of men	No. of women
Parent Company						
Board of Directors	4	3	4	3	4	3
Other senior executives	4	2	5	2	5	2
Total, Group						
Board of Directors	10	3	13	3	13	3
Other senior executives	5	3	6	4	6	4

Wages, salaries and social expenses

	2004/05		2005/06		2006/07	
	Salary and other remunerations	Social security fees (of which pension expenses)	Salary and other remunerations	Social security fees (of which pension expenses)	Salary and other remunerations	Social security fees (of which pension expenses)
Parent Company	57,621	24,261 (4,457)	96,979	40,595 (7,563)	142,500	55,099 (7,789)
Subsidiaries	21,096	3,190 (2,628)	26,630	5,014 (3,990)	35,304	6,047 (4,112)
Group	78,717	27,451 (7,085)	123,609	45,609 (11,553)	177,804	61,146 (11,901)

The Parent Company's pension costs for the President amount to SEK 778,000 (739,000). The corresponding amount for the Group is SEK 778,000 (739,000).

The Hemtex Group currently has both defined-benefit and defined-contribution plans. All employees in Sweden are covered by the Alecta ITP supplementary employment pension plan, which is a defined-benefit plan but is reported as a defined-contribution plan in accordance with a statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force (URA 42).

At present, Alecta is unable to provide such information that would make it possible to report this ITP plan as a defined-benefit plan. Pensions in Finland and Denmark are defined-contribution pension plans. Obligations regarding expenses for defined-contribution plans are reported as an expense in the income statement when they occur.

Cont. Note 4

Salaries and other remunerations by country

	2004/05		2005/06		2006/07	
	Board of Directors and President	Other employees	Board of Directors and President	Other employees	Board of Directors and President	Other employees
Parent Company						
Hemtex AB	2,462	55,159	3,419	94,104	3,520	138,980
Subsidiaries						
Hemtex Oy, Finland	—	10,348	—	14,860	—	18,361
Hemtex A/S, Denmark	—	10,748	—	11,585	—	11,608
Hemtex AS, Norway	—	—	—	185	—	5,335
Group	2,462	76,255	3,419	120,734	3,520	174,284

Of the salaries and remunerations paid to other employees in the Group, SEK 5,161,000 (3,824,000) pertains to senior executives other than the Board of Directors and the President.

Absence due to illness in the Parent Company

Absence due to illness for employees of the Group's Swedish companies during May 1–April 30, for each year.

	2004/05	2005/06	2006/07
Total absence due to illness	4.8%	5.2%	4.2%
Long-term absence due to illness	1.5%	2.8%	1.6%
Absence due to illness, men	1.0%	2.3%	1.1%
Absence due to illness, women	5.3%	5.4%	4.2%
Employees, 29 or younger	2.9%	3.2%	2.8%
Employees, 30–49	5.2%	5.2%	4.2%
Employees, 50 or older	7.0%	9.9%	7.1%

Benefits for the Board of Directors and senior executives*Board of Directors*

The Chairman and members of the Board who were elected by the Annual General Meeting are paid fees as per decision by the Annual General Meeting. No special fees are paid for committee work.

The Chairman's fee for the 2006/2007 fiscal year amounts to SEK 280,000 (200,000). Other external members' fees for the fiscal year amount to a total of SEK 720,000 (540,000). No other remuneration is paid over and above what was decided by the Annual General Meeting on September 5, 2006.

Management

A Remuneration Committee that discusses, decides on and presents recommendations on wages, salaries, other employment terms and incentive programs for the President and Group management has been appointed from within the Board. The Remuneration Committee reports to the Board. The members of the Remuneration Committee are Leif Larsson, who is the Chairman, Helena Skåntorp and Bodil Eriksson.

General principles for remunerations at Hemtex

The Annual General Meeting approved the proposed guidelines for remunerations to senior executives on September 5, 2006.

Remunerations to the CEO and other senior executives shall comprise fixed salary, potential variable remuneration, other benefits and pension. "Other senior executives" refers to members of the Group's management team. The total amount of remuneration shall be market-based and competitive for the labor market in which the senior executive works. Fixed salary and variable remuneration shall be related to the senior executive's responsibilities and authority. For the CEO, as for the other senior executives, the variable remunera-

tion shall have a maximum limit and be related to fixed salary. Variable remuneration shall be based on the outcome in relation to established targets and, as far as possible, be related to the value growth trend of the Hemtex share that accrues to the shareholders. For the termination of employment, a period of notice of two years normally applies to the CEO, and a period of notice of one year normally applies to other senior executives, if the company terminates employment. For employment terminated by the employee, a period of notice of six months shall apply. Pension benefits shall be either defined-benefit or defined-contribution pensions, or combinations of these types. Employees shall receive a paid-up pension for early retirement. Issues pertaining to remuneration for the CEO shall be addressed by the Board of Directors.

President

During the fiscal year, salary and bonus amounted to SEK 2,520,000 (2,679,000) plus company car. Bonus during the fiscal year amounted to SEK 0 (544,000) and is payable as a maximum of 30% of fixed salary. Pension benefits are based on the national pension scheme, with the addition of a pension premium of 12% of the current pensionable salary. Pensionable salary is defined as the basic salary plus an average of the variable remuneration during the past three years. The retirement age is 65. In the event of termination of employment by the employer, salary payment will continue unchanged for 24 months. In the event of termination of employment by the employee, salary payment will continue for six months.

Other members of company management

Basic salaries for the other 6 (6) members of the company management team amounting to SEK 5,161,000 (3,824,000) were paid. Bonuses amounted to SEK 0 (951,000). Bonuses of a maximum of 30% of fixed salaries were also paid to these persons. Pension benefits are based on the national pension scheme. Pensionable salary is defined as the basic salary plus an average of the variable remuneration during the past three years. All members of company management have a company car. In the event of termination of employment by the employer, salary payment will continue unchanged for 12 months. In the event of termination of employment by the employee, salary payment will continue for six months.

Outstanding warrant program

Hemtex AB has two outstanding warrant programs, T01 and T02, consisting of a total of 33,000 warrants. Both programs were issued during the 2004/2005 fiscal year to key persons and senior executives.

Cont. Note 4

The holders acquired the warrants at market price where the price-fixing was based on an external valuation in accordance with the Black & Scholes valuation model. The outstanding warrant program contains no conditions that might trigger costs for the company, such as social security fees. The warrant programs have generated a total of SEK 601,000. Originally, each warrant was entitled to a share subscription in Hemtex AB, at a certain issue price. As a result of the

40:1 stock split implemented, the number of shares to which each option provides subscription entitlement and the subscription price for exercising warrants, were restated. Following this restatement, each warrant is entitled to a subscription of 40 new shares in Hemtex AB. If the outstanding warrant program is fully exercised, the number of shares will increase from 28,017,400 to 29,337,400 shares and the share capital by SEK 3,300,000 to SEK 73,344,000, which corresponds to a dilution of 4.5% of the share capital and voting rights.

Program	No. of outstanding warrants	No. of additional shares at full utilization	Warrant price (SEK/share)	Exercise price (SEK/share)	Subscription period
T01	10,000	400,000	0.28	8.00	May 1–July 31, 2007
T02	23,000	920,000	0.53	22.50	May 1–July 31, 2007

On the closing date, the Chairman of the Board held 2,000 warrants, the President 9,400 warrants, other senior executives 15,400 warrants and others 6,200 warrants.

In June 2007, all options in the above-mentioned warrant program were exercised by the holders. As a result, the number of

shares in Hemtex AB increased from 28,017,400 to 29,337,400 and the company's share capital increased from SEK 3.3 M to SEK 73.3 M. For more information on this, refer to Note 33 Events after the closing date.

5. Fees to auditors

Fees to the company's auditing firms were paid in the following amounts. Auditing fees refer to the audit of the annual report and accounting as well as the administration of the Board of Directors, other assignments that the company's auditors must conduct as

well as advice or other assistance brought about by observations during audit or the implementation of other such assignments. All other activity is other assignments.

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Ernst & Young Audit assignments	—	—	—	—	—	—
Other assignments	357	102	—	336	102	—
	357	102	—	336	102	—
KPMG						
Audit assignments	795	676	956	495	407	576
Other assignments	78	12	155	78	12	133
	873	688	—	573	419	709
Total	1,230	790	1,111	909	521	709

6. Depreciation/amortization and impairment of tangible and intangible assets

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Capitalized expenditure for computer software	– 801	– 801	– 532	– 801	– 801	– 532
Renting	– 1,880	– 3,511	– 5,028	– 1,725	– 2,259	– 4,939
Goodwill	– 626			2,965	2,978	7,171
Equipment, fixtures and fittings	– 11,944	– 16,276	– 20,152	– 3,673	– 6,069	– 10,474
Improvement charges to property not belonging to Hemtex	—	– 64	– 665	—	– 64	– 347
Total	– 15,251	– 20,652	– 26,377	– 9,164	– 12,171	– 23,463

Goodwill exists for two groups of cash-generating units and as a whole is attributable to the retail sales operations. The groups are reported according to the unit division below.

	Retail sales operations in Sweden			Retail sales operations in Denmark		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Reported goodwill value	51,826	94,510	261,784	17,537	17,757	17,514

Cont. Note 6

All goodwill values were tested for each cash-generating unit based on value in use. Value in use is based on the cash flow after tax that is deemed to be generated during the unit's remaining lifetime. The company's budget and prepared forecasts were used when calculating the future cash flow for each unit. The budget and forecast are based on actual profits in the operations and the company's business plan. The budget and forecast normally cover 1–5 years of the useful life, the remaining time was extrapolated based on a growth rate of 0%. The useful life is calculated at seven years. The value in

use is calculated based on a discount rate amounting to 11% before tax. No impairment requirements were identified in this year's testing. The testing of all goodwill values occurred in conjunction with the interim report on January 31, 2007. Following this, there were no indications that impairment requirements existed on goodwill for the remaining period of 2006/2007.

In the testing of other assets, management had no indication that impairment requirements existed in the Group.

7. Exchange-rate differences that affected profits

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Exchange-rate differences that affected operating profit	10,845	1,152	18,702	10,845	1,152	18,702
Exchange-rate differences in financial items	—	—	—	—	—	—
Total	10,845	1,152	18,702	10,845	1,152	18,702

Transaction exposure

The Group's purchases were primarily in foreign currency, mainly in USD and EUR, while sales were in each subsidiary's currency. This means that the Group's sales and earnings were influenced by currency fluctuations. The Group uses mainly currency forwards to limit the effect of short-term exchange-rate differences.

Translation exposure

All transactions between Hemtex AB and other companies in the Group occur in each company's local currency, which is why exchange-rate differences generally only occur in the Parent Company. At Group level, exchange-rate differences arise when the income statements and balance sheets for foreign subsidiaries are consolidated. This exposure is not hedged.

8. Financial items

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Interest income, Group company	—	—	—	—	2,274	4,086
Interest income, others	1,006	1,026	1,650	964	990	1,485
Total, financial income	1,006	1,026	1,650	964	3,264	5,571
Interest expenses, others	– 1,765	– 1,010	– 1,944	– 1,110	– 436	– 1,486
Total, financial expenses	– 1,765	– 1,010	– 1,944	– 1,110	– 436	– 1,486
Financial items	– 759	16	– 344	– 146	2,828	4,085

9. Appropriations

	Parent Company		
	2004/05	2005/06	2006/07
Difference between book depreciation and depreciation according to plan	– 5,200	– 9,200	– 16,600
Reversal from tax allocation reserve for the year	12,610	—	—
Total	7,410	– 9,200	– 16,600

10. Taxes

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Current tax						
Current tax on net profit for the year	- 26,568	- 46,842	- 58,345	- 25,941	- 46,215	- 58,345
Adjustments of current tax from preceding year	—	16	- 260	—	16	- 378
Total, current tax	- 26,568	- 46,826	- 58,605	- 25,941	- 46,199	- 58,723
Deferred tax						
Deferred tax relating to temporary differences	1,563	- 3,677	- 4,559	295	—	560
Deferred tax revenue in taxable values in loss carryforwards capitalized during the year	2,000	—	2,461	—	—	—
Deferred tax expenses as a result of utilization of previously capitalized taxable values in loss carryforwards	—	—	- 878	—	—	—
Total, deferred tax	3,563	- 3,677	- 2,976	295	—	560
Reported effective tax	- 23,005	- 50,503	- 61,581	- 25,646	- 46,199	- 58,163

Of deferred tax for the year, a charge of SEK 4,648,000 (2,770,000) is attributable to a change in untaxed reserves. See also Note 15.

Reconciliation of current tax rate and effective tax rate

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Reported earnings before tax	92,217	180,958	221,108	91,576	166,906	207,467
Tax according to current tax rate for the Parent Company	- 25,821	- 50,668	- 61,910	- 25,641	- 46,734	- 58,090
Tax effects from:						
Effects of foreign tax rates	—	49	79	—	—	—
Non-deductible expenses	- 389	- 394	- 1,904	- 302	- 394	- 1,904
Non-taxable income	217	913	1,649	2	913	1,649
Recording of loss carryforwards	2,000	—	2,461	—	—	—
Reversal of loss carryforwards	—	—	- 878	—	—	—
Utilization of previously uncapitalized loss carryforwards	686	—	—	—	—	—
Other items	302	- 419	- 818	295	—	560
Adjustment of current tax attributable to preceding years	—	16	- 260	—	16	- 378
Reported effective tax	- 23,005	- 50,503	- 61,581	- 25,646	- 46,199	- 58,163

Tax rates

	2004/05	2005/06	2006/07
Sweden	28%	28%	28%
Finland	26%	26%	26%
Denmark	28%	28%	28%
Norway	—	28%	28%

The Finnish corporate tax rate changed from 29% to 26% from and including January 1, 2005. In Sweden, Denmark and Norway, the corporate tax rate is 28%.

For information on deferred tax assets and deferred income tax liabilities, refer to Note 15.

11. Earnings per share

	Group		
	2004/05	2005/06	2006/07
Profit for the year	69,212	130,454	159,527
Base for calculation of earnings per share before dilution	69,212	130,454	159,527
Average number of shares before dilution	24,956,560	27,396,647	28,017,400
Earnings per share before dilution	2.77	4.76	5.69
Base for calculation of profit per share after dilution	69,212	130,454	159,527
Base for calculation of profit per share after dilution	25,061,105	28,380,074	29,138,829
Earnings per share after dilution	2.76	4.60	5.47

Calculation of average number of shares

	Group		
	2004/05	2005/06	2006/07
Opening number of shares on May 1	23,856,400	26,592,400	28,017,400
New share issue, October 2004	1,749,600	—	—
New share issue, March 2005	986,400	—	—
New share issue, October 2005	—	1,425,000	—
Closing number of shares on April 30	26,592,400	28,017,400	28,017,400
Average number of shares for the period	24,956,560	27,396,647	28,017,400
Additional shares due to dilution effect	104,545	983,427	1,121,429
Average number of shares for the period after dilution	25,061,105	28,380,074	29,138,829

No own shares were acquired or transferred during the year. As of April 30, 2007, neither Hemtex AB nor any company in the Group held shares in Hemtex AB. Hemtex AB has only one class of shares in which all shares have the same number of votes per share.

In addition to the number of shares at the end of the period, a number of potential shares are outstanding, attributable to the warrants described in Note 4. A dilution effect arises if the present value

of the subscription price is lower than the fair value of the common shares. The dilution effect appears as the difference between the number of shares that holders of warrants have a right to subscribe for and the number of shares valued at fair value, to which the subscription settlement corresponds. The difference is treated as share issues for which the company does not receive any payment.

Notes 12–24 refer to the situation on April 30, each year

12. Intangible assets

Capitalized expenditure for software	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	4,007	4,007	4,007	4,007	4,007	4,007
Capitalized expense for the year	—	—	3,553	—	—	3,553
Closing accumulated acquisition values	4,007	4,007	7,560	4,007	4,007	7,560
Opening amortization according to plan	– 1,715	– 2,517	– 3,318	– 1,715	– 2,517	– 3,318
Amortization for the year	– 801	– 801	– 532	– 801	– 801	– 532
Closing accumulated amortization according to plan	– 2,516	– 3,318	– 3,850	– 2,516	– 3,318	– 3,850
Carrying amount	1,491	689	3,710	1,491	689	3,710

Cont. Note 12

Renting rights	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	15,614	20,399	36,874	4,885	18,921	24,281
Transferred through merger	—	—	—	9,256	760	10,000
Acquisitions for the year	4,780	16,453	23,500	4,780	4,600	8,360
Divestments and disposals	—	—	—	—	—	—
Translation differences for the year	5	22	– 36	—	—	—
Closing accumulated acquisition value	20,399	36,874	60,338	18,921	24,281	42,641
Opening amortization according to plan	– 4,581	– 6,464	– 9,982	– 2,339	– 5,966	– 8,225
Transferred through merger	—	—	—	– 1,902	—	– 1,667
Divestments and disposals	—	—	—	—	—	—
Amortization for the year	– 1,880	– 3,511	– 5,028	– 1,725	– 2,259	– 3,271
Translation differences for the year	– 3	– 7	12	—	—	—
Closing accumulated amortization according to plan	– 6,464	– 9,982	– 14,998	– 5,966	– 8,225	– 13,163
Carrying amount	13,935	26,892	45,340	12,955	16,056	29,478
Goodwill						
	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	51,758	75,046	118,041	—	48,949	62,861
Transferred through merger	—	—	—	30,972	4,500	34,080
Acquisitions for the year	23,237	42,732	167,205	17,977	9,412	19,492
Divestments and disposals	—	—	—	—	—	—
Translation differences for the year	51	263	– 288	—	—	—
Closing accumulated acquisition value	75,046	118,041	284,958	48,949	62,861	116,433
Opening amortization according to plan	– 5,032	– 5,057	– 5,148	—	– 7,399	– 10,377
Transferred through merger	—	—	—	– 5,060	—	—
Divestments and disposals	—	—	—	—	—	—
Amortization for the year	—	—	—	– 2,339	– 2,978	– 7,171
Group restructuring	—	—	—	—	—	—
Translation differences for the year	– 25	– 91	114	—	—	—
Closing accumulated amortization according to plan	– 5,057	– 5,148	– 5,034	– 7,399	– 10,377	– 17,548
Opening impairments	—	– 626	– 626	—	– 626	– 626
Impairments for the year	– 626	—	—	– 626	—	—
Closing accumulated impairments	– 626	– 626	– 626	– 626	– 626	– 626
Carrying amount	69,363	112,267	279,298	40,924	51,858	98,259

Hemtex has restated all company acquisitions from May 1, 2002 and forward according to IFRS 1, which means that goodwill amortization prior to this date was not reversed in the consolidated accounts. No amortization of goodwill takes place in the Group and in the Parent Company, goodwill is amortized over 20 years. In the

Parent Company, goodwill arises in conjunction with mergers of subsidiaries and in conjunction with acquisitions of assets and liabilities. For information about impairment testing regarding goodwill, refer to Note 6.

13. Tangible assets

Equipment, fixtures and fittings	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	55,350	74,352	113,129	5,681	23,753	43,275
Reclassifications	—	—	– 7,677	—	—	—
Transferred through merger	—	—	—	12,065	—	—
Acquisition of operations	1,779	6,580	10,368	1,779	6,580	10,368
Acquisitions for the year	21,923	31,863	36,893	8,977	12,942	19,212
Divestments and disposals	– 4,749	—	– 318	– 4,749	—	– 318
Translation differences for the year	49	334	– 430	—	—	—
Closing accumulated acquisition value	74,352	113,129	151,965	23,753	43,275	72,537
Opening depreciation according to plan	– 33,936	– 42,169	– 58,636	– 3,939	– 10,444	– 16,513
Reclassifications	—	—	5,961	—	—	—
Transferred through merger	—	—	—	– 6,596	—	—
Divestments and disposals	3,764	—	53	3,764	—	53
Depreciation for the year	– 11,944	– 16,276	– 20,152	– 3,673	– 6,069	– 10,474
Translation differences for the year	– 53	– 191	166	—	—	—
Closing accumulated depreciation according to plan	– 42,169	– 58,636	– 72,608	– 10,444	– 16,513	– 26,934
Carrying amount	32,182	54,493	79,357	13,309	26,762	45,601

The Group's equipment, fixtures and fittings include leasing objects such as store computer systems and store furnishings which are owned through financial leasing contracts with an acquisition value of SEK 34,464,000 (32,513,000) and accumulated depreciation of SEK 26,672,000 (22,526,000). The present value of the future payment commitments is reported as liabilities to credit institutions in the

amount of SEK 7,792,000 (9,988,000), of which the short-term portion is SEK 3,793,000 (3,814,000). The entire debt is due for payment within five years. There are no variable charges or conditions relating to forced acquisition or other restrictions in the financial leasing agreements.

See also Note 25 regarding operational leasing of tangible assets.

Improvement charges on properties not belonging to Hemtex	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	—	—	3,275	—	—	3,275
Reclassifications	—	—	7,677	—	—	—
Acquisitions for the year	—	3,275	13,173	—	3,275	6,236
Translation differences for the year	—	—	—	—	—	—
Closing accumulated acquisition value	—	3,275	24,125	—	3,275	9,511
Opening depreciation according to plan	—	—	– 64	—	—	– 64
Reclassifications	—	—	– 5,961	—	—	—
Depreciation for the year	—	– 64	– 665	—	– 64	– 347
Translation differences for the year	—	—	84	—	—	—
Closing accumulated depreciation according to plan	—	– 64	– 6,685	—	– 64	– 411
Carrying amount	—	3,211	17,440	—	3,211	9,100

14. Financial assets

Participation in Group companies	Parent Company		
	2004/05	2005/06	2006/07
Opening acquisition value	42,646	47,403	83,338
Acquisitions for the year	7,757	43,691	166,484
Sales	—	—	—
Eliminated through merger	– 3,000	– 7,756	– 41,400
Closing accumulated acquisition value	47,403	83,338	208,422
Opening impairments	– 26,598	– 26,598	– 26,598
Impairments for the year	—	—	—
Closing accumulated impairments	– 26,598	– 26,598	– 26,598
Closing residual value according to plan	20,805	56,740	181,824

Cont. Note 14

Parent Company's direct holdings in subsidiaries

	Share of capital, %	Share of voting rights, %	No. of shares	Book value
Hemtex Oy, Finland	100	100	3,000	6,986
Hemtex A/S, Denmark	100	100	5,500	6,063
Hemtex AS, Norway	100	100	200	10,191
Hemtextila Produkter i Karlstad AB	100	100	1,000	16,298
Textil Produkter i Gävle AB	100	100	1,000	13,922
Textil Produkter i Falun AB	100	100	1,000	21,149
Hemtextila Produkter i Varberg AB	100	100	1,000	24,079
Elmgrens Hemtextil i Stockholm AB	100	100	1,000	35,713
Hemtextila Produkter i Helsingborg & Ängelholm AB	100	100	1,000	22,550
Textilvaror i Norrbotten AB	100	100	1,000	24,873
Total			15,700	181,824

Group companies

	Corp. Reg. No.	Domicile
Hemtex Oy, Finland	1650-251-5	Helsinki
Hemtex A/S, Denmark	21 48 12 46	Kongens Lyngby
Hemtex AS, Norway	989384015	Oslo
Hemtextila Produkter i Karlstad AB	556703-1892	Borås
Textil Produkter i Gävle AB	556704-8722	Borås
Textil Produkter i Falun AB	556704-8714	Borås
Hemtextila Produkter i Varberg AB	556703-4417	Borås
Elmgrens Hemtextil i Stockholm AB	556702-4467	Borås
Hemtextila Produkter i Helsingborg & Ängelholm AB	556690-7829	Borås
Textilvaror i Norrbotten AB	556702-4517	Borås

Other securities held as fixed assets

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	90	3,820	28	90	3,820	4
Acquisitions for the year	3,730	—	—	3,730	—	—
Sales	—	-90	—	—	-90	—
Reclassifications	—	-3,726	—	—	-3,726	—
Closing accumulated acquisition value	3,820	28	28	3,820	4	4

The reclassification pertains to shares in Täby Hemtextil AB which from 2005/2006 is reported as shares in subsidiaries. The company was merged with Hemtex AB in 2006/2007.

Other long-term receivables

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	3,504	3,369	4,760	—	372	696
Additional receivables	372	1,697	2,091	372	571	841
Settled receivables	-507	-306	-301	—	-247	-301
Closing accumulated acquisition value	3,369	4,760	6,550	372	696	1,236

Other long-term receivables comprise mainly rental deposits.

Advances related to financial assets

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Opening acquisition value	—	4,811	—	—	4,811	—
Acquisitions for the year	4,811	—	—	4,811	—	—
Reclassification	—	-4,811	—	—	-4,811	—
Closing accumulated acquisition value	4,811	—	—	4,811	—	—

The advance pertaining to the acquisition of shares in Täby Hemtextil AB was reclassified to shares in subsidiaries.

15. Deferred tax assets/deferred income tax liabilities

2004/2005	Group			Parent Company		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax relating to untaxed reserves	—	6,263	6,263	—	—	—
Deferred tax relating to other deductible temporary differences	– 509	2,601	2,092	—	—	—
Deferred tax relating to loss carryforwards	– 2,013	—	– 2,013	—	—	—
Total	– 2,522	8,864	6,342	—	—	—

On May 1, 2004, deferred income tax liabilities amounted to SEK 11,049,000. During 2004/2005, deferred income tax liabilities declined by SEK 2,185,000, of which SEK 3,250,000 pertained

to the reduction of deferred tax on untaxed reserves and SEK 1,065,000 pertained to the increase in tax on other deductible temporary differences.

2005/2006	Group			Parent Company		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax relating to untaxed reserves	—	9,031	9,031	—	—	—
Deferred tax relating to other deductible temporary differences	—	5,754	5,754	—	—	—
Deferred tax relating to loss carryforwards	– 2,039	—	– 2,039	—	—	—
Total	– 2,039	14,785	12,746	—	—	—

On May 1, 2005, deferred net income tax liabilities amounted to SEK 6,342,000. During 2005/2006, deferred net income tax liabilities increased by SEK 6,404,000, of which SEK 2,768,000

pertained to an increase in deferred tax on untaxed reserves and SEK 3,662,000 pertained to an increase in tax on other deductible temporary differences.

2006/2007	Group			Parent Company		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Deferred tax relating to untaxed reserves	—	13,677	13,677	—	—	—
Deferred tax relating to other deductible temporary differences	—	9,641	9,641	—	2,240	2,240
Deferred tax relating to loss carryforwards	– 3,578	—	– 3,578	—	—	—
Total	– 3,578	23,318	19,740	—	2,240	2,240

On May 1, 2006, deferred net income tax liabilities amounted to SEK 12,746,000. During 2006/2007, deferred net income tax liabilities increased by SEK 6,994,000, of which SEK 4,646,000 pertained to an increase in deferred tax on untaxed reserves and SEK 3,887,000 pertained to an increase in tax on other deductible temporary differences.

In total, as shown above, loss carryforwards including temporary differences in terms of tax and book value on assets amounted to SEK 28,307,000. Of this amount, SEK 12,923,000 was estimated to be utilized during the next three years. The value of this was reported as SEK 3,578,000. Deferred tax assets increased by SEK 1,539,000.

16. Prepaid expenses and accrued income

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Prepaid rent	7,828	12,401	18,005	6,929	10,859	14,908
Prepaid expenses	664	4,351	5,928	374	3,354	4,746
Accrued income	2,896	2,861	2,162	2,896	2,861	1,896
Total	11,388	19,613	26,095	10,199	17,074	21,550

17. Shareholders' equity

Consolidated shareholders' equity

Share capital

The Parent Company's share capital.

Other capital contributions

This refers to capital contributed by the owners and includes share premium reserves that were transferred to the statutory reserve at December 31, 2005. As of January 1, 2006 and forward, allocations to share premium reserves are also reported as capital contributions.

Reserves

Hemtex' reserves consist solely of translation reserves. The translation reserve contains all exchange-rate differences that arise in the translation of financial reports from foreign operations that have prepared their accounts in another currency than that used for the Group's financial reports. The Parent Company and the Group present their reports in SEK.

Retained earnings and profit for the year

Retained earnings and profit for the year includes profits earned by the Parent Company and its subsidiaries. Previous allocations to statutory reserves, including transferred share premium reserves, are included in this equity item.

Shareholders' equity in the Parent Company

Share capital

The registered share capital amounts to SEK 70,044,000 (70,044,000) and comprises 28,017,400 shares (28,017,400). Hemtex AB has only one type of share with all shares carrying equal voting rights.

Restricted reserves

Restricted reserves may not be reduced through dividends.

Statutory reserve: The objective of the statutory reserve is to save a portion of net profit that is not needed to cover losses brought forward.

Share premium reserve: When a share is issued at a premium price, meaning that payment is received in excess of the share's par value, an amount corresponding to the payment received in excess of the par value is transferred to the share premium reserve. According to the transition rule in the amendment to the Swedish Annual Accounts Act, funds transferred to the premium reserve prior to January 1, 2006 must be transferred to the statutory reserve in the first annual report prepared after January 1, 2006. Premium reserves arising after January 1, 2006 are reported as non-restricted equity.

Non-restricted equity

Retained earnings comprise the preceding year's non-restricted equity after any allocations and after any dividends have been paid. Together with net profit for the year, these earnings correspond to total non-restricted equity, meaning the amount that is available to be paid as a dividend to shareholders.

18. Untaxed reserves

	Parent Company		
	2005	2006	2007
Accumulated difference between depreciation and depreciation in excess of plan	22,367	31,567	48,167
Tax allocation reserves	—	—	—
Total	22,367	31,567	48,167

19. Liabilities to credit institutions

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Total liabilities to credit institutions	20,215	18,401	53,877	—	—	58,795
Of which reported as current liability	– 7,924	– 6,057	– 46,006	—	—	– 58,795
Long-term liabilities to credit institutions	12,291	12,344	7,871	—	—	0
Maturing within one to five years	12,291	12,344	7,871	—	—	—
Maturing after more than five years	—	—	—	—	—	—
Total	12,291	12,344	7,871	—	—	58,795

20. Overdraft facilities

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Confirmed credit limits	40,917	40,930	46,546	40,000	40,000	40,000
Unutilized portion	– 40,917	– 40,930	– 27,751	– 40,000	– 40,000	– 21,205
Utilized credit amounts	0	0	18,795	0	0	18,795

21. Derivates held for hedging

Derivatives held for hedging consist of forward contracts relating to USD. On the closing date, the value of outstanding forward contracts amounted to an expense of SEK 2,461,000 (2,458,000). The value of the outstanding forward contracts remained unchanged in 2006/2007 and accordingly did not have any effect on the income statement, compared with 2005/2006 when operating profit was negatively affected in the amount of SEK 3,547,000 due to the declining USD exchange rate. The impact on earnings of the change in value of outstanding forward contracts is reported under the item

“Goods for resale” since the heading measures pertain to the purchase of goods.

The fair value of the forward contracts is determined by utilizing the market prices of the forward contracts on the closing date.

Due to the changed regulations of RR 32 and the relationship between reporting and taxation, the regulations on financial instruments in IAS 39 were not applied to the Parent Company as a legal entity. Instead, these regulations will be applied to only the consolidated accounts in the future.

22. Accrued expenses and deferred income

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Vacation and salary liabilities	13,429	21,951	33,356	10,583	18,682	29,245
Accrued social security fees	5,918	10,449	14,890	5,395	9,504	13,658
Other items	5,604	10,449	21,267	7,026	10,084	18,257
Total	24,951	42,849	69,513	23,004	38,270	61,160

23. Pledged assets

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
For own liabilities and provisions						
Liabilities to credit institutions						
Chattel mortgages	130,917	130,969	130,913	127,250	127,250	127,250
Shares in Group companies	—	—	—	6,985	—	—
Net assets in Group companies	8,186	—	—	—	—	—
Total pertaining to own liabilities and provisions	139,103	130,969	130,913	134,235	127,250	127,250

24. Contingent liabilities

	Group			Parent Company		
	2005	2006	2007	2005	2006	2007
Contingent liabilities on behalf of other Group companies	—	—	—	10,569	8,448	6,111
Other contingent liabilities	1,000	5,000	6,126	1,000	5,000	5,000
	1,000	5,000	6,126	11,569	13,448	11,111

25. Leasing fees relating to operational leasing

The Group and the Parent Company have signed leasing agreements relating to own stores and offices with the following lease commitments. Hemtex AB releases a small number of leasing objects to a few franchise holders. These contracts do not amount to significant sums and therefore no information is provided about these. The

information below does not include leasing contracts for which Hemtex AB only reinvoices paid rent. For the leasing contracts that are based on sales, only the contracted base rent is reported. In addition, the Parent Company and the Group have leasing contracts for computer systems, equipment and company cars.

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Leasing fees paid during the fiscal year	45,009	76,385	122,328	34,120	58,434	85,892
	Group			Parent Company		
	Equipment	Premises		Equipment	Premises	
Contracted future leasing fees						
2007/08	—	143,585		4,326		93,333
2008/09	—	133,920		2,684		87,073
2009/10	—	103,647		754		66,422
2010/11	—	54,340		26		35,129
2011/12 and later	—	40,599		—		29,696

26. Adjustments for non-cash flow items

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Depreciation, amortization and impairment of assets	15,251	20,652	26,377	9,164	12,171	23,463
Exchange-rate differences	-100	18	1,303	—	—	—
Provisions for taxes	—	—	—	—	—	2,800
Other	—	—	- 46	—	—	- 46
Total	15,151	20,670	27,634	9,164	12,171	26,217

27. Transactions not entailing payment

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Acquisition of assets through financial leasing	6,876	6,715	1,951	—	—	—

28. Paid interest

	Group			Parent Company		
	2004/05	2005/06	2006/07	2004/05	2005/06	2006/07
Interest received	1,006	1,010	1,407	964	970	1,239
Interest paid	1,566	928	1,673	1,085	395	1,347

29. Acquisition of subsidiaries/operations

Acquired units 2004/2005

	Acquisition date		Acquisition date
Store in Skellefteå	May 2004	Store in Lund	August 2004
Store in Skärholmen	May 2004	Store in Löddeköpinge	August 2004
Store in Örnsköldsvik	June 2004	Store in Källered	August 2004
Two stores in Örebro	July 2004	Store in Globen Shopping Center, Stockholm	November 2004
Store in Piteå	July 2004	Two stores in Linköping	February 2005
Store in Kungsbacka	August 2004	Store in Tranås	April 2005

Cont. Note 29

In 2004/2005, Beda AB (5560393737) and Hemtextil i Piteå AB (5566567771) were acquired. The acquisitions comprised the two stores in Linköping and a store in Piteå. In addition to these acquisitions, eleven stores were acquired through purchases of assets and liabilities in 2004/2005. These 14 stores above had total sales at the consumer level of SEK 106 M annually.

In total, three directed non-cash issues were implemented in 2004/2005 relating to acquisition of stores from franchisees. A total of 68,400 shares were issued for acquisition of stores with a value of

SEK 22,469,000. The valuation of the share issues was established through external valuation.

During the 2004/2005 fiscal year, these acquisitions affected sales in an amount of approximately SEK 40.8 M and operating profit in an amount of approximately SEK 5.6 M. It is not practically possible to provide reliable information about how the Group's sales and earnings would have been affected if the above acquisitions had taken place on May 1, 2004. This information has therefore not been included.

2004/05	Carrying value before acquisition	Fair value adjustment	Fair value reported in the Group
Tangible assets	1,779	—	1,779
Intangible assets	—	3,500	3,500
Inventories	9,172	—	9,172
Operating receivables	9,225	—	9,225
Cash and cash equivalents	4,801	—	4,801
Provisions	—	—	—
Loans	—	—	—
Operating liabilities	– 5,313	—	– 5,313
Total identified net assets	19,664	3,500	23,164
Goodwill			23,481
Total identified net assets including goodwill			46,645
Purchase price			46,645
Less non-cash issue			– 22,469
Purchase price paid			24,176
Cash and cash equivalents in acquired companies			– 4,801
Effect on consolidated cash and cash equivalents			19,375

Acquired units 2005/06

	Acquisition date
Täby Hemtextil AB with eight stores in the Stockholm region	May 2005
Three stores in western Sweden and a store in Västerås	June 2005
Two stores in Sundsvall	December 2005
Store in Hässleholm	April 2006

On May 1, 2005, Hemtex AB took over eight franchise stores in the important Stockholm market through a purchase of the remaining shares in Täby Hemtextil AB and the acquisition of tangible assets and inventories. The total purchase price amounted to SEK 63.8 M, of which SEK 8.5 M had been paid previously. Four of the stores are located in downtown Stockholm, while the other four are located in Täby Center, Mörby Center, Solna Center and Sundbyberg. The acquired stores have sales of SEK 120 M annually at the consumer level.

Identified net assets in the acquired operations amounted to SEK 29.7 M, resulting in goodwill of SEK 34.1 M. The above acquisitions had an effect of SEK 71.2 M on sales and SEK 8.6 M on operating profit during 2005/2006.

On June 1, 2005, an additional three franchise stores were acquired in western Sweden and one in Sundsvall with annual sales amounting to SEK 28 M. The purchase price for the stores amounted to SEK 9.1 M, which was paid in cash. The assets and liabilities in the stores amounted to SEK 4.2 M, resulting in goodwill of SEK 4.9

M. These four stores had an effect of SEK 15.9 M on sales and SEK 3.0 on operating profit during 2005/2006.

On December 1, 2005, two franchise stores in Sundsvall were acquired with annual sales amounting to SEK 15 M. The purchase price for the stores totaled SEK 4.4 M, which was paid in cash. The assets and liabilities in the stores amounted to SEK 1.8 M, resulting in goodwill of SEK 2.6 M. These two stores contributed SEK 4.3 M to sales and SEK 0.9 M to operating profit during 2005/2006.

On April 1, 2006, a franchise store was acquired in Hässleholm with annual sales amounting to SEK 7.0 M. The purchase price for the store totaled SEK 2.7 M, which was paid in cash. The assets and liabilities in the store amounted to SEK 1.2 M, resulting in goodwill of SEK 1.5 M. The store in Hässleholm contributed SEK 0.3 M in sales and SEK 0.1 M in operating profit in fiscal year 2005/2006.

It is not practically possible to provide reliable information about how the Group's sales and earnings would have been affected if the above acquisitions had taken place on May 1, 2005. This information has therefore not been included.

Cont. Note 29

2005/06	Carrying value before acquisition	Fair value adjustment	Fair value reported in the Group
Tangible assets	6,580	—	6,580
Intangible assets	—	12,200	12,200
Inventories	20,880	—	20,880
Operating receivables	120	—	120
Cash and cash equivalents	—	—	—
Provisions	- 2,800	—	- 2,800
Loans	—	—	—
Operating liabilities	—	—	—
Total identified net assets			36,980
Goodwill			43,148
Total identified net assets including goodwill			80,128
Purchase price			80,128
Less advance payment			- 8,537
Purchase price paid			71,591
Cash and cash equivalents in acquired companies			—
Effect on consolidated cash and cash equivalents			71,591

Acquired units 2006/07

	Acquisition date		Acquisition date
Store in Kristianstad	May 2006	Hemtextila Produkter i Varberg AB with five stores	October 2006
Store in Mariestad	May 2006	Elmgrens Hemtextil i Stockholm AB with six stores	November 2006
Store in Norrköping	June 2006	Hemtextila Produkter i Helsingborg & Ängelholm AB with three stores	November 2006
Two stores in Jönköping	September 2006	Textilvaror i Norrbotten AB with three stores	November 2006
Textil Produkter i Gävle AB with two stores	September 2006	Store in Växjö	March 2007
Textil Produkter i Falun AB with three stores	September 2006		
Hemtextila Produkter i Karlstad AB with two stores	October 2006		

Three franchise stores, in Norrköping, Kristianstad and Mariestad were acquired through the acquisition of assets and liabilities in May and June 2006. These stores have annual sales of SEK 37 M. The purchase price for the stores totaled SEK 13.2 M, which was paid in cash. The assets and liabilities in the stores amounted to SEK 5.8 M, resulting in goodwill of SEK 7.4 M. The acquired stores contributed SEK 16.7 M to sales and SEK 3.1 M to operating profit during the fiscal year.

Between August and November 2006, 26 franchise stores were acquired. The acquired stores are situated in Avesta, Boden, Borlänge, Borås (2), Falkenberg, Falun, Gävle (2), Helsingborg (2), Jönköping (2), Karlstad (2), Luleå (2), Stockholm (Kista, Nacka, Sickla and Sollentuna), Uppsala (2), Varberg, Värnamo and Ängelholm. These 26 stores have annual sales of approximately SEK 280 M. The purchase price for the 26 stores totaled SEK 210.4 M. The assets and liabilities in the stores amounted to SEK 56.1 M, resulting

in goodwill of SEK 154.3 M. No intangible assets other than goodwill and renting rights were identified in the acquisitions. During the fiscal year 2006/2007, sales were impacted by SEK 95.2 M and operating profit by SEK 16.8 M.

A franchise store in Växjö was acquired in March 2007 through the acquisition of assets and liabilities. The store has annual sales of SEK 21 M. The purchase price for the franchise store totaled SEK 7.6 M, which was paid in cash. The assets and liabilities in the stores amounted to SEK 2.0 M, resulting in goodwill of SEK 5.6 M. The store contributed SEK 0.9 M to sales and SEK 0.1 M to operating profit during the fiscal year.

It is not practically possible to provide reliable information about how the Group's sales and earnings would have been affected if the above acquisitions that took place from June 1 and forward had taken place on May 1, 2006. This information has therefore not been included.

Cont. Note 29

2006/07	Carrying value before acquisition	Fair value adjustment	Fair value reported in the Group
Tangible assets	10,368	—	10,368
Intangible assets	3,760	14,200	17,960
Inventories	39,394	—	39,394
Operating receivables	1,154	—	1,154
Cash and cash equivalents	725	—	725
Provisions	—	– 3,976	– 3,976
Loans	—	—	—
Operating liabilities	1,489	—	1,489
Total identified net assets			64,136
Goodwill			166,409
Total identified net assets including goodwill			230,545
Purchase price			230,545
Less vendor's mortgage			– 43,516
Purchase price paid			187,029
Cash and cash equivalents in acquired companies			– 725
Effect on consolidated cash and cash equivalents			186,304

No intangible assets other than goodwill and renting rights were identified in the acquisitions of franchise stores that took place in the fiscal years 2004/2005, 2005/2006 and 2006/2007. Goodwill values arising in conjunction with these acquisitions represent the value of established businesses and payment for future economic

benefits that can be identified in each case and which are also not possible to report separately.

Since Hemtex AB supplied most of the goods that the acquired stores sold, the Group's sales will not be affected by all of the sales contributions at the consumer level mentioned above. The estimated sales increase for the Group amounts to about half of the acquired sales.

30. Mergers

In 2007, the previously part-owned, dormant subsidiary Täby Hemtextil AB was merged with Hemtex AB.

The effect on Hemtex AB's income statement and balance sheet items from the merged subsidiary on the merger date is shown on the right.

Company	Täby Hemtextil AB
Corporate reg. no.	556113-7539
Merger date	January 5, 2007
Net sales	
Operating profit	
Fixed assets	
Current assets	120
Untaxed reserves	
Provisions	
Liabilities	120

31. Financial risks and risk policies

Financial assets and liabilities

The financial assets that exist and are used in the Group are cash and cash equivalents, accounts receivable and derivatives. The financial liabilities that exist and are used within the Group are accounts payable, overdraft facilities and interest-bearing liabilities to credit institutions and derivatives. The book value of all financial assets and liabilities corresponds to the fair value of each asset and liability.

Currency forward contracts

The total value of purchase orders for which current forward contracts have been signed amounted to USD 13.0 M (9.0) on April 30. The value of these outstanding currency forward contracts amounted to a deficit of SEK 2.5 M (deficit: 2.5) on the closing date.

The fair value of forward contracts is determined by using the market prices for the forward contracts on the closing date.

Financial risks

In its financial policy for the Hemtex Group, the Board of Directors has established various limits and identified the risks that may be taken. Risk management is intended to identify, quantify and reduce or eliminate risks.

The Group's financial policy specifies limits for how various types of financial risks shall be managed and defines the risk exposure under which the operations may be conducted. The basic principle is to achieve a low risk profile. The financial policy identifies the risks that arise with regard to currency management, capital procurement and liquidity management.

Currency management: The policy covers the entire Group's currency management. Group companies shall operate in only local currency, if possible. All transactions between Hemtex AB and other Group companies take place in each company's local currency. Currency risks arise due to the following three types of exposure: transaction exposure, defined as the net of all contracted commercial inflows and outflows in foreign currency; translation exposure, defined as adjusted shareholders' equity in foreign subsidiaries; and financial exposure, defined as the shifts in the competitive situation that occur when exchange rates change. Currency risk refers to the effect on earnings resulting from a change in exchange rates. Hemtex hedges the risks identified with respect to currency management according to a risk norm established by the Board of Directors and with the instruments/transactions established in the financial policy.

Capital procurement: The policy here includes liquidity risk, interest-rate risk, the provision of collateral and guidelines for subsidiaries.

Liquidity risk is defined as the risk that the Group does not have access to or is able to borrow funds for anticipated or unanticipated payments on market terms. Liquidity risk is managed on a short-term basis in that the Group has a liquidity reserve. The liquidity reserve may consist of bank loans, investments in liquid interest-bearing securities and the unutilized portion of approved overdraft facilities. Interest-rate risk is defined as the risk that the Group's earnings change as a result of fluctuations in market interest rates. Interest-rate risk is managed by regulating the average fixed-interest period of loans and through the use of interest derivatives.

Liquidity management: The Group's external investments of surplus liquidity are handled by Hemtex AB. Amortization of loans is considered an alternative to external investment. The Board of Directors has prepared guidelines on procedures, permissible instruments and instructions for subsidiary for the risks identified in the financial policy.

32. Transactions with related parties

Purchasing and sales between Group companies

Hemtex AB's sales to subsidiaries amounted to SEK 179.9 M (121.9). There were no purchases from subsidiaries.

In purchases and sales between Group companies, the same principles for pricing are applied as for transactions with external parties.

The Parent Company's holdings of shares and participations in subsidiaries are presented in Note 14.

Transactions with persons in senior positions

See Note 4 regarding salaries and remuneration to the Board of Directors and senior executives. The Group has no receivables from key individuals. Liabilities to key individuals comprise the customary personnel-related liabilities.

On October 1, 2006, two stores in Karlstad were acquired from Board member Lars Nilsson, who also owns directly and indirectly shares in Hemtex AB. The acquisition took place on the same terms as for other stores acquired during the same period. The Annual General Meeting held on September 5, 2006 approved the acquisition of these two stores.

33. Events after the closing date

License rights to brands

In May 2007, Hemtex signed agreements concerning the license rights to U.S. Polo Association, Bamse and patterns designed by Johanna Lundqvist. The licenses are part of Hemtex' efforts to broaden its range by, for example, offering significantly more children's products.

The rights to U.S. Polo apply to both home textiles and home decorating products in Hemtex' current markets, and in the Baltic countries and Poland. The first products under the U.S. Polo brand will be available in Hemtex stores as of March 2008.

The efforts aimed at broadening the range of children's products have resulted in the signing of two new cooperation agreements. The license for Bamse applies to figures and brands for such items as home textiles, lamps, bathrobes and slippers in all Hemtex markets. Products from the Bamse range will be added in stages and be sold in all Hemtex stores.

Hemtex has entered into an agreement with well-known designer Johanna Lundqvist concerning the license to patterns for home decorating products, chinaware, home textiles and nightwear for all Hemtex markets. Sales in Hemtex volume stores of the products featuring Johanna Lundqvist's popular figures will start as of October this year.

Establishment of the Group's first store in Estonia

The Board of Directors had previously decided to found a branch office to establish Hemtex' first store in Estonia. The store opened on June 5, 2007 in Pärnu and has a sales area of about 200 m². Hemtex currently deems there to be potential for 20–25 Hemtex stores in the Baltic States.

Redemption of warrants

On April 31, Hemtex AB had two outstanding warrant programs, T01 and T02, consisting of a total of 33,000 warrants. More information on these warrant programs can be found in Note 4.

All warrants were subscribed for in June 2007, meaning that the number of shares rose from 28,017,400 to 29,337,400 and the company's share capital increased from SEK 3.3 M to SEK 73.3 M. This corresponds to a dilution of 4.5% share capital and the number of votes. In conjunction with the redemption of the warrants and the issue of new shares, the company was provided with SEK 23.9 M.

The Board Chairman redeemed 2,000 options for 80,000 shares, the President redeemed 9,400 options for 376,000 shares, other senior executives redeemed 15,400 options for 616,000 and other employees redeemed 6,200 options for 248,000 shares.

34. Important estimates and assessments

According to company management, critical assessments relating to the applied accounting principles and sources of uncertainty in estimates relate primarily to the valuation of goodwill. The carrying amount of goodwill is tested on every closing date to determine the need to recognize an impairment loss. This test includes making a number of assumptions regarding discount rates, cash flow and growth, for example, to calculate the fair value of the underlying asset. For additional information about impairment tests, see Note 6.

36. Information about the Parent Company

Hemtex AB conducts its operations as a limited liability company with registered offices in the City of Borås in Västra Götaland County. The head office's address is Hemtex AB, Box 495, SE503 13 Borås, Sweden.

37. Definitions of key data

Number of full-year employees The total number of hours of attendance divided by the normal working time for the particular country.

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

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

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

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

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

Shareholders' equity Comprises share capital, other contributed capital, reserves and retained earnings including net profit for the year in the Group. Shareholders' equity in the Parent Company comprises restricted and non-restricted equity.

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

Average shareholders' equity Equity at the beginning and the end of the fiscal year, divided by two.

Average interest-bearing liabilities Interest-bearing liabilities at the close of every month in the fiscal year, divided by the number of months.

Hemtex "Hemtex" refers to the Hemtex brand or to the entire retail chain, including the stores operated as franchises.

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.

35. Proposed dividend to shareholders

	2004/05	2005/06	2006/07
Proposed dividend per share, SEK	0.75	2.35	4.85
Total dividend amount, SEK 000s	19,944	65,841	142,286¹

1) Calculated on the number of outstanding shares in June 2007. The two outstanding warrant programs were redeemed in June 2007, which resulted in the number of shares increasing from 28,017,000 to 29,337,400.

The Board of Directors of Hemtex AB proposes that the Annual General Meeting on September 5, 2007 approve a dividend for the 2006/2007 fiscal year amounting to SEK 4.85 (2.35) per share. The proposed dividend comprises an ordinary dividend of SEK 2.85 per share, corresponding to 50% (49) of profit for the year, and an extra dividend of SEK 2 per share. Assuming that the Annual General Meeting approves the Board of Directors' proposal, the dividend is expected to be paid by VPC on September 13, 2007. The final day for trading in the company's shares including the right to dividend is Monday, September 10, 2007.

Rate of capital turnover Sales divided by average operating capital.

Cash flow after investments Profit before depreciation/amortization plus/minus financial items, minus tax paid, plus/minus changes in working capital minus investments.

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

Net debt/equity ratio Interest-bearing liabilities less cash and cash equivalents as a percentage of shareholders' equity.

Net borrowings Interest-bearing liabilities less cash and cash equivalents.

Operating capital Total assets less cash and cash equivalents, other interest-bearing assets and non-interest-bearing liabilities.

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

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

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

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

Equity/assets Equity as a percentage of total assets.

Capital employed Total assets less non-interest-bearing liabilities including deferred (latent) tax liabilities.

Inventory turnover rate Cost of goods sold divided by average inventory.

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

Seven-year summary

May 1–April 30	Swedish Accounting Standards Board		IFRS				
Key ratios	2000/01	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Group							
Net sales, SEK M	419.7	460.4	494.8	590.1	804.6	1,159.7	1,470.5
Net sales growth, %	17.1	9.7	7.5	19.3	36.4	44.1	26.8
Sales per employee, SEK M	3.1	2.9	3.1	3.6	2.8	2.7	2.4
Gross profit margin, %	23.4	26.6	29.6	32.4	39.1	47.2	52.2
Operating profit, SEK M	– 10.4	– 4.0	24.0	54.1	93.0	180.9	221.5
Operating margin, %	– 2.5	– 0.9	4.8	9.2	11.6	15.6	15.1
Profit after tax, SEK M	– 16.5	– 12.4	11.6	36.5	69.2	130.5	159.5
Profit margin, %	– 3.8	– 2.5	3.5	8.5	11.5	15.6	15.0
Return on equity, %	– 32.3	– 31.0	26.4	42.2	40.9	42.6	35.9
Return on capital employed, %	7.6	– 2.5	16.4	35.2	45.9	55.7	45.5
Return on operating capital, %	– 8.3	– 2.7	16.9	37.3	55.0	75.2	54.7
Return on total capital, %	– 6.0	– 2.0	12.6	25.3	31.0	38.6	32.3
Equity/assets, %	23.0	18.9	27.3	49.6	60.3	68.0	61.6
Net debt/equity, time	247.2	303.6	163.4	29.1	– 17.0	– 23.9	3.3
Interest coverage ratio, times	– 1.6	– 0.5	3.7	12.8	53.2	180.2	111.9
Capital turnover rate, times	2.9	3.0	3.8	3.7	4.5	3.8	2.9
Investments, net, SEK M	33.4	18.3	–3.1	15.4	29.9	105.3	242.8
Cash flow after investments, SEK M	– 29.6	– 17.4	42.3	9.4	79.3	13.2	43.3
No. of full-year employees	135	159	162	162	284	433	602
Earnings per share before dilution, SEK	– 1.42	– 1.03	0.85	1.95	2.77	4.76	5.69
Earnings per share after dilution, SEK	– 1.42	– 1.03	0.85	1.95	2.76	4.60	5.47
Cash flow after investments per share, SEK	– 2.70	– 1.42	3.39	0.50	3.18	0.48	– 1.54
Equity per share, SEK	3.60	2.79	3.63	5.18	8.09	14.21	17.53
Dividend per share, SEK	—	—	—	—	0.75	2.35	4.85

Figures for the 2000/2001 and 2001/2002 fiscal years were not recalculated according to IFRS.

1) Proposed dividend, of which SEK 2.85 is an ordinary dividend and SEK 2.00 is an extra dividend.

Parent Company

Hemtex AB's net sales increased strongly during the fiscal year 2006/2007 and amounted to SEK 1,342.9 M (1,062.8). Of net sales, the portion of wholesale sales including deliveries to own stores was valued at a market value of SEK 901.5 (750.8), corresponding to an increase of 20.1 percent (46.6). The positive trend

is primarily due to continued favorable sales trends in the chain's stores.

Profit after financial items amounted to SEK 224.1 M (176.1). The Parent Company's net investments in fixed assets that affect cash flow amounted to SEK 230.3 M (79.5).

Proposed distribution of earnings

The Board of Directors and the President propose that the profit be appropriated as follows:

A dividend of SEK 4.85 per share ($4.85 \times 29,337,400^1$)	
be distributed to shareholders	142,286
To be carried forward	113,884
SEK 000s	256,170

1) Calculated on the number of outstanding shares in June 2007. In June 2007, the two outstanding warrant programs were redeemed, resulting in the number of shares increasing from 28,017,400 to 29,337,400. All shares are entitled to receive dividends.

With respect to the information presented above and other information that has come to the knowledge of the Board of Directors, it is the Board's opinion that a comprehensive assessment of the company and Group's financial position entails that the dividend is justifiable considering the requirements that the nature, scope and risks

of operations place on the amount of the company's and the Group's shareholders' equity and considering the company's and the Group's consolidation requirements, liquidity and financial position in other respects.

The consolidated accounts and annual accounts have been prepared in accordance with the international financial reporting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards, and generally accepted accounting principles, and provides a true and fair view of the Group's and Parent Company's financial position and results. The Board of Directors' report for the Group and the Parent Company provides a true and fair overview of the Group's and Parent Company's operations, financial position and results and describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Borås, June 14, 2007



Leif Larsson
Chairman of the Board



Ingemar Charleson



Bodil Eriksson



Hans Andersson



Louise Nilsson



Lars Nilsson



Helena Skåntorp



Anders Jansson
President

My audit was submitted on June 14, 2007
KPMG Bohlins AB



Jan Malm
Authorized Public Accountant

Audit report

To the Annual Meeting of the shareholders of Hemtex AB Corporate Registration Number 556132-7056

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Hemtex AB for the fiscal year May 1, 2006–April 30, 2007. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, of evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we exam-

ined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRS as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual Meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Gothenburg, June 14, 2007

Jan Malm
*Authorized Public Accountant
Auditor-in-Charge*

Board of Directors



Upper row from left: Leif Larsson, Hans Andersson, Ingemar Charleson, Bodil Eriksson, Lars Nilsson, Louise Nilsson, Helena Skåntorp

Leif Larsson

Date of birth: 1944. Chairman of the Board and member of the Board since 2003.

Other Board assignments: Chairman of the Boards of Alert Investor Relations AB, IOGT-NTO Lotterier and Wallstreet Fasad- & Trafikreklam AB. Board member of NaturCare International in Gothenburg AB.

Shareholding in Hemtex AB: 40,500

Hans Andersson

Date of birth: 1953. Member of the Board since September 2006.

Other Board assignments: Chairman of the Boards of GEKÅS i Ullared AB and Fashion One Luxembourg SARL, and member of the Board of Joy Shop AB and the German-Swedish Chamber of Commerce.

Shareholding in Hemtex AB: 2,000

Ingemar Charleson

Date of birth: 1954. Member of the Board since 2002. President and CEO of the Nilson Group AB (Din Sko, Skopunkten, Nilson, Radical Sports, Jerns and Ecco), President of AMM Holding AB.

Shareholding in Hemtex AB: 18,900

Bodil Eriksson

Date of birth: 1963. Member of the Board since April 2005. Senior Vice President of Communications, SCA AB.

Other Board assignments: Member of the Board of Nobia AB.

Shareholding in Hemtex AB: 500

Lars Nilsson

Date of birth: 1948. Member of the Board since 1977. President of Karlstad Hemtextil AB.

Shareholding in Hemtex AB: 262,960

Louise Nilsson

Date of birth: 1967. Member of the Board since February 2004. Investment Manager, Priveq Investment.

Other Board assignments: Member of the Boards of Byggpartner i Dalarna AB, Innovativ Vision AB, Swedish Orphan International and the Swedish Venture Capital Association.

Shareholding in Hemtex AB: 200

Helena Skåntorp

Date of birth: 1960. Member of the Board since April 2005. President of SBC Sveriges BostadsrättsCentrum AB.

Other Board assignments: Member of the Boards of Ångpanneföreningen AB and Mekonomen AB.

Shareholding in Hemtex AB: 500

Senior management

Anders Jansson

Date of birth: 1961. President and CEO from 2002.

Other Board assignments: Member of the Board of Boomerang International AB.

Shareholding in Hemtex AB: 230,000

Stefan Ahlén

Date of birth: 1955. SVP – Purchasing from 2005.

Other Board assignments: Vice Chairman of the Textile Importers' Association in Sweden, member of the Sweden-China Trade Council.

Shareholding in Hemtex AB: 25,000

Gunnel Bergström

Date of birth: 1962. SVP – Business Development from May 2007.

Shareholding in Hemtex AB: 500

Stefan Björklund

Date of birth 1974. Member of the management group since 2005. Store Operations Manager for Finland since 2002.

Shareholding in Hemtex AB: 5,000

Olof Fredman

Date of birth: 1955. SVP – Establishments from 1998.

Shareholding in Hemtex AB: 90,000

Marita Hansson

Date of birth: 1963. SVP – Store Operations Manager from 2002.

Shareholding in Hemtex AB: 40,000

Karin Holmerin

Date of birth: 1967. SVP – Marketing and Sales from 2002.

Shareholding in Hemtex AB: 35,000

Tommy Svensson

Date of birth: 1958. Chief Accountant and CFO from 2000.

Shareholding in Hemtex AB: 125,000



Upper row from left: Anders Jansson, Karin Holmerin, Tommy Svensson, Olof Fredman, Gunnel Bergström, Marita Hansson, Stefan Ahlén, Stefan Björklund

Auditor (not shown in photo)

Jan Malm, date of birth: 1960. Authorized Public Accountant, KPMG. Auditor-in-Charge of Hemtex AB since 2004.

Corporate Governance

Hemtex follows the Swedish Code of Corporate Governance from July 1, 2007. Hemtex has not previously had an obligation to follow this Code. Accordingly, this annual report does not contain a complete Corporate Governance Report with the Board's report on internal control for the fiscal year 2006/2007. Instead, Hemtex has chosen to report on certain issues required by the Code in order to provide shareholders with a reasonable view of the governance and control of the company.

Corporate governance refers to the framework of rules and structure established for governing and managing operations in a limited liability company in an efficient and controlled manner. Ultimately, corporate governance is intended to satisfy the shareholders' requirements for return on investment and other stakeholders' needs for information on the company and its development.

Management and control of the Hemtex Group is distributed between the shareholders at the Annual General Meeting, the Board of Directors and the President in accordance with the Swedish Company's Act and the company's Articles of Association.

Annual General Meeting and Articles of Association

The Annual General Meeting is the company's highest decision-making body. The tasks of the Annual General Meeting are regulated by the Swedish Companies Act and the company's Articles of Association. The Annual General Meeting must be held not later than six months after the end of the fiscal year. Those shareholders who are registered in the share register and who register their participation are entitled to participate in the Meeting. At the Annual General Meeting, decisions taken by the shareholders include election of the Board of Directors and auditors, determination of fees, principles for the Nomination Committee and the discharge of the Board of Directors and President from liability for the fiscal year. The Articles of Association and the minutes from preceding Annual General Meeting are available from Hemtex' website at www.hemtex.com.

2006 Annual General Meeting

The most recent Annual General Meeting was held on September 5, 2006 at Pulsen Konferens in Borås. The following resolutions were passed:

• Election of Board Members

Leif Larsson, Ingemar Charleson, Bodil Eriksson, Lars Nilsson, Louise Nilsson and Helena Skåntorp were re-elected to the Board. Hans Anderson was elected to the Board. Leif Larsson was re-elected Chairman of the Board.

• Principles for Nomination Committee

The Meeting resolved to adopt the principles for the appointment of members of the company's Nomination Committee and other principles for the Nomination Committee, in accordance with a motion submitted by the Nomination Committee.

• Amendments to the Articles of Association

The Annual General Meeting resolved, in accordance with a motion from the Board of Directors, to amend the Articles of

Association in order to adapt them to the new Swedish Companies Act, which came into effect on January 1, 2006.

• Acquisition of two Hemtex franchise stores

The Annual General Meeting resolved, in accordance with a motion from the Board of Directors, to approve the acquisition of two franchise stores from Board member Lars Nilsson. The stores were taken over on October 1, 2006.

• Adoption of income statements, balance sheets and dividend

The income statements and balance sheets were adopted and the Board of Directors' motion regarding a dividend of SEK 2.35 per share was approved by the Annual General Meeting. At the same time, the Board members and the President were discharged from liability for the administration of the company during the fiscal year 2005/2006.

2007 Annual General Meeting

The Annual General Meeting for the fiscal year 2006/2007 will be held at Pulsen Konferens in Borås on Wednesday, September 5, 2007 at 4:30 p.m.

Nomination Committee

The Nomination Committee shall consist of the Chairman of the Board of Directors and three members, each of whom shall represent one of the three largest shareholders in terms of voting rights. During the third quarter of each fiscal year, the Chairman of the Board shall contact the three largest shareholders in Hemtex in terms of voting rights and request the name of their representative on the Nomination Committee. The names of the Committee members and the shareholders they represent shall be published not later than six months prior to the next Annual General Meeting. In preparation for the Annual General Meeting, the Nomination Committee shall present proposals for the Chairman of the Annual General Meeting, the number of members and deputy members of the Board of Directors, Board members, the Chairman of the Board of Directors, auditors (when applicable), fees to the Chairman and other Board members, auditors fees and principles for the Nomination Committee.

The nomination Committee comprises the Chairman of the Board of Directors, Leif Larsson, Carl Olof By, AB Industrivärden, Rory Powe, Modulus Europe and Per Larsson representing a consortium of owners. The Nomination Committee held four meetings during the fiscal year at which minutes were recorded.

Work of the Board of Directors

The Board of Directors is responsible for the Company's organization and management of the Company's business, which includes establishing the Company's strategy. The Board also has the task of appointing a president. The Board's work follows an annual agenda that is designed to secure the Boards requirement for information. In other respects, the Board and the President follow the special work instruction established by the Board that defines the division of work between the Board and the President. The control issues that are the responsibility of the Board will be handled by the Board in its entirety.

After the Annual General Meeting, September 5, 2006, the Board of Directors held seven meetings at which minutes were recorded

Date	Important issues
September 2006	Statutory meeting of Board of Directors
October 2006	Establishment issues and appointment of Remuneration Committee
December 2006	DQ2 interim report, decisions on purchasing offices in Shanghai and Business Plan 2007/2008
March 2007	Q3 interim report and market analyses for future expansion
April 2007	Budget for 2007/2008, evaluation of Board of Directors' work, report from the Nomination Committee and Remuneration Committee, and Corporate Governance Report
June 2007	Year-end report, Annual Report 2006/2007 and strategic plan for period 2007–2010
July 2007	Proposals for incentive program

During the fiscal year, Hemtex AB was the Franchiser in accordance with contracts signed with each Franchise Holder. The existing franchise contracts was most recently revised in the spring of 2004. The Franchise Holders are linked through an association and are represented by the Board of the Franchise Holders' Association in contacts with Hemtex AB.

An evaluation of the Board's work was conducted during the period February–April 2007. This was undertaken by an external party based on a survey of and interviews with the members of the Board regarding the Board's work. After compiling the evaluation, the evaluation was reviewed and a follow-up discussion held within the Board. Hemtex' Nomination Committee has been given access to parts of the evaluation relevant to its work.

Remuneration Committee

A Remuneration Committee that discusses, decides on and presents recommendations on wages, salaries, other employment terms and incentive programs for the President and Group management has been appointed from within the Board. The Remuneration Committee reports to the Board. The members of the Remuneration Com-

mittee are Leif Larsson, who is the Chairman, Helena Skåntorp and Bodil Eriksson.

Management's work

The Board of Directors has delegated responsibility for leading the company to the President and company management. During fiscal year 2006/2007, Hemtex' company management comprised the President and CEO of Hemtex AB, the Chief Financial Officer, the Director of Store Operations for Sweden, the Director of Store Operations for Finland, the Director of Marketing and Sales, the Director of Purchasing and the Director of Establishment. Company management holds one to two-day management meetings once a month devoted to current issues and discussions and holds a longer strategy meeting once a year. The President leads operations within the framework established by the Board of Directors. The President prepares necessary information and supporting materials for decisions at Board meetings, serves as a presenter and presents motivated proposals for decisions. The President provides the Board with the information required to monitor the company's and the Group's position, operations and development on a monthly basis and keeps the Chairman of the Board of Directors informed about operations on a regular basis.

Auditors

Hemtex does not have an Audit Committee. The Board of Directors is responsible for the audit, ensuring, in an efficient manner, that the Group has acceptable procedures for internal control and has correct, high-quality financial reporting. An authorized accounting firm serves as auditor of Hemtex AB. The auditors are elected for a period of four years. At least once a year, the company's auditors report on the extent to which the company has ensured that the bookkeeping, administration and financial control are well-functioning. After the formal report has been presented, the President and Chief Financial Officer left the Board meeting so that the Board members could have a dialogue with the auditors without the participation of the company's senior executives. At the Annual General Meeting on September 4, 2004, the authorized accounting firm KPMG was elected as auditors of Hemtex AB. Authorized Public Accountant Jan Malm from KPMG's office in Gothenburg was elected as Auditor-in-Charge.

More information on Hemtex' corporate governance is available at www.hemtex.com. Other important policies such as the Group's Code of Conduct and additional information about the company can be found there.

	Board meetings	Remuneration Committee	Independence*	Elected	Remuneration
Leif Larsson, Chairman	7	6	Yes	2003	280,000
Hans Andersson	6		Yes	2006	120,000
Ingmar Charlesson	7		Yes	2002	120,000
Bodil Eriksson	5	6	Yes	2005	120,000
Lars Nilsson	6		No	1977	120,000
Louise Nilsson	7		No	2004	120,000
Helena Skåntorp	7	6	Yes	2005	120,000
					1,000,000

* According to definition in the Swedish Code of Corporate Governance

Hemtex stores

Sweden

Alingsås · Arlöv · Arvika · Avesta · Boden · Borlänge · Borås (City, Knallerian)
Bålsta · Charlottenberg · Eskilstuna (City, Tuna Park) · Fagersta · Falkenberg
Falun · Färjestaden · Gävle · Göteborg (Femmanhuset, Kungsgatan, Backaplan,
Källered, Partille, Torslanda, Västra Frölunda, Ale Torg, Bäckebo, Södra Högsbo)
Halmstad (City, Eurostop) · Haparanda · Helsingborg (Stortorget, Väla Centrum,
Ödåkra) · Huddinge · Hudiksvall · Hyllinge · Hässleholm · Jönköping (City, A6)
Kalmar · Karlshamn · Karlskoga · Karlskrona · Karlstad (City, Bergvik) · Kristian-
stad · Kristinehamn · Kungälv · Kungsbacka · Köping · Lidköping · Linköping
(City, Tornby) · Ljungby · Ludvika · Lund (City, Nova) · Luleå (City, Storheden)
Löddeköpinge · Malmö (Caroli, Jägersro, Mobilia, Triangeln) · Mariestad · Mjölby
Motala · Norrköping · Nyköping · Piteå · Skellefteå · Skövde · Stenungsund
Stockholm (Arninge, Barkarby, Farsta, Fältöversten, Globen, Götgatan, Haninge,
Hornsgatan, Jakobsberg, Kista, Kungens Kurva, Kungsgatan, Lidingö Centrum,
Länna, Mäster Samuelsgatan, Mörby, Nacka, Regeringsgatan, Sergel, Sickla
Centrum, Skärholmen, Sollentuna, Solna, Sundbyberg, Täby Centrum, Upplands
Väsby, Värmdö, Västermalmsgallerian, Stureplan, Tumba) · Strängnäs · Strömstad
Sundsvall (City, Birsta) · Säffle · Södertälje · Tranås · Trelleborg · Trollhättan
Töcksfors · Uddevalla (City, Torp) · Umeå (City, Strömpilen) · Uppsala (Centrum,
Gränby) · Valbo · Varberg · Vetlanda · Vimmerby · Visby · Värnamo · Västervik
Västerås (City, Hålla) · Växjö · Ystad · Ängelholm · Örebro (Krämararen, Marieberg)
Örnsköldsvik · Östersund

Finland

Esbo (Iso Omena, Sello) · Helsinki (Forum, Hakaniemi, Kluuvi, Itä Keskus,
Vuosaari, Malmi) · Turku (Hansa, Länsikeskus) · Kokkola · Kempele · Kotka
Jyväskylä · Järvenpää · Lahti · Lempäälä · Palloka · Pori · Raisio · Riihimäki (City,
Merkos) · Rovaniemi · Salo · Tampere (Nokia, Koskikeskus) · Hämeenlinna
Vantaa (Jumbo, Myyrmanni) · Vaasa · Lappeenranta

Denmark

Ballerup · Hørsholm · Kongens Lyngby · Copenhagen (Fredriksborggade, Fields,
Amager, Vesterbrogade) · Taastrup

Norway

Oslo (CC Vest, House of Oslo, Torggade) · Bergen · Lillestrøm · Moss · Skien
Tønsberg

Estonia

Pärnu



Information about the Annual General Meeting

Shareholders in Hemtex AB are hereby invited to Annual General Meeting of shareholders in Hemtex AB will be held on Wednesday, September 5, 2007, at 4:30 p.m. at Pulsen Conference Center in Borås, Sweden.

Registration

Shareholders wishing to participate in the Annual General Meeting must be registered in VPC AB's shareholder register by Thursday, August 30, 2007 and notify the company not later than 4:00 p.m. on Friday, August 31, 2007 at the following address: Hemtex AB, Annual General Meeting, Box 495, SE-503 13 Borås, Sweden, or by fax to number +46 33 20 69 91 or e-mail to ir@hemtex.se.

Registration must include name, personal/corporate registration number, shareholding, address, daytime telephone

number and information about any assistants and, if applicable, about representatives or proxies. In addition, if applicable, for example legal entities, complete authorization documentation must be enclosed as well as registration certificate and similar documentation. The registration certificate may not be older than one year.

Trustee-registered shares

In order to participate at the Meeting, shareholders whose shares are registered with a trustee must temporarily re-register the shares in their own name. Shareholders desiring such re-registration must inform their trustee in sufficient time prior to Thursday, August 30, 2007, the date on which such re-registration must be complete.

Hemtex AB

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Hemtex

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