

Hemtex discloses the information provided herein pursuant to the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on September 3, 2008 at 14:30 p.m.

## INTERIM REPORT MAY 1, 2008 – JULY 31, 2008

# Operating profit amounted to SEK 11.4 M

All figures pertain to the Group unless otherwise stated. Comparisons in the interim report refer to the corresponding period in the 2007/2008 fiscal year, unless otherwise stated.

### First Quarter (May 2008 – July 2008)

- Net sales amounted to SEK 352.7 M (385.5), down 8.5% compared with the preceding year. Sales in the Group's comparable stores decreased by 13% (increase: 1).
- Profit after tax amounted to SEK 6.5 M (35.8). Earnings per share before dilution amounted to SEK 0.22 (1.25).
- Operating cash flow after investments was positive SEK 41.1 M (neg: 13.1)
- The Group established 1 (5) new store, and equired one store during the first quarter.
- During the period, inventories reached the planned level of SEK 280.4 M (301.2).

### GROUP EARNINGS TREND (CONDENSED)

|   | 3 months<br>May-July |       | Rolling 12<br>Aug-July | Full-year<br>May-April |
|---|----------------------|-------|------------------------|------------------------|
|   | 2007                 | 2008  | 2007/08                | 2007/08                |
| Operating income, SEK M                 | 387.3                | 355.0 | 1,591.6                | 1,623.9                |
| Operating profit, SEK M                 | 50.4                 | 11.4  | 102.2                  | 141.1                  |
| Profit before taxes, SEK M              | 49.8                 | 9.0   | 91.9                   | 132.7                  |
| Net profit for the period, SEK M        | 35.8                 | 6.5   | 64.5                   | 96.5                   |
| Operating margin, %                     | 13.1                 | 3.2   | 6.5                    | 8.8                    |
| Earnings per share before dilution, SEK | 1.25                 | 0.22  | 2.20                   | 3.31                   |

Hemtex conducts retail operations involving interior decorating products through sales to consumers via proprietary stores and franchises. Hemtex's product areas are Bedroom, Bathroom, Windows and Dining & Entertaining. In August 2008, Hemtex had a total of 208 stores, of which 143 were in Sweden, 38 in Finland, ten in Denmark, 12 in Norway, two in Estonia and three in Poland. Of the stores, 183 are owned by the Hemtex Group and 25 by franchisees. The Parent

Company, Hemtex AB, is responsible for concept development, marketing, business management, control functions and product supply to Hemtex stores. In addition to the Parent Company Hemtex AB, the Hemtex Group includes the wholly owned subsidiaries Hemtex Oy (Finland), Hemtex A/S (Denmark), Hemtex AS (Norway), Hemtex (Shanghai) Co., Ltd. and Hemtex Finans AB.

During the first quarter, May 2008 – July 2008, Hemtex's net sales decreased by 8.5% to SEK 352.7 M. The company's operating profit amounted to SEK 11.4 (50.4) M. The Hemtex Group opened one store during the quarter.

## CEO'S COMMENTS

In the most recent quarter, we experienced weak market demand for most home textiles and home décor products, which was also evident in the 3% decline in the market during the first six months of the year, as reported by the market research company, GfK. Our assessment is that high interest rates, rising inflation and concerns regarding a decline in the value of houses and apartments will make consumers more cautious in terms of consumption of consumer discretionaries. For our part, we can state that the first quarter of the fiscal year was very weak in all markets, but the final month of July was somewhat better.

The quarter was characterized by a decrease in incoming goods and a smaller amount of specially purchased consignments than in the year-earlier period, which partially limited the sales outcome. As planned, this was a way to reduce inventory levels to ensure space for an increased number of new products to be introduced this autumn. The negative impact on the Group's gross profit margin, resulting from the high inventory levels, was thus remedied and we expect a return to higher gross profit levels during the autumn. Work to increase the inventory turnover rate is continuing by always offering our customers the latest fashion and inspiration for changes. Our new concept concerning "Simple changes" will enhance interest in Hemtex, our home textiles and home décor range and attract more customers to our stores.

As a result of the weak sales trend, operating profit was lower than in the year-earlier period and amounted to SEK 11.4 M (50.4). Earnings were concentrated to the latter part of the quarter. In relation to sales, costs increased compared with the year-earlier period as a consequence of the low sales. Despite the savings measures we have implemented, we were unsuccessful in maintaining shares in relation to sales, which generated additional programs for reducing costs to the appropriate level.

We estimate that our developed strategies – mainly within communication, pricing and product range – combined with a

cost and efficiency program, will be our route to continued success in a world characterized by increasingly tougher competition. Our profitability is in focus and will, in the long term, be re-achieved.

Anders Jansson,  
President and Chief Executive Officer

## SIGNIFICANT EVENTS

### Market

Hemtex maintains its strong position as market leader in the Swedish home textiles market. Measured over the latest 6-month period (January – June 2008), Hemtex's market share amounted to 27.5%, compared with 30.5% during the same period 2007. The closest competitors had market shares of 12.7% and 9.8%, respectively. During the first six months of 2008, the total home textiles market decreased in value by 3%, according to figures from the market research company, GfK. According to GfK, the market is being inhibited by lower prices since the number of units sold increased by 4%, while average prices declined by a full 7%. According to Hemtex's calculations, the market share in Finland was approximately 9%. Hemtex estimates its share of the Danish market at slightly more than 2%. The potential for continued growth in markets outside Sweden is considerable.

### New stores

During the first quarter, May to July 2008, the Group opened one new store in Narva, Estonia, and a new franchise store was opened in Warsaw, Poland.

### Acquisitions

On June 1, 2008, a franchise store in Östersund, Sweden, was acquired with annual sales of SEK 12.0 M. Since Hemtex AB already delivered most of the products sold by the acquired store, the Group's sales will be affected by approximately half of the company's sales. The purchase price for the franchise store totaled SEK 8.2 M and was paid in cash. The net assets in the store amounted to SEK 1.7 M, which resulted in goodwill of SEK 6.5 M. Apart from the goodwill, no intangible fixed assets have been identified as

resulting from the acquisition. The goodwill is attributable to the anticipated earnings level for the store operation and the positive effect that the store operation will have on the Hemtex Group. The store contributed sales of SEK 1.6 M and operating profit of SEK 0.1 M during the first quarter.

## STRATEGIC DEVELOPMENT

### Geographic expansion

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

Hemtex sees potential for growth in new markets both by means of proprietary stores, as in Estonia, and through franchise agreements, as is currently the case in Poland.

### Refined product range

The Group's strong position in the home textile segment, which is the core of the company's operations, provided a solid foundation for the efforts carried out in the autumn of 2007 to refine the product range. Further development and broadening the product range has been made through the introduction of the trademark U.S. Polo in May 2008.

In addition to broadening existing stores, the first seven Hemtex & More has been opened, since October 2007. Hemtex & More stores have retail space of 700–1,000 square meters, compared to 270 square meters of the average store, and a considerably broader and larger range of products for the home than Hemtex was previously able to offer its customers.

Expansion conducted through the new store format and the broadening of the product range is an important part of Hemtex's growth strategy. The potential exists to establish about 40 Hemtex & More in the Nordic region.

### Hemtex presents – easy changes

Our new communication strategy was launched in August 2008. Home decoration should be effortless, fun and preferably not too expensive. Interest in home decor has completely exploded in the past few years and, in line with the increased interest, the demands have become enormous. Hemtex wants to change this and is presenting an entirely new advertising concept, "Simple changes – the world's shortest interior design show."

Today, the various interior design shows are always trying to outdo each other. They do everything from tearing down walls and ripping up flooring to retiling bathrooms and landscaping gardens. This may look easy on TV but in reality it cannot be done in the turn of a hand. Accordingly, Hemtex has chosen to show, in a new and unique way, that home decor can be simple and uncomplicated.

By, for example, using more marketing channels, Hemtex's brand will achieve a more distinct meaning and broader associations.

The aim of the new communication strategy is to increase the market impact by combining continuing strong offerings with inspiration to purchase interior-design products and to renew the home more frequently. The focus will be raised from individual products to the purchase of entire combinations. By the autumn, Hemtex will also have implemented a review of its pricing strategy, whereby the regular prices of a variety of products will be reduced. Reduced prices and broadened communication, combined with a refined product range, will increase the power of Hemtex's offering with a view to capturing shares of a weaker market and sharpening the Group's competitiveness in the market.

In addition to a new communication strategy, the media mix used by Hemtex has been changed. The aim is to reach more consumers within Hemtex's existing target groups and to broaden communication. With a total of 208 stores in August 2008, the potential to increase sales is considerable. Hemtex already enjoys high brand recognition and thus has a strong point of departure for further strengthening it.

## COMMENTS ON THE INCOME STATEMENT AND BALANCE SHEET

### Net Sales

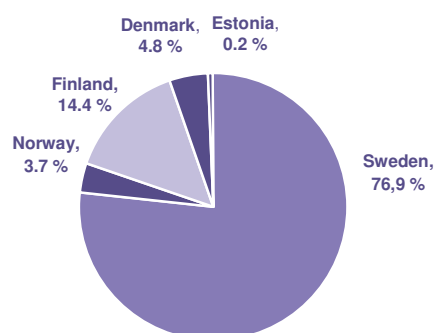
The Group's net sales consist of consumer retail sales via proprietary stores and wholesale sales to franchise stores in the Hemtex chain.

The Group's total net sales decreased during the first quarter of the fiscal year by 8.5% (increase: 28.6) to SEK 352.7 M (385.5). The sales decrease, excluding acquired units, amounted to 9.0%. With unchanged currency rates, net sales declined by 8.9%.

Sales were negatively impacted by the weak trend in the market as a whole and by high discounts to adapt the Group's inventory levels.

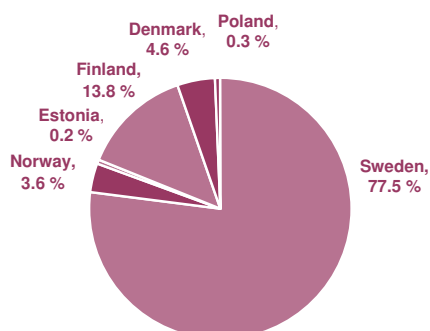
Of the Group's net sales, Finnish operations accounted for SEK 54.9 M (55.4), operations in Denmark for SEK 17.9 M (19.3), operations in Norway for SEK 13.3 M (11.1) and the operation in Estonia for SEK 1.3 M (0.9). Other operating income amounted to SEK 2.3 M (1.8) and primarily comprised franchise fees and bonus payments from suppliers and business partners.

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



During the most recent 12-month period, net sales at the consumer level (including franchise stores) decreased in all markets by 0.1% to SEK 1,645 M (1,647).

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



During the quarter, sales in the Group's comparable stores decreased by 13% (increase: 1). All countries reported negative trends in comparable stores during the first quarter and the most recent 12-month period. In Sweden, sales in comparable stores declined by 15% (increase: 1) during the quarter. Sales in comparable stores in Finland declined by 13% (increase: 2) during the first quarter. In Denmark, sales in comparable stores declined by 18% (increase: 8) during the first quarter. The market that performed the best during the quarter was Norway, where sales declined by 1%

(increase:12) despite the comparison with strong market figures from 2007. The Group's first store in Estonia became a comparable store in June and reduced sales by 21% during the last two months of the quarter.

The efforts which are in process regarding development and broadening the product range, increased retail space and intensified brand building aim at supporting the future sales trend in comparable stores.

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

|         | 3 months<br>May-July | Rollong 12<br>months<br>Aug-July |
|---------|----------------------|----------------------------------|
| Group   | - 13%                | - 7%                             |
| Sweden  | - 15%                | - 7%                             |
| Finland | - 13%                | - 12%                            |
| Denmark | - 18%                | - 6%                             |
| Norway  | - 1%                 | -1%                              |
| Estonia | -21%                 | -                                |

Consolidated sales for comparable stores during the most recent 12-month period amounted to SEK 31.2 M per square meter (35.8), calculated on the basis of average floor space of 270 square meters (261).

#### Earnings

Consolidated gross profit (sales revenues less cost of goods sold) decreased by 9.1% to SEK 183.7 M (202.1). The gross profit margin decreased to 52.1% (52.4), which was primarily due to high discounts resulting from adaptation of inventory levels.

One aim of the purchasing work is to increase the share of goods purchased directly from producers to approximately 80%. The portion of current direct purchases amounted to slightly more than 77%. The objective is that the portion of purchasing from Asia will total 80 percent and the current level is 69 percent.

The change in the value of outstanding forward contracts, applying IAS 39, had a positive impact of SEK 2.1 M (0.7) on gross profit during the first quarter.

Operating expenses, excluding goods for resale and depreciation and impairment losses on tangible and intangible assets, amounted to SEK 163.6 M (145.3). As a percentage of sales, these expenses amounted to 46.4% (37.7). The increase in costs as a percentage of sales was due to store expansion and will be offset by growth in the gross margin for newly established and acquired stores. Due to the weak sales trend, this growth did not offset the increased costs.

In accordance with IFRS and URA 46, first-quarter earnings were charged with costs of SEK 0.0 M for employee stock options.

Of depreciation and impairment of tangible and intangible fixed assets, rental rights accounted for SEK 1.6 M (1.3) and other depreciation for SEK 9.4 M (7.0).

Operating profit amounted to SEK 11.4 M (50.4), corresponding to an operating margin of 3.2% (13.1). During the first quarter of the fiscal year, only the Swedish market reported an operating profit. In other markets, losses resulting from negative trends in the Group's comparable stores were reported. The results for the various markets are presented in the section on segment reporting on page 9 of this report.

Consolidated profit before tax amounted to SEK 9.0 M (49.8), resulting in a profit margin of 2.6% (12.9). Profit after tax amounted to SEK 6.5 M (35.8).

### Investments

The Group's cash-impacting net investments totaled SEK 15.8 M (11.8) during the first quarter, of which SEK 8.2 M (0.0) pertained to store acquisitions, SEK 3.8 M (9.0) to establishment of new and refurbishment of existing stores and SEK 3.8 M (2.8) to other investments.

### Cash flow

Cash flow from operating activities increased by SEK 58.1 M to SEK 56.8 M, primarily due to a reduction in inventories of Cash flow after investments amounted to SEK 41.1 M (neg: 13.1) during the first quarter.

### Risk factors

Hemtex's operations are exposed to a number of risks that are fully or partly beyond the control of the company and the Group, but that can impact sales and earnings. The risks to which the Group and the Parent Company are exposed include economic trends, weather and fashion risks. A more detailed description of these risks is presented in the 2007/2008 Annual Report and on [www.hemtex.com](http://www.hemtex.com), Investor Relations.

### Seasonal fluctuations

As with other segments of the home furnishings industry, Hemtex's net sales, operating profit and cash flow from operating activities fluctuate throughout the year. This is because costs are relatively constant, while net sales vary. The Group's strongest earnings are generated during the first to third fiscal quarters, meaning the period from May to January. However, Hemtex aims to reduce seasonal fluctuations on earning through sales activities, broadening the product mix and adapting staffing in the stores.

### Financial position

On July 31, 2008, cash and cash equivalents amounted to SEK 59.8 M (53.5). Net debt, defined as interest-bearing debt less cash and cash equivalents, increased by SEK 127.5 M during the most recent 12-month period and amounted to SEK 132.8 M (5.3) at July 31, 2008. The change was primarily due to increased dividends to shareholders and a continued high restructuring and establishment rate. The net debt/equity ratio at July 31, 2008 was 28% (1).

The equity/assets ratio decreased to 55%, compared with 66% on the same date in the preceding year.

### Inventories

On July 31, 2008, inventories amounted to SEK 280.4 M (301.2), which was lower than both the year-earlier period and April 30, 2008. The reduction derived from a strictly controlled purchasing strategy, where the target was achieved during the quarter. Of the total inventories, wholesale inventories accounted for SEK 83.7 M (115.7). At the end of July 2008, inventories per store within the Group averaged SEK 1.1 M (1.1).

### Goodwill

Total goodwill in the Hemtex Group, as reported in the consolidated balance sheet on July 31, 2008, amounted to SEK 285.8 M (279.3). Swedish operations accounted for SEK 267.9 M (261.7) of the Group's goodwill and Danish operations accounted for the remainder. The valuation takes into consideration the Group's accrued earnings values for acquired operations, the Group's market shares in Sweden and Denmark, the strength of the Hemtex brand in these markets, established supplier contacts and the expertise of the Group's employees.

### Earnings per share

Earnings per share amounted to SEK 0.22 (1.25) before dilution and SEK 0.22 (1.25) after dilution. Equity per share amounted to SEK 16.33 (18.77). The number of shares in Hemtex AB amounted to 29,337,400 on July 31, 2008. The average number of shares during the quarter was 29,337,400.

### Average number of employees in the Group

The average number of employees in the Group during the quarter was 779 (650). The increase was primarily due to the expansion of the Group's proprietary store operations.

### Parent Company

Hemtex AB's net sales decreased during the quarter and amounted to SEK 308.0 M (351.8). Net sales in Hemtex AB

consist of consumer retail sales via proprietary stores and wholesale sales to subsidiaries and franchise stores. Of the net sales, sales in proprietary stores accounted for SEK 248.0 M (271.9) and wholesales for SEK 60.0 M (79.9).

Profit after financial items amounted to SEK 20.6 M (49.6). The Parent Company's cash-impacting net investments amounted to SEK 13.5 M (6.9).

The average number of employees in Hemtex AB during the interim report period was 566, compared with 501 employees in the preceding year.

## OTHER

### Events after the closing date

The Group opened a store in Kolbotn, Norway, in August. At the end of August, Hemtex's new campaign concept "Simple changes – the world's shortest decor program" was launched on television. All films will also be shown in their entirety on [www.hemtex.com](http://www.hemtex.com). The website also has a completely new inspirational design, and improved information for all visitors.

### Reporting dates

The interim report for May 2008 to October 2008 will be published on 26 November, 2008, CET 07.00

The interim report for May 2008 to January 2009 will be published on 5 March, 2009, CET 07.00

The year-end report for May 2008 to April 2009 will be published on 11 June, 2009, CET 07.00

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

### Accounting principles

The interim report for the Group has been compiled in accordance with IAS 34 Interim Reporting. The Annual Accounts Act and the Securities Markets Act have also been applied. For the Parent Company, the Annual Accounts Act and the Securities Markets Act have been applied, in accordance with the stipulations of the Swedish Financial Reporting Council's RFR 2.1 recommendation, Interim Reporting for Legal Entities. The accounting and calculation principles used for the interim report are unchanged compared with those applied in the latest annual report.

The report is unaudited.

Borås, September 3, 2008  
Hemtex AB

### Board of Directors

### Further information

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## CONSOLIDATED INCOME STATEMENT

|  | 3 months<br>May 1–July 31 |                 | Rolling 12<br>Aug-July | Full-year<br>May-April |
|--|---------------------------|-----------------|------------------------|------------------------|
| (SEK 000s)   | 2007                      | 2008            | 2007/08                | 2007/08                |
| Net sales  | 385,510                   | 352,683         | 1,575,503              | 1,608,329              |
| Other operating income   | <u>1,782</u>              | <u>2,318</u>    | <u>16,131</u>          | <u>15,595</u>          |
| <b>Total operating income</b>                                    | <b>387,292</b>            | <b>355,001</b>  | <b>1,591,634</b>       | <b>1,623,924</b>       |
| <i>Operating expenses</i>  |                           |                 |                        |                        |
| Goods for resale   | - 183,421                 | - 169,009       | - 745,621              | - 760,033              |
| Other external costs   | - 73,507                  | - 84,604        | - 367,742              | - 366,805              |
| Personnel expenses   | - 71,755                  | - 78,982        | - 333,765              | - 316,370              |
| Depreciation/impairment losses on tangible and intangible assets | <u>- 8,250</u>            | <u>- 10,984</u> | <u>- 42,314</u>        | <u>- 39,580</u>        |
| <b>Operating profit</b>  | <b>50,359</b>             | <b>11,422</b>   | <b>102,192</b>         | <b>141,136</b>         |
| <i>Result from financial items</i>                               |                           |                 |                        |                        |
| Other interest income and similar items                          | 128                       | 113             | 662                    | 677                    |
| Interest expenses and similar items                              | <u>- 648</u>              | <u>- 2,540</u>  | <u>- 10,965</u>        | <u>- 9,074</u>         |
| Total result from financial items                                | - 520                     | - 2,427         | - 10,303               | - 8,397                |
| <b>Profit before tax</b>   | <b>49,839</b>             | <b>8,995</b>    | <b>91,889</b>          | <b>132,739</b>         |
| Tax on profit for the period                                     | <u>- 14,013</u>           | <u>- 2,527</u>  | <u>- 27,415</u>        | <u>- 36,271</u>        |
| <b>Net profit for the period</b>                                 | <b>35,826</b>             | <b>6,468</b>    | <b>64,474</b>          | <b>96,468</b>          |
| Earnings per share before dilution, SEK                          | 1.25                      | 0.22            | 2.20                   | 3.31                   |
| Earnings per share after dilution, SEK                           | 1.25                      | 0.22            | 2.20                   | 3.31                   |
| Number of shares outstanding on the closing date                 | 29,337,400                | 29,337,400      | 29,337,400             | 29,337,400             |
| Average number of shares outstanding                             |                           |                 |                        |                        |
| before dilution  | 28,605,661                | 29,337,400      | 29,337,400             | 29,153,466             |
| after dilution   | 28,605,661                | 29,337,400      | 29,337,400             | 29,153,466             |

## GROUP KEY RATIOS

|  | 3 months<br>May 1–July 31 |        | Rolling 12<br>Aug-July | Full-year<br>May-April |
|--|---------------------------|--------|------------------------|------------------------|
|  | 2007                      | 2008   | 2007/08                | 2007/08                |
| Sales growth, %                            | 28.6                      | - 8.5  | 1.2                    | 9.4                    |
| Sales growth, comparable stores, %         | 1.0                       | - 13.0 | - 7.0                  | - 3.8                  |
| Gross profit margin, %                     | 52.4                      | 52.1   | 52.7                   | 52.7                   |
| Operating margin, %                        | 13.1                      | 3.2    | 6.5                    | 8.8                    |
| Profit margin, %                           | 12.9                      | 2.6    | 5.8                    | 8.3                    |
| Return on equity, %                        | 27.5                      | 5.4    | 12.5                   | 20.0                   |
| Return on capital employed, %              | 34.4                      | 6.8    | 16.1                   | 22.8                   |
| Return on operating capital, %             | 37.9                      | 7.3    | 17.5                   | 24.5                   |
| Equity/asset ratio, %                      | 65.9                      | 55.5   | 55.5                   | 53.4                   |
| Cash flow after investments, SEK M         | - 13.1                    | 41.1   | 12.0                   | - 42.1                 |
| Number of warrants outstanding, 000s       | -                         | 240.0  | 240.0                  | 240.0                  |
| Cash flow after investments per share, SEK | - 0.46                    | 1.40   | 0.41                   | - 1.45                 |
| Shareholders' equity per share, SEK        | 18.77                     | 16.33  | 16.33                  | 16.10                  |
| Number of full-year employees              | 650                       | 779    | 779                    | 757                    |



**CONSOLIDATED CASH-FLOW STATEMENT (CONDENSED)**

| (SEK 000s)   | 3 months<br>May 1–July 31 |               | Full-year<br>May-April |
|--|---------------------------|---------------|------------------------|
|  | 2007                      | 2008          | 2007/08                |
| <b>Cash flow from operating activities before changes in working capital</b> | <b>46,603</b>             | <b>7,928</b>  | <b>108,686</b>         |
| <b>Cash flow from changes in working capital</b>                             |                           |               |                        |
| Inventories  | - 36,802                  | 59,610        | - 71,283               |
| Operating receivables  | 1,714                     | 2,757         | -7,584                 |
| Non-interest bearing liabilities   | - 12,791                  | - 13,474      | - 5,579                |
| <b>Cash flow from operating activities</b>                                   | <b>-1,276</b>             | <b>56,821</b> | <b>24,240</b>          |
| Cash flow from investing activities  | - 11,792                  | - 15,756      | - 66,392               |
| <b>Cash flow for the period after investments</b>                            | <b>- 13,068</b>           | <b>41,065</b> | <b>- 42,152</b>        |
| Cash flow from financing activities  | 9,777                     | - 12,911      | 16,213                 |
| <b>Cash flow for the period</b>  | <b>- 3,291</b>            | <b>28,154</b> | <b>- 25,939</b>        |
| Net debt at the end of the period  | 5,258                     | 132,781       | 174,005                |

**CONSOLIDATED BALANCE SHEET (CONDENSED)**

| (SEK 000s)   | July 31        |                | April 30       |
|--|----------------|----------------|----------------|
|  | 2007           | 2008           | 2008           |
| Intangible fixed assets <sup>1)</sup>                | 327,965        | 337,508        | 330,190        |
| Tangible fixed assets                                | 102,176        | 120,205        | 123,376        |
| Financial assets                                     | 5,531          | 5,675          | 5,625          |
| Inventories  | 301,207        | 280,401        | 337,936        |
| Current receivables                                  | 44,885         | 58,647         | 56,319         |
| Cash and cash equivalents                            | 53,475         | 59,840         | 31,490         |
| <b>Total assets</b>                                  | <b>835,239</b> | <b>862,276</b> | <b>884,936</b> |
| Shareholders' equity                                 | 550,786        | 478,963        | 472,456        |
| Long-term liabilities <sup>2)</sup>                  | 33,430         | 87,650         | 85,938         |
| Short-term liabilities <sup>2)</sup>                 | 251,023        | 295,663        | 326,542        |
| <b>Total equity and liabilities</b>                  | <b>835,239</b> | <b>862,276</b> | <b>884,936</b> |
| <sup>1)</sup> Of which. goodwill                     | 279,348        | 285,844        | 279,238        |
| <sup>2)</sup> Of which. interest-bearing liabilities | 58,733         | 192,621        | 205,495        |

**STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY**

| (SEK 000s)   | 3 months<br>May 1–July 31 |                | Full-year<br>May-April |
|--|---------------------------|----------------|------------------------|
|  | 2007                      | 2008           | 2007/08                |
| <b>Total shareholders' equity at the beginning of the period</b> | <b>491,255</b>            | <b>472,456</b> | <b>491,255</b>         |
| New share issue  | 23,690                    | -              | 23,690                 |
| Paid-in option premiums  | -                         | -              | 1,896                  |
| Exchange-rate differences  | 15                        | 39             | 1,433                  |
| Dividend   | -                         | -              | - 142,286              |
| Net profit   | 35,826                    | 6,468          | 96,468                 |
| <b>Total shareholders' equity at the end of the period</b>       | <b>550,786</b>            | <b>478,963</b> | <b>472,456</b>         |



## SEGMENT REPORTING (CONDENSED)

| Net sales per geographical market<br>(SEK 000s) | 3 months<br>May-July |                | Rolling 12<br>Aug-July | Full-year<br>May-April |
|---|----------------------|----------------|------------------------|------------------------|
|   | 2007                 | 2008           | 2007/08                | 2008/09                |
| Sweden  | 298,870              | 265,211        | 1,211,751              | 1,245,409              |
| Finland   | 55,350               | 54,944         | 226,912                | 227,318                |
| Denmark   | 19,280               | 17,885         | 74,918                 | 76,313                 |
| Norway  | 11,091               | 13,335         | 58,539                 | 56,295                 |
| Estonia   | 919                  | 1,308          | 3,383                  | 2,994                  |
| <b>Total</b>                                    | <b>385,510</b>       | <b>352,683</b> | <b>1,575,503</b>       | <b>1,608,329</b>       |

| Operating profit per geographical market<br>(SEK 000s) | 3 months<br>May-July |               | Rolling 12<br>Aug-July | Full-year<br>May-April |
|--|----------------------|---------------|------------------------|------------------------|
|  | 2007                 | 2008          | 2007/2008              | 2007/08                |
| Sweden   | 46,823               | 17,152        | 105,654                | 135,332                |
| Finland  | 5,036                | - 1,009       | -2,260                 | 3,785                  |
| Denmark  | 760                  | - 2,410       | 594                    | 3,764                  |
| Norway   | - 2,209              | - 1,951       | -738                   | - 996                  |
| Estonia  | - 51                 | -360          | -1,058                 | - 749                  |
| <b>Total</b>   | <b>50,359</b>        | <b>11,422</b> | <b>102,192</b>         | <b>141,136</b>         |

| Operating margin per geographical market<br>% | 3 months<br>May-July |            | Rolling 12<br>Aug-July | Full-year<br>May-April |
|---|----------------------|------------|------------------------|------------------------|
|   | 2007                 | 2008       | 2007/2008              | 2007/08                |
| Sweden  | 15.7                 | 6.5        | 8.7                    | 10.9                   |
| Finland                                       | 9.1                  | - 1.8      | - 1.0                  | 1.7                    |
| Denmark                                       | 3.9                  | - 13.5     | 0.8                    | 4.9                    |
| Norway  | - 19.9               | - 14.6     | - 1.3                  | - 1.8                  |
| Estonia                                       | - 5.5                | - 27.5     | - 31.3                 | - 25.0                 |
| <b>Total</b>                                  | <b>13.1</b>          | <b>3.2</b> | <b>6.5</b>             | <b>8.8</b>             |

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

## NUMBER OF STORES

|                                  | April 30   |            |            |            |            | July 31    |            |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|
|                                  | 2004       | 2005       | 2006       | 2007       | 2008       | 2007       | 2008       |
| Sweden                           | 21         | 44         | 70         | 113        | 120        | 116        | 121        |
| Finland                          | 5          | 12         | 22         | 34         | 38         | 35         | 38         |
| Denmark                          | 6          | 6          | 8          | 8          | 10         | 8          | 10         |
| Norway                           | -          | -          | 1          | 8          | 11         | 8          | 11         |
| Estonia                          | -          | -          | -          | -          | 1          | 1          | 2          |
| <b>Total stores in the Group</b> | <b>32</b>  | <b>62</b>  | <b>101</b> | <b>163</b> | <b>180</b> | <b>168</b> | <b>182</b> |
| Franchise stores in Sweden       | 75         | 67         | 52         | 23         | 23         | 23         | 22         |
| Franchise stores in Poland       | -          | -          | -          | -          | 2          | -          | 3          |
| <b>Total stores in the chain</b> | <b>107</b> | <b>129</b> | <b>153</b> | <b>186</b> | <b>205</b> | <b>191</b> | <b>207</b> |

## QUARTERLY EARNINGS – GROUP

| SEK M   | 2006/07<br>Q2 | 2006/07<br>Q3 | 2006/07<br>Q4 | 2007/08<br>Q1 | 2007/08<br>Q2 | 2007/08<br>Q3 | 2007/08<br>Q4 | 2008/09<br>Q1 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net sales   | 346.9         | 501.2         | 322.7         | 385.5         | 375.5         | 523.2         | 324.2         | 352.7         |
| Other operating income  | <u>3.6</u>    | <u>5.2</u>    | <u>2.6</u>    | <u>1.8</u>    | <u>3.3</u>    | <u>5.4</u>    | <u>5.1</u>    | <u>2.3</u>    |
| <b>Total operating income</b>                                       | <b>350.5</b>  | <b>506.4</b>  | <b>325.3</b>  | <b>387.3</b>  | <b>378.8</b>  | <b>528.6</b>  | <b>329.3</b>  | <b>355.0</b>  |
| <i>Operating expenses</i>   |               |               |               |               |               |               |               |               |
| Goods for resale  | - 168.2       | - 226.7       | - 152.3       | - 183.4       | - 170.3       | - 232.8       | - 173.6       | - 169.0       |
| Other external costs  | - 72.5        | - 91.0        | - 78.7        | - 73.5        | - 87.5        | - 103.6       | - 102.3       | - 84.6        |
| Personnel expenses  | - 56.6        | - 68.9        | - 68.2        | - 71.8        | - 78.3        | - 91.7        | - 74.6        | - 79.0        |
| Depreciation/impairment losses on<br>tangible and intangible assets | <u>- 6.1</u>  | <u>- 7.5</u>  | <u>- 7.3</u>  | <u>- 8.3</u>  | <u>- 9.1</u>  | <u>- 10.2</u> | <u>- 12.0</u> | <u>- 11.0</u> |
| <b>Operating profit</b>   | <b>47.1</b>   | <b>112.3</b>  | <b>18.8</b>   | <b>50.3</b>   | <b>33.6</b>   | <b>90.3</b>   | <b>-33.2</b>  | <b>11.4</b>   |
| <i>Operating margin, %</i>  | <i>13.6</i>   | <i>22.4</i>   | <i>5.8</i>    | <i>13.1</i>   | <i>9.0</i>    | <i>17.3</i>   | <i>- 10.2</i> | <i>3.2</i>    |
| Result from financial items   | <u>0.6</u>    | <u>- 0.6</u>  | <u>- 0.5</u>  | <u>- 0.5</u>  | <u>- 2.1</u>  | <u>- 3.4</u>  | <u>- 2.4</u>  | <u>- 2.4</u>  |
| <b>Profit after financial items</b>                                 | <b>47.7</b>   | <b>111.7</b>  | <b>18.3</b>   | <b>49.8</b>   | <b>31.5</b>   | <b>86.9</b>   | <b>- 35.6</b> | <b>9.0</b>    |
| Tax on profit for the period  | <u>- 13.4</u> | <u>- 31.3</u> | <u>- 4.8</u>  | <u>- 14.0</u> | <u>- 8.9</u>  | <u>- 25.4</u> | <u>12.0</u>   | <u>- 2.5</u>  |
| <b>Net profit for the period</b>                                    | <b>34.3</b>   | <b>80.4</b>   | <b>13.5</b>   | <b>35.8</b>   | <b>22.6</b>   | <b>61.5</b>   | <b>- 23.6</b> | <b>6.5</b>    |

## MULTI-YEAR REVIEW

|  | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | Rolling 12<br>Aug-July<br>2007/08 |
|--|---------|---------|---------|---------|---------|-----------------------------------|
| Net sales, SEK M                           | 590.1   | 804.6   | 1,159.7 | 1,470.5 | 1,608.3 | 1,575.5                           |
| Net sales growth, %                        | 19.3    | 36.4    | 44.1    | 26.8    | 9.4     | 1.2                               |
| Gross profit margin, %                     | 32.4    | 39.1    | 47.2    | 52.2    | 52.7    | 52.7                              |
| Operating profit, SEK M                    | 54.1    | 93.0    | 180.9   | 221.5   | 141.1   | 102.2                             |
| Operating margin, %                        | 9.2     | 11.6    | 15.6    | 15.1    | 8.8     | 6.5                               |
| Net profit, SEK M                          | 36.5    | 69.2    | 130.5   | 159.5   | 96.5    | 64.5                              |
| Cash flow after investments, SEK M         | 9.4     | 79.3    | 13.2    | - 43.3  | -42.2   | 12.0                              |
| Return on equity, %                        | 42.2    | 40.9    | 42.6    | 35.9    | 20.0    | 12.5                              |
| Return on capital employed, %              | 35.2    | 45.9    | 55.7    | 45.5    | 22.8    | 16.1                              |
| Return on operating capital, %             | 37.3    | 55.0    | 75.2    | 54.7    | 24.5    | 17.5                              |
| Return on total capital, %                 | 25.3    | 31.0    | 38.6    | 32.3    | 16.9    | 12.1                              |
| Equity/assets ratio, %                     | 49.6    | 60.3    | 68.0    | 61.6    | 53.4    | 60.7                              |
| Net debt/EBITDA, times                     | 0.5     | - 0.3   | - 0.5   | 0.1     | 1.0     | 0.9                               |
| Capital turnover ratio, times              | 4.1     | 4.8     | 4.8     | 3.6     | 2.8     | 2.7                               |
| Earnings per share before dilution, SEK    | 1.95    | 2.77    | 4.76    | 5.69    | 3.31    | 2.20                              |
| Earnings per share after dilution, SEK     | 1.95    | 2.76    | 4.60    | 5.47    | 3.31    | 2.20                              |
| Cash flow after investments per share, SEK | 0.50    | 3.18    | 0.48    | - 1.54  | - 1.45  | 0.41                              |
| Equity per share, SEK                      | 5.18    | 8.09    | 14.21   | 17.53   | 16.10   | 16.33                             |
| Number of full-year employees              | 162     | 284     | 433     | 602     | 757     | 779                               |

## PARENT COMPANY'S INCOME STATEMENT

| (SEK 000s)   | 3 months<br>May 1–July 31 |                 | Full-year<br>May–April |
|--|---------------------------|-----------------|------------------------|
|  | 2007                      | 2008            | 2007/08                |
| Net sales  | 351,826                   | 307,967         | 1,478,290              |
| Other operating income   | <u>3,676</u>              | <u>2,083</u>    | <u>20,180</u>          |
| <b>Total operating income</b>                                    | <b>355,502</b>            | <b>310,050</b>  | <b>1,498,470</b>       |
| <i>Operating expenses</i>  |                           |                 |                        |
| Goods for resale   | - 185,579                 | - 160,273       | - 777,440              |
| Other external costs   | - 53,389                  | - 59,113        | - 295,948              |
| Personnel expenses   | - 54,697                  | - 59,603        | - 248,596              |
| Depreciation/impairment losses on tangible and intangible assets | <u>- 13,104</u>           | <u>- 10,506</u> | <u>- 42,196</u>        |
| <b>Operating profit</b>  | <b>48,733</b>             | <b>20,555</b>   | <b>134,290</b>         |
| <i>Result from financial items</i>                               |                           |                 |                        |
| Other interest income and similar items                          | 1,551                     | 2,507           | 7,511                  |
| Interest expenses and similar items                              | <u>- 642</u>              | <u>- 2,493</u>  | <u>- 8,559</u>         |
| Total result from financial items                                | 909                       | 14              | - 1,048                |
| <b>Profit after financial items</b>                              | <b>49,642</b>             | <b>20,569</b>   | <b>133,242</b>         |
| Appropriations   | <u>-</u>                  | <u>-</u>        | <u>- 12,317</u>        |
| <b>Profit before tax</b>   | <b>49,642</b>             | <b>20,569</b>   | <b>120,295</b>         |
| Tax  | <u>- 13,958</u>           | <u>- 5,768</u>  | <u>- 36,782</u>        |
| <b>Net profit for the period</b>                                 | <b>35,684</b>             | <b>14,801</b>   | <b>84,143</b>          |

## PARENT COMPANY'S BALANCE SHEET (CONDENSED)

| (SEK 000s)   | July 31        |                | April 30       |
|--|----------------|----------------|----------------|
|  | 2007           | 2008           | 2008           |
| Intangible fixed assets <sup>1)</sup>                | 285,067        | 282,252        | 278,341        |
| Tangible fixed assets                                | 57,608         | 73,545         | 74,759         |
| Financial assets                                     | 23,728         | 26,497         | 24,598         |
| Inventories  | 238,031        | 205,001        | 254,824        |
| Current receivables                                  | 146,578        | 214,340        | 181,891        |
| Cash and cash equivalents                            | <u>29,283</u>  | <u>20,859</u>  | <u>19,534</u>  |
| <b>Total assets</b>                                  | <b>780,295</b> | <b>822,494</b> | <b>833,947</b> |
| Shareholders' equity                                 | 503,397        | 427,862        | 413,077        |
| Untaxed reserves                                     | 48,167         | 58,867         | 58,867         |
| Provisions   | 6,216          | 5,328          | 5,328          |
| Short-term liabilities <sup>2)</sup>                 | <u>222,515</u> | <u>330,437</u> | <u>356,675</u> |
| <b>Total equity and liabilities</b>                  | <b>780,295</b> | <b>822,494</b> | <b>833,947</b> |
| <sup>1)</sup> Of which, goodwill                     | 238,776        | 232,210        | 229,069        |
| <sup>2)</sup> Of which, interest-bearing liabilities | 44,876         | 186,915        | 198,786        |

## THE HEMTEX SHARE

Hemtex AB's share capital amounts to SEK 73.3 M. represented by 29,337,400 shares each with a par value of SEK 2.50. Each share entitles the holder to one vote at General Meetings and all shares carry equal rights to participation in the Company's assets and profits. The Hemtex share is listed on the OMX Nordic Stock Exchange Stockholm. Mid Cap. since October 6, 2005. The introduction price for the share was SEK 56. The price of the Hemtex-share decreased 31% from SEK 64.75 on May 1, 2008 to SEK 44.50 on July 31, 2008.

### Shareholders

At July 31, 2008. Hemtex AB had 4,977 shareholders. The information in the table below pertains to the circumstances at that date according to the share register maintained by the Swedish Securities Register Center (VPC AB).

| <b>Owner</b>                   | <b>Total no. of<br/>shares</b> | <b>Share of voting<br/>rights and capital</b> |
|--------------------------------|--------------------------------|---|
| Hakon Invest AB                | 5,423,038                      | 18.5%   |
| AB Industrivärden              | 3,700,000                      | 12.6%   |
| Andra AP-Fonden                | 2,618,582                      | 8.9%  |
| Orkla ASA                      | 2,394,700                      | 8.2%  |
| Nordea Bank Norge Nominee      | 1,466,000                      | 5.0%  |
| USB AG London (Client Account) | 1,341,560                      | 4.6%  |
| SEB Investment Management      | 710,000                        | 2.4%  |
| EFG Private Bank S.A., W8IMY   | 606,724                        | 2.1%  |
| Nordnet Pensionsförsäkring AB  | 587,100                        | 2.0%  |
| Unionen                        | 586,000                        | 2.0%  |
| Other owners                   | 9,903,696                      | 33.7%   |
| <b>Total</b>                   | <b>29,337,400</b>              | <b>100.0%</b>                                 |

| <b>Ownership structure</b> |                             |                            |                             |                         |  |
|----------------------------|-----------------------------|----------------------------|-----------------------------|-------------------------|--|
| <b>Number of shares</b>    | <b>Number of<br/>owners</b> | <b>% of all<br/>owners</b> | <b>Number of<br/>shares</b> | <b>%<br/>of capital</b> |  |
| 1 - 200                    | 2,852                       | 57.3%                      | 372,161                     | 1.3%                    |  |
| 201 - 1,000                | 1,575                       | 31.6%                      | 870,851                     | 3.0%                    |  |
| 1,001 - 10,000             | 421                         | 8.5%                       | 1,345,773                   | 4.6%                    |  |
| 10,001 - 100,000           | 99                          | 2.0%                       | 3,342,206                   | 11.4%                   |  |
| 100,001 -                  | 30                          | 0.6%                       | 23,406,409                  | 79.7%                   |  |
| <b>Total</b>               | <b>4,977</b>                | <b>100.0%</b>              | <b>29,337,400</b>           | <b>100.0%</b>           |  |

| <b>Distribution of owners</b> | <b>Share of voting<br/>rights and capital</b> |
|-------------------------------|---|
| Foreign owners                | 25.4%   |
| Swedish owners                | 74.6%   |
| of which                      |   |
| Legal entities                | 84.0%   |
| Private individuals           | 16.0%   |

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

## DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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