

The weak sales and earnings trends during the year create a need for major changes within Hemtex. This work is of the highest priority for management and myself.

President's comments

Major changes

The recently implemented share issue, which generated SEK 164 M for Hemtex, increased our ability to make the important changes that are required. The cost-savings and efficiency program that was implemented earlier in the year reduced costs in comparable stores by SEK 40 M. This program will continue during 2009/2010 with a focus on purchasing, logistics and operations, as well as the structure within store operations. A new price strategy has also been introduced in which the regular price on a large number of products was reduced, and the store structure is being reviewed with the objective of discontinuing a number of unprofitable stores. During 2008/2009, a decision was taken to discontinue five stores, and an additional ten will be discontinued during the current fiscal year. At the same time, we are taking advantage of the recession and lower rent levels to expand in favorable locations, although we foresee no net increase of stores during the 2009/2010 fiscal year.

In August, the new business plan will be completed, thus establishing the direction for Hemtex's future strategy. Much has already been completed, and during the autumn, we expect all processes to be fully underway. The single most important change is that we will reduce the Hemtex product range by 40%. This will make our offering to customers more clearly focused. This is also a measure that will enable and drive more efficient purchasing and simpler distribution, warehousing and store processing. Overall, the reduction of the product range and other measures will result in an improvement of the operating margin to 13–15% within three years.

Let me summarize the content of the business plan in the following points:

Leadership in product range

Competition is intense, and there are many players in the market, of which most compete with low prices. We have decided to distance Hemtex from them by putting all of our effort into taking the lead in our product range and offering the market's best service. The offering to customers shall comprise quality products in home textiles, with unparalleled scope and depth in core categories.

Concentration of the product range

The range will continue to evolve. We will be sharply reducing and concentrating our product range and this will entail a growing proportion of basic products and a lower share of trend products.

The price span will increase, with a greater number of premium products than currently available, and we will launch more innovations in the form of new functions, new materials and new material combinations. Hemtex will continue to care for its existing core customers while expanding the offering to appeal to new target groups.

Distinctive stores

With a reduced product range, our stores will be distinctive, inspiring and commercial. We aim to be the best in product information and purchasing advice. It will be easy to navigate and shop in our stores. The store concept will be renewed, and we will upgrade the graphic profile, although this will be accomplished by simple means and with a focus on the products.

Focus on good service

We have decided that Hemtex shall be characterized by offering truly great service. Good service means being receptive and knowledgeable in the interface with customers.

However, good service also means having a deep understanding of our customers' problems and needs and in the use of our products in their homes. We must understand this and be able to offer solutions.

Strong price offers and innovative marketing

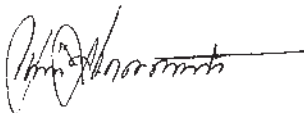
We no longer have constant sales and have replaced them with strong price offers to our customers. Inventory clearances will also take place in the future, but they must be balanced by new offers, the latest fashions, tips, ideas and innovative products. In the future, our marketing will be innovative, surprising and driven by ideas.

Fewer and larger suppliers

With a more efficient, smaller product range, there will be considerable potential for reducing purchasing prices. We will work in a structured manner to concentrate, create larger volumes and subject suppliers to competition in our effort to improve purchasing. The focus will be on both prices and quality, as well as on our environmental and social responsibility.

Hemtex has strong owners, a strong brand and store network, and committed and skilled personnel. I am confident that with the forceful change program that is now taking shape, we will be able to restore lost sales and profits. We have resolved to take the lead in our product range for home textiles in Sweden, and we will offer the market's best service. This will be a challenge, and we cannot wait to get started.

Borås, June 2009



Göran Ydstrand
President and CEO

