

BOARD OF DIRECTORS' REPORT OF ACQUISITION OF TWO FRANCHISE STORES FROM KARLSTAD HEMTEXTIL AB

On July 15, 2006, Hemtex AB entered into an agreement regarding the acquisition of two franchise stores from Karlstad Hemtextil AB, which is owned by Lars and Eira Nilsson. Since Lars Nilsson is a Member of Hemtex AB's Board, it is necessary, pursuant to the listing agreement with the Stockholm Stock Exchange, for a general shareholders' meeting to approve the Board's decision to purchase these stores. Accordingly, completion of the acquisition is conditional upon it being approved by Hemtex AB's Annual General Meeting. The stores that Hemtex AB intends to acquire are located on Drottninggatan 21 and Frykmansvägen 1 in Karlstad Municipality.

The acquisition of these stores is fully in line with Hemtex's long-term expansion strategy regarding new stores, which entails, for example, the integration of franchise stores. The intention is to further improve Hemtex AB's gross profit margin and earnings by means of such integration.

Hemtex AB is purchasing the stores in Karlstad at the same time as the acquisition of a further 22 franchise stores from other franchisees is entering the final stage. The acquisition of all of these stores will strengthen Hemtex AB's profitability. The total purchase consideration for all 24 stores, including inventories and equipment, is estimated at SEK 185 - 195 million. Of the total of 24 stores, the stores acquired from Karlstad Hemtextil AB are among the units that are most significant in terms of sales and earnings.

The purchase consideration for the two stores in Karlstad amounts to approximately SEK 16.2 million, to which must be added the price for inventories and equipment on the date of takeover. The purchase consideration will be paid in cash. The point of departure when calculating the purchase consideration is Hemtex AB's model for the acquisition of franchise stores.

A separate valuation statement from an independent expert concerning the acquisition from Karlstad Hemtextil AB will be commissioned and be presented to the Annual General Meeting. The valuation statement will also be presented on the company's website as of August 22, 2006.

It is estimated that the takeover of the two stores in Karlstad will occur on October 1, 2006.

Borås, August 4, 2006
Board of Directors of Hemtex AB