

The Board of Director's complete proposal for decision regarding an incentive program through the issue of warrants and employee stock options in Hemtex AB (publ) 2007/2010

Hemtex AB (publ), Corp. Reg. No. 556132-7056 ("the Company"), does not have a share-related incentive program¹ at present.

The Board believes that it is appropriate and in the interests of all shareholders to increase the level of responsibility and to create greater participation for senior executives and key employees in the Hemtex Group ("the Group") with regard to the Company's and Group's development and to ensure that they share the goal of generating profitable and value-creating growth. It is also intended to motivate the employees to continue their employment in the Group. Against this background, the Board proposes the incentive program detailed in the following proposal.

To be able to implement the suggested incentive program, the Board of Directors proposes that the Annual General Meeting approve the proposals listed in items A – D below. It is proposed that all resolutions be conditional upon each other.

It is the intention of the Board of Directors to propose similar incentive programs at the next two Annual General Meetings. The Board of Directors will evaluate the appropriateness and expediency of the program annually and, if it is deemed necessary or appropriate, will propose adjustments or amendments to future programs.

Item A. Adoption of incentive program

The basis of the program – a combination of warrants and employee stock options

The Board proposes that the Annual General Meeting approve an incentive program for senior executives and other key employees of the Group. The incentive program offers certain senior executives and key employees ("the Participants") a combination of warrants and employee stock options entitling the holder to acquire shares in the Company in accordance with the principles stated below.

One warrant entitles the holder to one employee stock option

The Participants shall be offered the opportunity to acquire warrants at market terms and conditions. For each warrant the Participant acquires, one (1) employee stock option is offered free of charge entitling the Participant to the acquisition of one (1) share in the Company.

Exercise and acquisition price

The subscription price in accordance with the warrants and the acquisition price in accordance with the employee stock options will correspond to 130% of the average volume-weighted mean closing price paid listed on the OMX Nordic Exchange in

¹ At April 30, 2007, Hemtex AB had two warrant programs outstanding, T01 and T02, totaling 33,000 warrants. In both warrant programs, the subscription period was May 1 to July 31, 2007. The options were issued to key employees and senior executives. All options were subscribed for during June 2007, which means that the number of shares increased from 28,017,400 to 29,337,400 and share capital by SEK 3.3 M to SEK 73.3 M. This corresponds to a dilution of 4.5% of the share capital and number of votes.

Stockholm for the Company's shares during the period from September 12, 2007 to September 25, 2007. Days in which no closing price paid is quoted are not included in the calculation.

Employee stock options are nontransferable

The employee stock options are nontransferable and the exercise of employee stock options requires that the shareholder is an employee of the Group at the time of exercise. However, it shall be possible to exercise options for a period of three months following the death of an employee.

Scope of the incentive program

It is proposed that the scope of the incentive program shall encompass not more than 120,000 warrants and not more than 120,000 employee stock options.

No hedge has been proposed to manage such items as social security fees. However, an upper limit for the employee stock options has been proposed.

Employees entitled to subscription and allocation of warrants and employee stock options

It is proposed that the incentive program encompass seven persons. The rights of the Participants to acquire warrants shall be differentiated with consideration given to position, responsibility and work performance in the Group. Accordingly, the Participants will be split into two categories: the President and other members of the management group. The maximum allocation to individual Participants is presented in the table below.

Category	Number of people	Maximum number of warrants and employee stock options
Category 1, President	1 person	30 000 warrants 30 000 employee stock options
Category 2, Other members of the management group	6 persons	15 000 warrants 15 000 employee stock options

Board members are not entitled to obtain warrants and employee stock options as specified under the incentive program at hand.

Dilution, costs, etc.

The maximum dilution effect for the incentive program is estimated to amount to not more than 0.82% of the share capital (entailing the same percentage of dilution of the number of shares), providing there is full subscription and full exercise of all warrants and employee stock options. This dilution has been calculated as the maximum number of shares and votes that can be issued divided by the total number of shares and votes following such an issue.

On full exercise of all warrants and employee stock options, share capital will increase by a total of not more than SEK 600,000.

The incentive program is estimated to have a marginal effect on the Company's earnings per share.

Since the warrants will be sold at market price, no social security fees will arise for the Group in this respect.

Social security fees for the employee stock options will be expensed between 2007/2008 and 2010/2011, based on the change in value of the employee stock options.

Purpose of the program and reason for deviation from shareholders' preferential rights

The purpose of the incentive program and the reason for deviating from the preferential rights of shareholders is to promote responsibility and involvement among key employees in the development of the Company and the Group, and to ensure that they share the goal of generating profitable growth. The program shall also motivate key employees to remain at the Company.

Majority requirement

By way of information, a decision in accordance with items A and B may be made by a simple majority. However, decisions concerning the issue of employee stock options shall be conditional on the Annual General Meeting also approving the issue of warrants pursuant to items C and D below. Decisions by the Annual General Meeting pursuant to the Board proposals according to items C and D require the support of shareholders representing at least nine tenths of both the votes cast and the shares represented at the Meeting.

Item B. Issue of employee stock options

The Board proposes that the Meeting approve the issue of employee stock options that offer the possibility of acquiring shares in the Company. The employee stock options shall be issued in accordance with the terms and conditions stipulated in the incentive program described in item A above and in accordance with the terms and conditions stipulated below in item B.

The employee stock options shall be offered to individuals encompassed by the incentive program described above. In order to ensure the commitment to providing shares in conjunction with the exercise of the employee stock options, it is proposed that warrants be issued (refer to item D below).

Acquisition of shares

Each employee stock option entitles the holder to acquire one (1) share in the Company, with each share at a par value of SEK 2.50.

Terms and conditions for exercise, etc.

The employee stock options are nontransferable and the exercise of employee stock options requires that the holder is an employee of the Group at the time of exercise.

In addition, the right to exercise employee stock options requires that the Group, during the 2007/2008 – 2009/2010 fiscal years and in accordance with adopted annual reports, has increased earnings per share (net profit divided by weighted average

number of shares during the year) compared with the preceding fiscal years so that an increase in earnings per share during the fiscal year in question corresponds to not less than the increase in earnings per share specified in the table below.

<i>Period</i>	<i>Increase in earnings per share (%)</i>	<i>Proportion of warrants that can be exercised</i>
Fiscal year 2007/2008	15	1/3
Fiscal year 2008/2009	15	1/3
Fiscal year 2009/2010	15	1/3

Accordingly, if the target for the 2007/2008 fiscal year is achieved, 1/3 of the employee stock options can be exercised irrespective of whether the targets for the 2008/2009 and 2009/2010 fiscal years are achieved. The corresponding principle applies for the other fiscal years. If the target for the 2007/2008 fiscal year is not achieved, but the aggregated target for the 2007/2008 and 2008/2009 fiscal years is achieved, the holder is entitled to exercise 2/3 of all employee stock options. The corresponding principle applies for the other fiscal years.

Under no circumstances may the capital gain derived from the exercise of employee stock options exceed 100% of the acquisition price. The capital gain shall be calculated as the difference between the market value of the Company's share (whereby the market value of the Company's share shall be calculated as the closing price paid on the OMX Nordic Exchange in Stockholm at the date of exercise) and the acquisition price. If the capital gain exceeds 100% of the acquisition price, the acquisition price for the employee stock option should be adjusted upwards so that the capital gain amounts to not more than 100% of the acquisition price.

Example calculation: For an assumed share price of SEK 130 when the acquisition price is determined, the acquisition price amounts to SEK 169. The maximum capital gain then amounts to SEK 169 kronor. For a market price of the share when the employee stock options are exercised exceeding $2 \times 169 = \text{SEK } 338$, the acquisition price is adjusted upward so that the capital gain never exceeds SEK 169.

When comparing earnings per share for each fiscal year, adjustments shall be made for any split, reverse split or bonus issue that has affected the number of shares outstanding so that earnings per share during the 2006/2007 fiscal year is calculated using the same number of shares outstanding during the 2007/2008 – 2009/2010 fiscal years. Furthermore, adjustments shall be made for any changes made to accounting principles.

In accordance with the usual terms and conditions, the early redemption of employee stock options shall be possible in the event of compulsory redemption of shares, merger or liquidation, whereby the Company is incorporated into another company, etc. In the case of early redemption, the number of employee stock options that can be redeemed shall be determined based on the increase in earnings per share adopted in

the annual report for the period that has passed until the event that has caused the early redemption.

Exercise price

The exercise price per share, that is to say, the price that the Participant is to pay in order to receive a share, shall correspond to 130% of the average volume-weighted mean closing price paid of the Company's share on the OMX Nordic Exchange in Stockholm during the period from September 12, 2007 to September 25, 2007. Days in which no closing price paid is quoted are not included in the calculation

The term of the employee stock options, etc.

The employee stock options shall be exercised during the period from June 1, 2010 to July 31, 2010.

The employee stock options have no market value since they are nontransferable. However, a theoretical value of the employee stock options has been calculated based on the Black & Scholes option valuation model. The calculation is based on the assumed share price of SEK 130 and an expected volatility of 30%. Taking into account the upper limit for the capital gain, the theoretical value has been calculated at approximately SEK 13.50 per share entitled by the employee stock options.

Provision of shares and costs

In order to ensue that the Company is able to fulfill its commitment to providing shares in the event of holders of employee stock options requesting exercise, the Board proposes that the Annual General Meeting also issue warrants (refer to item D below).

The decision to issue employee stock options in accordance with this item B shall be conditional on the Annual General Meeting also approving the Board's proposal described under item D below. Consequently, the provision of shares will not impact the Company's cash flow. Nevertheless, the exercise of employee stock options is expected to give rise to costs in the form of employer's contributions.

Furthermore, accounting standard IFRS 2 (Share-based payment) shall apply to the employee stock options, entailing that a cost must be reported in the consolidated income statement from and including the 2007/2008 fiscal year until it has become possible to exercise the employee stock options in full on the basis of the value of the issued employee stock options on the date of allotment. Assuming that all of the employee stock options offered are to be exercised, the employee stock options are expected to entitle subscription for 120,000 shares. The cost according to IFRS 2 that is reported over income at Group level is anticipated to amount to SEK 324,000 in 2007/2008, SEK 597,000 in 2008/2009, SEK 597,000 in 2009/2010 and SEK 100,000 in 2010/2011.

Item C. Issue of warrants for transfer to employees

Number of warrants

The number of warrants – to be issued – shall be not more than 120,000.

Employees entitled to subscription

A subsidiary ("the Subsidiary") that is wholly owned by Hemtex AB is entitled to subscribe for warrants free of charge, with a deviation from shareholders' preferential rights, and shall transfer the warrants to the Participants pursuant to the description in item A above Item 16a for competitive remuneration as calculated by the generally accepted Black & Scholes model. Accordingly, the Board proposes that Annual General Meeting approve the Subsidiary's transfer of warrants to the Participants.

The issue of warrants to employees outside Sweden is dependent on there existing no legal impediments and on the Board deeming that such allotment can take place with reasonable administrative and/or financial resources.

Subscription for warrants

The Subsidiary shall subscribe for warrants from September 25, 2007 to October 10, 2007. Subscription shall take place in a separate subscription list.

Option premium

As mentioned above, the premium for the warrants shall correspond to the warrants' market value according to an external valuation by applying the generally accepted Black & Scholes model.

Subscription for shares

Each warrant entitles subscription for one (1) share in the Company, with each share at a par value of SEK 2.50.

Subscription for shares on the basis of the warrants may take place during the period from June 1, 2010 to July 31, 2010.

Subscription price

The subscription price shall correspond to 130% of the average volume-weighted mean closing price paid listed on the OMX Nordic Exchange in Stockholm for the Company's shares during the period from September 12, 2007 to September 25, 2007 (but not lower than the par value of the share), after rounding to the nearest whole 10 öre (SEK 0.10) whereby five öre (SEK 0.05) shall be rounded down to the closest lower 10 öre (SEK 0.10). Days in which no closing price paid is quoted are not included in the calculation.

Dilution

On full exercise of the warrants in accordance with item B, the Company's share capital will increase by a total of not more than SEK 300,000. The dilution that such an increase in share capital may cause in the outstanding number of shares and votes is described under item A above.

Reason for deviation from shareholders' preferential rights

The reason for deviating from the preferential rights of shareholders is to implement the incentive program described in item A.

Other terms and conditions

Other terms and conditions for the warrants are stated in Appendix A (*Terms and conditions for warrants (2007-2010:1) regarding the subscription for new shares in Hemtex AB (publ)*).

Item D. Issue of warrants for ensuring the incentive program

Number of warrants

The Company shall issue not more than 120,000 warrants free of charge.

Right to subscription

The Subsidiary is, with a deviation from shareholders' preferential rights, entitled to subscribe for warrants, with the right and obligation after subscription to fulfill the Company's commitment through the transfer of the warrants when the Participant requests the exercise of the employee stock options issued by the company in accordance with item A above.

Accordingly, the Board proposes that Annual General Meeting approve the Subsidiary's transfer of warrants in accordance with that which is stated above.

Subscription for warrants

The Subsidiary shall subscribe for warrants from September 25, 2007 to October 10, 2007. Subscription shall take place in a separate subscription list.

Subscription for shares

Each warrant entitles subscription for one (1) share in the Company, with each share at a par value of SEK 2.50.

Subscription for shares on the basis of the warrants may take place during the period from June 1, 2010 to August 15, 2010.

Subscription price

The subscription price shall correspond to 130% of the average volume-weighted mean closing price paid listed on the OMX Nordic Exchange in Stockholm for the Company's shares during the period from September 12, 2007 to September 25, 2007 (but not lower than the par value of the share), after rounding to the nearest whole 10 öre (SEK 0.10) whereby five öre (SEK 0.05) shall be rounded down to the closest lower 10 öre (SEK 0.10). Days in which no closing price paid is quoted are not included in the calculation.

Dilution

On full exercise of the warrants in accordance with this item, the Company's share capital will increase by a total of not more than SEK 300,000. The dilution that such an increase in share capital may cause in the outstanding number of shares and votes is described under item A above.

Reason for deviation from shareholders' preferential rights

The reason for deviating from the preferential rights of shareholders is to ensure the completion of the Company's commitments in accordance with the employee stock options described in point A of the incentive program.

Other terms and conditions

Other terms and conditions for the warrants are stated in Appendix B (*Terms and conditions for warrants (2007-2010:2) regarding the subscription for new shares in Hemtex AB (publ)*).

Item E. Other matters

Preparation of the proposal

The proposal for the incentive program has been prepared by the Company's Remuneration Committee. The decision to propose the program was made by the Company's Board of Directors.

Authorization

It is proposed that members of the Board or the party appointed by the Board be granted authorization to make minor adjustments to decisions that may be necessary in conjunction with registration with the Swedish Companies Registration Office and/or VPC AB.

Board of Directors