



Annual Report 2007/2008

In future, Hemtex's financial communications will primarily be channeled through the Internet at www.hemtex.se. The IR website is the channel that is directly available to everyone, which will enable frequent dialog with shareholders and other stakeholders, as well as rapid updating of information.

Although the presentation of business operations that is usually featured in the printed Annual Report will now only be available via the Internet, it will be provided in a format that is easy to read and navigate in. Refraining from printing the entire Annual Report results in savings for both the environment and the company, and thus also for Hemtex's shareholders.

Presentation of operations

The Hemtex Group's net sales rose 9.4% to SEK 1,608.3 M (1,470.5) during the fiscal year May 1, 2007 to April 30, 2008.

Operating profit amounted to SEK 141.1 M (221.5).

Net profit for the year decreased to SEK 96.5 M (159.5) and earnings per share after dilution amounted to SEK 3.31 (5.47).

The Hemtex Group opened a total of 20 new stores and acquired one store previously run by a franchise holder.

One store was opened in the new Estonian market and two franchise stores were opened in the new Polish market.

Six stores were opened under the new Hemtex & More concept, of which four are located in Sweden and two in Finland.

Another purchasing office was established in Asia – in Shanghai, China.

Nordic region's leading home textile chain

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

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

By April 30, 2008, there were 205 Hemtex stores in Sweden, Finland, Denmark, Norway, Estonia and Poland. Of the stores, 180 are owned by the Hemtex Group and 25 by franchisees. During the 2007/2008 fiscal year, a total of 23 new stores were established, including 20 by the Group and three in cooperation with franchisees. Nine stores were opened in Sweden, five in Finland, four in Norway and two in Denmark and one and two stores were opened in the new markets of Estonia and Poland, respectively. During the same period, four stores were discontinued.

Sales at the consumer level (including franchise stores) increased by 4% to SEK 1,674 M (1,606), excluding value-added tax. The Hemtex Group's net sales rose 9.4% to SEK 1,608 M (1,471) and operating profit decreased by 36% to SEK 141 M (221).

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

Strength factors

Successful business model:

Efficiency and control over the entire value chain create the conditions for competitive customer offerings in the entire Nordic region. Hemtex stores have two operating forms: proprietary 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 28.1% (31.3) during the period from April 2007 to March 2008. The closest competitor in Sweden accounts for slightly more than 10%. 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 Group's strong market position in combination with very high spontaneous brand recognition provides a stable base for continued growth in the Nordic region. Hemtex is also expanding in markets outside the Nordic region, currently in such countries as the Baltic States and Poland.

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 appeal to 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 the necessary prerequisites for continued expansion combined with profitability.

	Sverige	Finland	Denmark	Norway	Baltic states
Number of stores, Group	120 (113)	38 (34)	10 (8)	11 (8)	1 (1)
Share of consolidated sales	77.5	14.1	4.7	3.5	0.2
Share of consolidated operating profit	95.8	2.7	2.7	-0.7	-0.5

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

Business concept, goals and strategies

Vision

Hemtex's vision "Inspiration and renewal for all rooms" guides the Group's development. Hemtex aims to ensure that customers in all countries find Hemtex so inspiring that they are enticed to refurbish their homes. This is a challenge that forces Hemtex to continuously improve its product range, store concepts and capacity to generate inspiring and marketable exposure.

Business concept

Hemtex's business concept is to sell affordable home decor products that appeal to a broad spectrum of people. Accordingly, Hemtex's product range shall comprise modern, up-to-date products that are highly affordable and offer excellent value for money. Hemtex focuses on a broad target group, regardless of the customer's purchasing power, form of housing and area of residence.

Objectives

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

- annual, average total sales growth exceeding 15%
- an operating margin exceeding 15% over a business cycle
- an equity/assets ratio of 30 to 40%
- net debt/EBITDA that does not exceed 3%

In the current fiscal year, Hemtex will continue to expand the number of stores in existing markets, but will primarily focus on increasing profitability in its existing network of stores.

Sales growth, %

For the past three years, the results have been 44.1%, 26.8% and 9.4%, respectively.

Operating margin, %

For the past three years, the results have been 15.6%, 15.1% and 8.8%, respectively.

Store growth in the Group, %

For the past three years, the results have been 63%, 61% and 10%, respectively.

A clear strategy

Hemtex conducts store sales with focus on a broad target group of consumers. Hemtex has expanded its offering 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 particularly 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 manufacturers, conditions are created for increased monitoring, higher efficiency and increased profitability in connection with purchasing. In 2007/2008, direct purchasing accounted for 73% 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. As a result of this expansion, the Hemtex Group's sales have doubled in three years and the market share has increased from 22% to 28% in Sweden and from 7% to 9% in the Nordic region.

Growth strategy

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 range. Following the extensive acquisitions of franchise stores in recent years, Hemtex is characterized by a favorable balance between proprietary stores and franchise stores.

In 2008/2009, Hemtex expects to open a total of some 25 stores. There is also long-term potential for a total of 150 Hemtex stores in Sweden, 50 in Finland, 40 in Denmark, 50 in Norway, between 20 and 25 in the Baltic region and 70 to 80 in Poland.

During the year, the Group opened a store in Estonia and additional stores may be established in other Baltic countries. Two stores were opened in Poland through franchise agreements. The Group's continued geographic expansion will follow a long-term approach. Franchising may eventually be considered for more markets in Europe.

New store design includes a continued review of the Group's store concepts, new store formats and expansion of the store area of existing stores. The most recently developed format is the Hemtex & More volume store, which is larger and offers a wider range of products than other stores. Hemtex established six Hemtex & More stores in the Nordic region in 2007/2008, with long-term potential for approximately 40 stores.

Expansion of the product line entails providing stores with a wider selection of products within all product categories. An expanded product line broadens the target group and increases sales to existing customers. The Group's product-line development focuses on complementary home accessories. 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 product range for children. Together, these measures provide Hemtex with favorable prospects for continued growth in comparable stores in coming years.

Leading market position

During the most recent five-year period, Hemtex has grown faster than the market, by an average of 18% annually. Hemtex has increased its market shares due to a strong brand combined with a successful business concept.

Although home textiles are less cyclical than certain other retail segments, demand was influenced during the year by a cautious economic climate and a weaker trend in private consumption. However, most home textile products are replaced relatively frequently and the cost to purchase home textiles is relatively low compared with other investments in home improvements.

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 undergoing long-term growth

According to Hemtex, the Nordic market for consumer sales of home textiles was worth approximately SEK 18.3 billion in 2007, measured in terms of sales, of which the Swedish market accounted for about SEK 5.7 billion, the Finnish market about SEK 2.5 billion, the Danish market about SEK 4.2 billion and the Norwegian market about 5.9 billion.

Viewed over the long term, home décor and home textiles are among the most rapidly growing retail sectors. In the past five years, the market has grown by 3 to 4% annually in Sweden and the rest of the Nordic region.

During the most recent five-year period, Hemtex has grown faster than the market, by an average of 18% annually. Hemtex has increased its market shares due to a strong brand combined with a successful business concept. In addition, the focus on expansion through new stores, new store formats and a broadening of the product range has been well received.

Broadest product range

Hemtex holds a leading position in the Swedish market for home decor 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 that have their main operations in areas other than home textiles.

Hemtex's market position focuses on the medium price sector, but with a certain assortment in higher price segments. 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.

Broadening of the product range and a larger element of home decor products generate growth and also mean that a more consistent sales trend can be maintained during the year, since it creates possibilities for working on campaigns and activities in the low season.

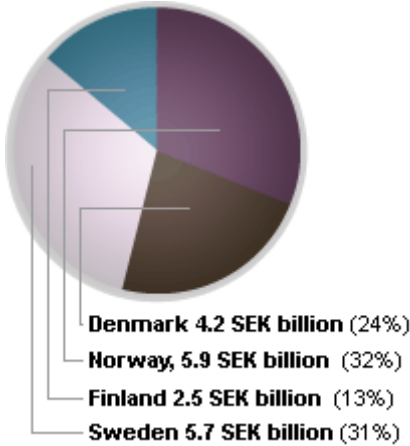
Several competitors

Product offerings from companies in the home textiles markets in the Nordic region vary 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 home decor items.

Hemtex, Kid Interiør, Princess Gruppen, Eurokangas, Jotex and Hansen & Dysvik are the largest Nordic companies with a product offering consisting mainly of home textiles. Jysk has a broader product offering with a significant collection of furniture and home decor products, with home textiles accounting for between 20% and 25% of total sales. At IKEA, home textiles account for a limited portion of total sales, but are significant in terms of

absolute numbers. Competition in the home textiles market has intensified in recent years. More companies within retail sales are broadening their product ranges to include home textiles. Competition from the mail order sector is also intensifying, with the Internet becoming an increasingly common purchasing tool for customers.

The Nordic market



Hemtex puts the customer in focus

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

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. To hit the target in terms of the product range, time is an important factor – which is why it is important that design and purchasing occur as close as possible to the sales season. Consideration should also be given to the fact that manufacturing and delivery require a certain 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 managed as efficiently as possible.

Focus on proprietary designs

Hemtex's product range primarily includes 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's designers work closely with purchasers and gather ideas from the world around them and from stores to ensure that the stores continuously have access to the right, up-to-date range.

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

Proprietary and franchise stores

Hemtex stores have two forms of operation: proprietary stores and franchise stores. Regardless of their form of operation, the stores are managed in accordance with the Hemtex concept and guidelines, but with scope for local business influences. However, the target scenario, strategy and culture are the same for everyone working at Hemtex, regardless of the store's ownership form or the country in which it is located. At present, Hemtex only has franchise stores in Sweden and Poland.

The Hemtex Group operates proprietary stores in selected retail centers, primarily in large city areas and in strategic locations. In each geographic area, the number of stores should be sufficient to enable an operating organization to be formed to ensure sales, earnings and skills development.

By operating its stores on a proprietary basis, Hemtex establishes direct contact with the market, which is also advantageous for the wholesale operations. This enables Hemtex to become an even more efficient supplier, which also benefits franchisees.

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

Increased demands on the purchasing process

Hemtex owns no factories; instead it purchases products from about 150 suppliers in some 20 countries. Hemtex is not dependent on one particular supplier; to a large extent, its current suppliers are all replaceable.

As Hemtex has become more fashion-oriented in recent years, the demands placed on the purchasing process have grown. An increased share of purchasing must occur in season to guarantee delivery precision. At the same time, the lead time from design to availability of the product in stores is reduced. Agreements between Hemtex and its suppliers are normally order-specific. A written agreement, purchase order and quality control through 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 with which the suppliers must pledge to comply.

Hemtex actively seeks new suppliers and purchasing markets and continuously evaluates its current suppliers and purchasing markets with regard to prices, quality and performance in terms of the Code of Conduct and delivery times.

By increasing the number of products purchased directly from manufacturers, purchase prices can be reduced, thereby strengthening Hemtex's margins. This also provides Hemtex with better opportunities for controlling and influencing the factories than when purchasing takes place through an intermediary. In the 2007/2008 fiscal year, approximately 73% of the Group's supply value was purchased without intermediaries. The long-term target is for 80% to be purchased directly from suppliers.

Purchasing offices in Dhaka and Shanghai

To facilitate the Group's efforts to find the correct suppliers, Hemtex has established two purchasing offices in Asia.

The first office was established in 2006 in Dhaka, Bangladesh, and the second office was opened in September 2007 in Shanghai, China. Both offices currently have 12 employees. The purchasing offices secure the right purchase prices, sourcing of new products, control of production and working conditions and coordinate and optimize the logistics flow. Ultimately, the office in Dhaka will function as a purchasing office for all of Southern Asia, including Bangladesh, India and Pakistan. The office in Shanghai is divided into two teams – one for textiles and one for hard goods – and will ultimately serve as a purchasing office for all of Southeast Asia.

Efficient IT and logistics are success factors

For a rapidly growing retail company such as Hemtex, having efficient logistics is a key competitive factor.

Hemtex cooperates with Schenker in terms of logistics 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 in accordance with product distribution that is based on forecasts adapted to actual sales.

Packaging and delivery to stores are customized for efficient handling, which means that the stocks held by stores can be kept at a minimum. Instead of allocating space for stocks, the space can be used for sales.

The Hemtex IT strategy is based on the concept that IT is a tool 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's central business system and the store computer system link the head office to all stores in the Group's markets. Sales statistics and key data for stores are always available centrally and in the store. Hemtex store employees have access to Hemtex's 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.

Business model

Agreements with franchisees

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 amounted to 2.5% of sales in the 2007/2008 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 franchisees to purchase products from Hemtex's 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 proprietary stores.

Three sources of revenue

Hemtex is a retail company that at the end of the 2007/2008 fiscal year operated 180 proprietary stores and franchised 23 stores. The Group's revenue derives primarily from sales to consumers in proprietary stores, wholesaling to franchisees and franchise fees.

Sales to consumers

Sales from the Group's proprietary stores amounted to SEK 1,503 M (1,288) in the 2007/2008 fiscal year. During the same period, sales to consumers for all Hemtex stores amounted to SEK 1,674 M (1,606), excluding value-added tax.

Wholesaling to franchisees

Hemtex AB serves as a wholesaler for the franchise stores. In 2007/2008, consumer-level sales to franchisees amounted to SEK 171 M (318), excluding value-added tax.

Franchise fees

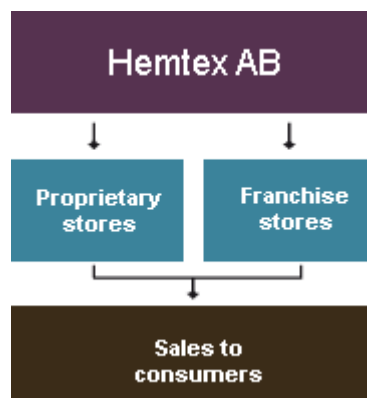
Franchisees pay an affiliation fee at the start of operation and a continuous monthly franchise fee based on store sales. They also pay a certain amount to Hemtex AB for centrally produced or purchased marketing. In 2007/2008, franchisee fees amounted to approximately SEK 4 M (8).

Hemtex also receives other revenue comprising bonuses from suppliers and partners and non-margin-based sales, such as store furnishings for franchisees.

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.

Business model



Hemtex communication strategy

A new communication strategy for Hemtex will be launched in autumn 2008. The aims of the new strategy include establishing Hemtex as a source of inspiration associated with home decor products based on a popular interest in interior design trends. The goal is to attract a larger number of people to visit Hemtex stores more often for inspiration. Hemtex already has a high level of brand recognition and, as a result, holds a favorable starting position to further strengthen its brand. Previously, Hemtex's marketing activities were primarily based on rational price and product communication. Through such measures as utilizing a larger number of marketing channels and a new media mix, Hemtex aims to establish a clearer meaning and broader associations for its brand.

High level of activity in the stores

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 in a manner that is inspirational and encourages purchases.

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

High level of activity

Hemtex's marketing is characterized by a high level of activity with offers that generate interest among customers and encourage them to visit the nearest store. Current campaigns are promoted through graphics and display designs in the stores to enable customers to find their way and locate the products that they are seeking. Throughout the stores, pricing information is combined with tips and inspirational ideas. In the stores' "inspirational areas," complete interiors are created using matching products from the entire product range.

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

Improving the Hemtex Club

Hemtex's customer card for loyal customers – the Hemtex Club – has grown rapidly since its launch in the summer of 2005. At the end of April 2008, the Hemtex Club had 185,000 members in Sweden and 67,000 in Finland. Hemtex Club members visit stores more frequently and their purchases are significantly higher. Using the information provided by Hemtex Club, the Group's marketing activities can be specially adapted based on the interests of the various customer categories. Among other activities, marketing materials with customized offerings are sent to various segments of Hemtex's card customers.

80% of customers are women

Hemtex targets women and men who need to furnish, refurbish and beautify their homes. According to a study by Orvesto Konsument, more than one of every two Swedes visited Hemtex stores in Sweden in 2007 and slightly more than 80% of the visitors to Hemtex stores are women.

According to the same study, the women who shop at Hemtex are somewhat more likely than average to be married, but do not have children living at home. Hemtex's customers also primarily live in apartments in metropolitan areas and have a median or higher income. This profile is further reinforced among the market's largest groups, namely middle-aged couples without children in medium-size and small communities.

More visitors and a higher percentage of customers

Hemtex customers visited stores an average of 3.7 times during 2007, up from 3.4 times in 2006. Focusing on consumers who visited Hemtex once per year or more often (i.e. Hemtex's customers), the average was 6.1 times. Compared with clothing stores, this is a low figure, which indicates that there is significant potential for attracting more visitors to Hemtex stores. Hemtex's primary target group is women aged 25 to 59, who 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 the conversion ratio is 20%. The goal of the new communication strategy is to increase visitor frequency and the conversion ratio.

Hemtex customers are loyal – those who at some time shop at Hemtex purchase an average of approximately 47% of their home textiles here. This means that Hemtex has the highest value share in the industry. In the 2007/2008 fiscal year, the customer trend remained very strong. During the period, the number of store receipts increased by slightly more than 12% compared with the preceding year.

Decrease in average purchase

The average purchase during the 2007/2008 fiscal year decreased by 6% to SEK 188. More paying customers and higher average purchases are important factors when it comes to increased profitability for Hemtex. By creating inspiring store environments that display attractive combinations of matching accessories, customers are encouraged to buy more products from Hemtex.

A broad and attractively priced product range

Hemtex's offering is based on an attractively priced and functional range of high-quality textile products. The product range is largely the same in Hemtex's stores in all six countries, which creates synergies throughout the value chain.

Four product areas

The foundation of the product range is textile products, which account for approximately 85% of sales. To increase the efficiency of operations and to offer customers the best possible service and inspiration, Hemtex has chosen to divide its product range into four product areas: Bedroom, Bathroom, Windows and Dining & Entertaining. All product areas are supplemented by non-textile home accessories, such as flowerpots, candlesticks, storage solutions, candles and picture frames.

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

The Bathroom product area includes 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, ahead of the major clothing chains.

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

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

Base and seasonal products

Hemtex combines seasonal products with volume goods. Base products with a long product life are the foundation of the product range. These products are always 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 30% 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.

Product range planning based on themes

Hemtex's product range is coordinated, appeals to different styles and contains a mix of inspirational and volume products. Planning of the product range is based on themes: classic and traditional, modern and the latest trends. Following 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 house, apartment or summer cottage.

Large share of proprietary brands

To maintain high quality, function and design combined with attractive prices, most of Hemtex's product range consists of proprietary brands. Proprietary brands also strengthen Hemtex's margins.

These brands are supplemented by a limited selection of market-leading brands from external suppliers with which Hemtex has central purchasing agreements. A common characteristic of the Group's proprietary and external brands is that they are all products that are carefully designed and hand-picked to fit the Hemtex concept of meticulously selected home decor products of high quality and unique design.

Hemtex's strategy for the product range is to follow fashion trends, but not to set them. Hemtex focuses on fashion trends when they begin to establish a volume market. When a seasonal fashion trend emerges, Hemtex will act but only in limited volumes and breadth.

The product range should consist of a mix of about 95% proprietary brands and 5% market-leading brands from contracted suppliers.

Text box: (see 2006/2007 Annual Report)

Licensed brands

The U.S. POLO Association 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 home decor products in Hemtex's existing markets, as well as in Poland and the Baltic countries.

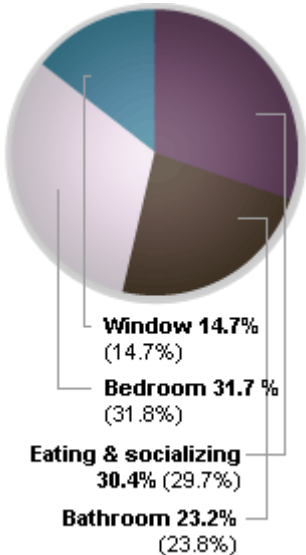
The license for Bamse applies for figures and brands for such products as home textiles, lamps, bathrobes and slippers in all Hemtex markets.

Hemtex has signed a contract with the well-known designer Johanna Lundqvist for patterns for home decor products, porcelain, home textiles and night clothes for all Hemtex markets.

Hemtex's proprietary 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

Sales per product area



Hemtex's product range



Stores that inspire

The stores are the principal media for communications with customers. Hemtex stores should be established in prime locations. They should inspire customers to want to beautify their homes. The high flow of the latest fashions and constant changes should attract customers to visit Hemtex stores frequently.

Simplicity is key

Hemtex stores should be bright and spacious to inspire customers to want to renew and beautify their homes.

The renovation of Hemtex stores follows a plan that involves limited renovations/upgrading to the stores every third year. Every fifth year, a major renovation is carried out, during which 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 ensures that customers follow a specific pattern in the store to ensure that they 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 various seasonal sales opportunities.

Efficient operation and continuous monitoring

The Hemtex retail chain is characterized by an enterprising spirit, customer focus and a shared 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 joint profile.

Hemtex constantly strives to make store operation as efficient as possible in terms of customer service and sales per hour. The performance of the stores is monitored using key indicators and compared with other stores 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 takeover of acquired stores, including the division of responsibility, time schedules and additional information.

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

Large share of proprietary stores

In recent years, the Hemtex Group has maintained a high rate of establishment and acquired franchise stores. As a result, each geographic area is sufficiently large to generate coordination benefits. In 2007/2008, Group-owned stores accounted for 90% of the chain's total sales at the consumer level. The corresponding figure was 80% in 2006/2007 and 62% in 2005/2006.

The intention is that the Hemtex stores that will be established in the future will primarily be proprietary stores. Acquisition of existing franchise stores will continue, but to a lesser degree than before. Expansion in new markets, such as Poland, will mainly occur through the establishment of franchise stores.

Opening of the Hemtex & More volume store

At the end of October 2007, Hemtex opened the doors of its first Hemtex & More volume store on Sergelgatan in Stockholm. The opening marked the launch of an investment in larger stores with a broader product range.

The volume store on Sergelgatan was followed by an additional five stores in 2007/2008 – three in Sweden and two in Finland – and more stores are being planned for the Nordic market in the next few years. Hemtex & More is being established in city locations, traditional shopping malls and external commercial centers. At 700 to 1,000 square meters, the stores will have a significantly larger sales area than other Hemtex stores.

Expansion through the new store format and the broadening of the product range is an important part of Hemtex's growth strategy. According to Hemtex, the potential exists to establish a total of approximately 40 volume stores in the Nordic region. It may also 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 also offer a new product range. The base is Hemtex's inspiring textile products, which are supplemented with an assortment of non-textile products.

A central department in the Hemtex & More stores is the seasonal market, which is a complete setting comprising the very latest products. The setting changes with the seasons so that the stores always have a new atmosphere. Hemtex's other stores also benefit from this product range.

Sales increase in comparable stores within the Group, %

	2005/2006	2006/2007	2007/2008
Group total	13	2	-4
Sweden	15	3	-3
Finland	11	2	-8
Denmark	4	-3	1
Norway	—	16	0

Four different store formats for Hemtex stores

Compact stores

City or shopping mall location 180–220 m²

Normal format

City or shopping mall location 220–350 m²

Large format

City or shopping mall location 350–500 m²

Volume store (Hemtex & More)

Volume shopping location 700–1,000 m²

Expansion outside Nordic region initiated

For the 2007/2008 fiscal year, the Hemtex Group's net sales increased by 9.4% to SEK 1,608 M (1,471). Sales in comparable stores fell by 4% (increase: 2). Total sales to consumers including franchise stores amounted to SEK 1,674 M, up 4% compared with the preceding year. Sweden is the Group's largest market accounting for 78% (79) of net sales. Finland accounted for 14% (13), Denmark for 5% (6) and Norway for 3% (2). The Baltic States accounted for 0.2% of net sales.

Continued store expansion

During the fiscal year, the Hemtex Group opened a total of 20 new stores, of which eight were in Sweden, five in Finland, four in Norway, two in Denmark and one in Estonia. During the same period, four stores were closed. In addition, one store was acquired from a franchisee in Sweden. Three new franchise stores were opened during the year, one in Sweden and two in Poland. At year-end, 180 Hemtex stores were under Group management and 25 stores were managed by franchisees.

Hemtex estimates that the Group's total share of the market for home textiles in the Nordic countries is 9 to 10%. The goal is to achieve a market share of at least 15% in the Nordic market.

Expansion through both franchise stores and proprietary stores

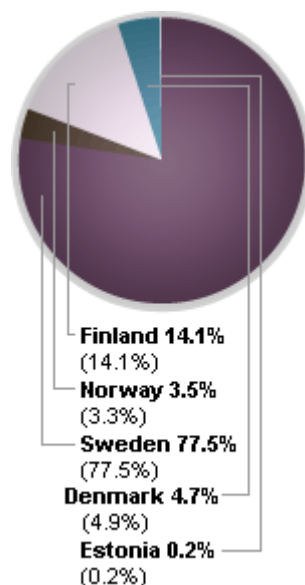
Expansion through the establishment of franchise stores in new markets is an important element in Hemtex's growth strategy. Significant potential also exists for supplementing the expansion of proprietary stores in existing markets with franchise stores. The strength of Hemtex's concept combined with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

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

Continued growth potential

The potential for continued growth through establishing proprietary stores remains favorable, but is limited by the supply of premises in attractive locations and the fact that the largest market, Sweden, is beginning to become fully established. Store expansion in 2007/2008 will be implemented mainly in markets outside Sweden and will encompass opening about 25 stores. In addition, efforts are being focused on expanding store areas and implementing new store concepts to increase sales in existing stores in Sweden and Finland.

Geographic markets



Hemtex in Sweden

Increasing competition

According to GfK, the Swedish market for consumer sales of home textiles was worth approximately SEK 5.7 billion during 2007, up 7% on 2006. Hemtex's sales increased by 4% (17) during 2007.

During 2007, Sweden's GDP grew by 2.6% (4.2), while private consumption increased by 3.1% (2.8). Sales in actual retail stores (not including the Swedish Alcohol Retailing Monopoly and the National Corporation of Swedish Pharmacies), rose by 8.7% (10.4).

After having slowed down toward the end of 2007, the home textile market declined by 5% during the first quarter of 2008, according to GfK. In the past five years, the market has grown by 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, while specialized retailers are the main competitor within the high-price segment. 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 comprise a minor segment of the range of several competitors. Hemtex offers the broadest home textile range.

Hemtex is the market leader, with a share of 28.1% for the period April 2007 to March 2008, compared with 31.3% in the preceding twelve-month period. Hemtex is followed by IKEA with 12.7%, the mail order sector with 10.4%, Jysk with 10.0% and Åhléns with 4.4%, according to GfK.

Reduced sales in existing stores

In Sweden, the Hemtex Group increased its net sales in 2007/2008 by 7% to SEK 1,245 M (1,163.1). For comparable stores, the sales increase was 3% (3). The sales decrease in current stores was due to lower demand and a larger share of discounted goods. Operating profit declined by 31.8% to SEK 135.3 M (198.4).

Nine new stores and two closures

During the period 2007/2008, a total of nine new Hemtex stores were opened in Sweden. Hemtex AB opened eight stores and franchisees opened one store. Stores were opened in Falköping, Gävle, Gothenburg (Eriksberg), Kiruna, Landskrona, Nynäshamn, Tyresö, Vällingby and Stockholm (Heron City). In addition, Hemtex AB acquired and took control of a store in Motala from a franchisee. One proprietary store in Stockholm and one franchise store in Öland were closed during the year.

Focus on structural measures

According to the Swedish government's spring bill, GDP is estimated to increase by 2.1% in 2008 and 1.8% in 2009. The Riksbank forecasts growth of 2.4% and 1.9%, respectively, during these years. According to the Swedish Retail and Wholesale Trade Research Institute, retail sales are estimated to increase by 5.5% in 2008.

Hemtex anticipates that the Swedish market for home textiles will perform weakly in 2008/2009. An economic slowdown, higher interest rates and rising food and energy prices will impact negatively on private consumption.

Long term, Hemtex estimates that there is room for slightly more than 150 Hemtex stores in Sweden. Accordingly, new stores will be established at a slower pace than previously. The focus will instead be directed to structural measures to increase sales and profitability in the existing store network.

Hemtex in Sweden, April 30, 2008

Share of the Group's operating profit, 95.9%

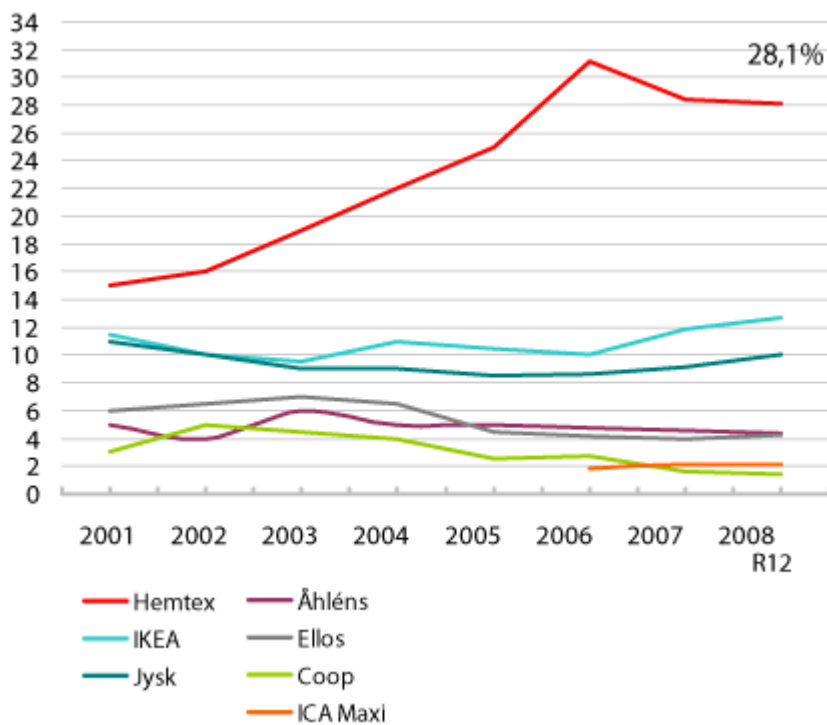
Year of establishment: 1973	Market share: 28.1% (31.3)
Number of stores: 143 ¹ (136)	Net sales: SEK 1,245.4 M (1,163.1)
New stores 2007/2008: 9 ²	Operating profit*: SEK 135.3 M (198.4)
Focus for 2007/2009: Continued establishment of proprietary stores, and launch of volume stores under the Hemtex & More name.	

1) Of which 120 (113) are operated by the Group and 23 (23) by franchisees.

2) The Group opened eight stores and closed one store during the 2007/2008 fiscal year. One franchise store was opened and one closed during the same period.

* Earnings in Sweden include earnings from the Swedish retail 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

In 2007, Finland's GDP rose 4.4% (4.9), while private consumption increased by 2.8% (3.0), according to Statistics Finland. Retail sales rose by 7.0% (5.6).

According to Hemtex, the Finnish market for home textiles was worth approximately SEK x.x billion in 2007.

In Finland, Hemtex's main domestic competitors are Kesko including Anttila and Kodin Ykkönen, SOK and Stockmann. The domestic chains sell primarily home textiles under 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% (9) in Finland, according to the company's own assessment.

Lower profitability

In Finland, the Group's sales rose in 2007/2008 by 15% to SEK 227.3 M (197.7). For comparable stores, the sales decrease was 8% (increase: 2) in local currency. Operating profit fell by 82% to SEK 3.8 M (20.9). The sales reduction in existing stores was due to low demand, resulting in the Group's surplus inventories becoming most acute in Finland, which led to major price reductions.

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

Lower rate of store expansion

Stores expanded at a lower rate during the 2007/2008 fiscal year compared with the preceding year in which the number of stores grew by 50%. Five Hemtex stores were opened during the year, in Helsinki, Kuopio, Lohja, Mikkeli and Tampere, resulting in a total of 38 stores on April 30, 2008. Two of the new stores opened during the year, both of which are situated in the Helsinki area, are Hemtex & More units in line with the new volume store concept. A small store in central Helsinki was closed during the year.

Plans for 6-8 new stores per year

According to the Bank of Finland, the Finnish economy is expected to grow by 2.3% during 2008 and by 2.1% in 2009. Private consumption is expected to increase at an annual rate of about 3% per year. According to the Labor Institute for Economic Research, retail volume is expected to increase by between 4% and 5%. Hemtex anticipates that the home textiles market will grow by 3 to 5% during the 2008/2009 fiscal year.

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 units. Establishments will occur throughout the country. Long term, there is room for approximately 50 Hemtex stores in Finland. As in Sweden, structural measures involving retail space and concepts are being implemented to increase sales and profitability in the existing store network.

Hemtex in Finland, April 30, 2008

Share of the Group's operating profit, 2.7%

Year of establishment: 2001	Market share: 9% (9)
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Number of stores: 38 (38)	Sales: SEK 227.3 M (197.7)
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New stores 2007/2008: 5 ¹	Operating profit*: SEK 3.8 M (20.9)
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Year of establishment: 2001	Market share: 9% (9)
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Focus for 2008/2009: 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 earnings from sales in Finnish stores.

1) Five new stores were opened and one closed during the 2007/2008 fiscal year.

Hemtex in Denmark

Fragmented home textile market

Denmark's GDP grew by 1.8% (3.2) in 2007, according to Statistics Denmark. Private consumption increased by 2.5% (3.4) and retail sales rose by 1.5% (6.4).

During 2007, the Danish home textiles market was worth approximately SEK 4.2 billion. As in Sweden, interest in home décor is considerable. There are numerous magazines and TV programs about interior design. The Danish market is more fragmented than any other market in the Nordic region. A relatively large portion of sales occurs in the upper-price segment with high design content and high prices.

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, creating 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).

Lower net sales

During 2007/2008, sales in Hemtex's Danish operations declined by 9.5% to SEK 76.3 M (84.4). For comparable stores, sales rose by 1%, compared with a decrease of 3% for 2006/2007. Operating profit amounted to SEK 3.8 M (5.6), down 32%. During the latter part of the fiscal year, Hemtex in Denmark showed a favorable trend in terms of the sales organization in the stores. The foundation has been set for continued expansion.

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

Cautious store expansion

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 while a store in the Illum shopping center in Copenhagen was opened in March 2007. Two new stores were opened in 2007/2008, in the Valby district of Copenhagen and in Vejle in Jutland.

Proprietary stores and franchise agreements

The Danish economy, measured in GDP, is expected to grow by 1.3% in 2008 and by 0.8% in 2009, according to the Danish Economic Council. Private consumption is estimated to grow by 2.6% and by 1.3%, respectively, during these years. Hemtex anticipates that demand will increase in line with private consumption in Denmark.

During 2008/2009, Hemtex is planning some expansion of store operations in Denmark. Hemtex estimates that there is room for approximately 40 stores in the Danish market. The establishment of new stores outside the Copenhagen area will primarily take place on the basis of franchise agreements.

Hemtex in Denmark, April 30, 2008

Share of the Group's operating profit, 2.7%

Year of establishment: 1999	Market share: 2% (2)
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Number of stores: 10 (8)	Sales: SEK 76.3 M (84.4)
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New stores 2007/2008: 2	Operating profit*: SEK 3.8 M (5.6)
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Focus for 2008/2009: 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 earnings from sales in Danish stores.

Hemtex in Norway

Nordic region's largest home textiles market

Norway's GDP grew by 3.7% (2.5) in 2007, according to Statistics Norway. Private consumption rose by 6.4% (4.6) and retail sales increased by 7.8% (8.7).

During 2007, the Norwegian home textiles market was worth approximately SEK 5.9 billion, making 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.

Sales more than doubled

During 2007/2008, sales from Hemtex's Norwegian operations more than doubled from SEK 25.4 M to SEK 56.3 M. For comparative stores, net sales remained unchanged compared with 2006/2007. The operating loss improved to SEK 1.0 M from SEK 3.5 M in the preceding year. Large costs associated with establishing new stores continued to impact earnings.

Four new stores

The first Hemtex store in Norway opened on March 23, 2006 in Oslo. Seven more stores were added in 2007/2008 and four additional stores in 2007/2008 in Drammen, Hamar, Kongsberg and Lorenskog. At the same time, one store was closed in 2007/2008, making a total of 11 Hemtex stores in the country at April 30.

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 consumer demands and existing trends. This is why Hemtex estimates that the Group's concept will prove strong in the Norwegian market.

Potential for 50 stores

The Norwegian economy, measured in terms of GDP, is expected to grow by 2.9% in 2008 and by 1.9% in 2009, according to Statistics Norway. Private consumption is expected to grow by 3.3% and 2.9%, respectively, during these years. Hemtex expects demand for home textiles to grow at the same pace as private consumption in Norway.

There are significant opportunities for Hemtex to grow in Norway and, accordingly, the Group has plans for continued expansion of store operations. Longer term, there is room for approximately 50 Hemtex stores in the Norwegian market.

A contract was signed for the first Hemtex & More store in Norway. It will be situated in Kristiansand and will open in autumn 2008.

Hemtex in Norway, April 30, 2008

Share of the Group's operating profit, -0.7%

Year of establishment: 2006	Market share: No information due to company being newly established in market
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Number of stores: 8 (1)	New stores 2007/2008: 4 ¹
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Sales: SEK 56.3 M (25.4)	Operating loss*: SEK 1.0 M (3.5)
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Focus for 2008/2009: Establishing new stores and increasing customer awareness of Hemtex.

1) Four new stores were opened and one was closed during the 2007/2008 fiscal year.

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

Hemtex in the Baltic region and Poland

Estonia the first Baltic market

In June 2007, Hemtex opened its first store in the Baltic region in the Estonian town of Pärnu. Expansion in Estonia has subsequently continued. In May 2008, a new store was opened in Narva and in the autumn the first store in the capital Tallinn will be opened. The aim is to establish between two and three stores per year in the Baltic region. The Baltic stores are operated with support from Hemtex in Finland.

The Baltic economies have grown rapidly over the past decade. The high rate of growth has resulted in rapid increases in salaries, property prices and private consumption, which has simultaneously led to imbalances in these economies. A slowdown in the Estonian and Latvian economies emerged in the second half of 2007 and continued in early 2008. However, Lithuania, whose economy is behind the other two Baltic countries, continued to experience strong growth during the same period.

Long term, potential exists for opening 20–25 Hemtex stores in the Baltic region. The expansion will occur in stages in line with attractive locations in the larger cities becoming available and after close monitoring of general economic trends.

Agreement with franchisee 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. The partnership led to the establishment of three stores in Poland, two in the 2007/2008 fiscal year and one in May 2008. The stores were opened in Warsaw and Rumia.

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. A number of Swedish retail chains are currently established in Poland.

By pursuing establishment in Poland in cooperation with a franchisee, expansion can occur rapidly with a low level of tied-up capital, reduced risk and substantial knowledge of the local market. More stores will be opened in 2008/2009. Focus will be placed on the larger cities.

Hemtex in the Baltic region, April 30, 2008

Share of the Group's operating profit, -0.5%

Year of establishment: 2007	Market share: No information due to company being newly established in market
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Number of stores: 1 (0)	New stores 2007/2008: 1.
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Sales: SEK 3.0 M (-)	Operating loss*: SEK 0.7 M (-)
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Focus for 2008/2009: Establishing new stores and increasing customer awareness of Hemtex.

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

An attractive employer

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

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 such means as ongoing development of managers, informal meetings within the various operational organizations and regular talks between managers and employees.

Increase in employees outside the Nordic countries

The number of annual employees in the Group was 756 during the 2007/2008 fiscal year, 154 more than in the preceding fiscal year. The increase was primarily attributable to the expansion of proprietary stores in Sweden.

The establishment of purchasing offices in Asia and the expansion of the store network in the Baltic region and Poland has led to an increase in the number of employees outside the Nordic countries. Hemtex currently has employees in eight countries.

A stimulating work atmosphere

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 performing 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 communication.

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.

Important skills development

Since all employees within both the Group and the franchise companies are important ambassadors for Hemtex, skills development is one of Hemtex's principal 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 Group. It is important to utilize the skills of all employees 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, the company's regional managers underwent a one-year management-development program. All store managers have been trained in work-environment issues.

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

Hemtex works long-term in efforts to develop its reputation as an attractive employer and ensure 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 be maintained.

To ensure good service and high availability for customers, activities are conducted to make work schedules more efficient in the stores and training programs for Hemtex store managers are implemented.

During the fiscal year, costs for fitness programs, including healthcare and physiotherapy, amounted to SEK 587 (443) per employee. Total sickness absence was 5.6% (4.2), of which short-term absence accounted for 3.3% (2.6) and long-term absence for 2.3% (1.6).

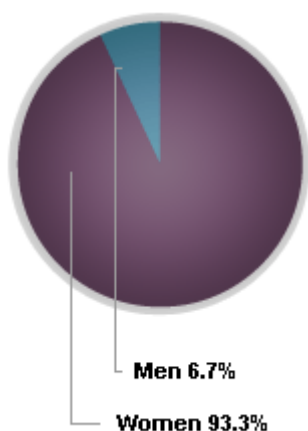
Bonus systems

Most of Hemtex's employees are linked to a bonus system. The bonus paid to store employees 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.

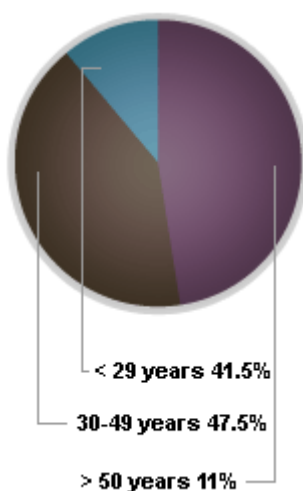
Key data

	2004/2005	2005/2006	2006/2007	2007/2008
Number of full-year employees	284	433	602	756
Sales per employee	2.8	2.7	2.4	2.1
Added value per employee	0.8	0.9	0.8	0.7

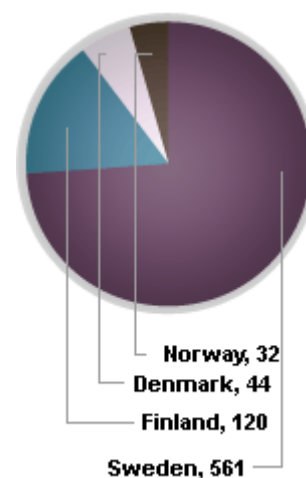
Gender distribution



Age distribution



Number of employees per country



Responsibility for sustainable development

Hemtex is responsible for ensuring that Group operations are sustainable, 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.

Hemtex purchases all of its textiles and other products from suppliers globally. Purchasing from Asia has increased in scope and in 2007/2008 increased to 69%.

Since Hemtex is not directly in control of production, the company has produced guidelines for suppliers in terms of a Code of Conduct to ensure that the products are manufactured under satisfactory working conditions and in the correct manner. 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. In 2008, the Code of Conduct was updated with environmental requirements.

All Hemtex suppliers have signed framework agreements regarding delivery, quality, environmental 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 comply with local environmental laws and have all necessary approvals for their operations. The new environmental requirements in Hemtex's Code of Conduct include regulations regarding purification of air and water emissions, certificates from authorities, lists and safety factsheets for all chemicals and demands concerning the handling of chemicals and waste.

Environmental requirements with regard to transports

For logistic services, suppliers are contracted who strive to be leaders in environmentally sustainable transport and logistic solutions.

For the most part, shipments to Hemtex occur by sea and to a far lesser extent by air. Procedures for when air freight is to be used will be produced in 2008. In addition, emissions from the transportation of goods are being studied, the results of which will form the basis for future emissions requirements.

All suppliers in Asia to be inspected in 2008/2009

Hemtex implements systematic monitoring of work conditions and environmental practices at supplier operations. Hemtex has produced its own inspection manuals that comply with the company's Code of Conduct and build on previous experience of the established BSCI and SA8000 systems.

The purchasing centers in Dhaka, Bangladesh, and in Shanghai, China, 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 2007/2008 fiscal year, the focus of inspections was mainly directed to China, where all textile suppliers and slightly more than half of suppliers of hard products are inspected. An Environment Day for Chinese suppliers was held in April in Shanghai, at which Hemtex's environmental activities and new environmental requirements were presented.

All suppliers in Asia will be inspected in the 2008/2009 fiscal year. In addition, action plans have been produced for all suppliers who have not been approved. Hemtex's Code of Conduct is to serve as an important parameter in the evaluation of these suppliers.

Initiative for enhanced environmental awareness

Hemtex works actively to support the production of organic cotton and to provide alternatives to its customers. Towels, bed clothes and sheets made from organic cotton have been sold in Hemtex stores since October 2007. To influence conventional cotton cultivation in a positive direction, Hemtex became a partner of the Better Cotton Initiative (BCI) during the year. BCI is an international organization that works to make large-scale cotton cultivation less damaging to health and the environment and more economically viable than today's conventional cultivation. Proposers and members of the BCI's Board are global environmental organizations and leading companies in the textile industry.

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 be a continuous process, in which we always strive to improve our work to ensure a reduction in our operations' impact on the environment. Since we must behave responsibly in the societies in which we operate, we have established the following guidelines for our work:

Health and safety

When Hemtex products are manufactured, attention must be paid 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 abreast of changes that affect us.

Environmental awareness among employees and suppliers

Hemtex' employees and suppliers shall receive information about Hemtex's 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 of 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's environmental demands concerning 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 goals 2008/2009

Hemtex will continue with its systematic and distinct activities aimed at reducing the Group's environmental impact. During the 2008/2009 fiscal year, the focus will be on the following areas:

Purchasing

- Create environment-labeled products in cooperation with existing suppliers
- Update and expand the list of chemicals

Transports

- Create key data and targets for emissions from transports
- Create key data and targets for the filling level of transports
- Prepare procedures for when air freight may be used

Marketing and sales

- Introduce environmental requirements for goods that are not for sale
- Investigate the possibility of reducing the environmental impact of carrier bags used by customers
- Prepare procedures for environmental communication in stores for both personnel and consumers
- Prepare procedures for recycling in stores

At Group level

- Establish goals for electricity consumption and origin
- Implement the travel policy, update company-car policy
- Expand the scope of the policy to include ethics, work environment, equality, communication and marketing