



H & M HENNES & MAURITZ AB

THREE MONTH REPORT

1 December 2008 – 28 February 2009

- Sales excluding VAT for the H&M Group for the first three months of the financial year amounted to SEK 23,299 m (19,742), an increase of 18 percent. In local currencies, the increase was 4 percent. In comparable units, sales decreased by 5 percent.
 - Gross profit amounted to SEK 13,178 (11,770), corresponding to a gross margin of 56.6 percent (59.6). The gross margin has been negatively affected by currency effects. Excluding these effects it would have been 60.8 percent.
 - Profit after financial items for the first quarter was SEK 3,554 m (4,057). Group profit after tax was SEK 2,577 m (2,941), corresponding to SEK 3.11 (3.55) per share, a decrease of 12 percent. The profit decrease is related to the above mentioned currency effects.
 - Price reductions were on the same level as in the corresponding period last year.
 - The stock-in-trade, which is well-composed, is at a satisfactory level.
 - The launch of H&M Home at the end of February was well received.
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- Very good reception of the first two stores in Moscow, Russia in March.
 - Contract signed for the first store in Seoul, South Korea. The opening is planned for spring 2010.
 - Jordan new franchise market in spring 2010.

Sales

Sales excluding VAT for the H&M Group for the first three months of the financial year amounted to SEK 23,299 m (19,742), an increase of 18 percent. In local currencies the increase was 4 percent. In comparable units, sales decreased by 5 percent. Sales including VAT amounted to SEK 27,282 m (23,241).

In February 2009, sales including VAT in local currencies increased by 1 percent compared to the same month last year. Sales in comparable units decreased by 8 percent. Negative calendar effects in February are estimated to have affected sales by 4-5 percentage units. The sales development in February should be seen in the light of the fact that the increase in February 2008 was 24 percent compared to the year before.

The Group opened 13 (11) stores during the first quarter and 3 (4) stores were closed. The total number of stores in the Group as per 28 February 2009 thus amounted to 1,748 (1,529), of which 22 are franchise stores.

Results

Gross profit for the first quarter amounted to SEK 13,178 m (11,770). The gross profit corresponded to a gross margin of 56.6 percent (59.6).

The operating profit after deducting selling and administrative expenses was SEK 3,364 m (3,799). The operating profit corresponded to an operating margin of 14.4 percent (19.2).

Operating profit for the quarter has been charged with depreciation amounting to SEK 721 m (578).

Consolidated net interest income was SEK 190 m (258).

Profit after financial items amounted to SEK 3,554 m (4,057), a decrease of 12 percent.

Group profit after tax with an estimated average effective tax rate of 27.5 percent (27.5) for the three month period was SEK 2,577 m (2,941), corresponding to earnings per share of SEK 3.11 (3.55), a decrease of 12 percent.

Return on shareholders' equity, rolling 12 months, was 39.4 percent (43.6) and return on capital employed, rolling 12 months, was 54.3 percent (60.5).

Comments on the first quarter

Sales excluding VAT, which increased 18 percent and 4 percent in local currencies, were affected by a continued restrained consumption due to the current recession. Online and catalogue sales have continued to develop positively.

The interest in H&M Home – textile fashion for the home – which was launched at the end of February, has been great among customers and media.

The Group's internal flow of goods to the subsidiaries is hedged on an ongoing basis to SEK with 4-6 months forward contracts. Most of the subsidiaries' currencies have been strengthened in relation to SEK during the first quarter. As a consequence of the hedging, the company has not been able to benefit from the positive effect of slightly more than SEK 500 m which would otherwise have arisen in the gross profit. This has had a negative impact on the gross margin of approximately 2.2 percentage units during the first quarter.

The strengthening of the purchase currencies, primarily the rapid strengthening of the US dollar, has also had a negative impact on the gross margin of approximately 2 percentage units. The major part of this negative effect arises from the 10 percent of the purchases that are not hedged.

Excluding both of these currency effects, the gross margin would have been 60.8 percent.

The price reductions were on the same level as the corresponding period last year.

Selling and administrative expenses amounted to SEK 9,814 m (7,971), an increase of 23 percent. In local currencies the increase was 10 percent. The cost control continued to be very good. The costs have been adjusted to the current market situation and have decreased for comparable stores.

In view of the current economic environment and the negative currency effects mentioned above, the company considers the operating result of SEK 3,364 m (3,799) for the first quarter as good.

The stock-in-trade as per 28 February 2009 was at a satisfactory level with a high proportion of new items and a good mix of products. About half of the stock-in-trade increase of 15 percent was related to currency translation effects.

Financial position and cash flow

Consolidated total assets as per 28 February 2009 increased by 26 percent compared to the same point in time last year and amounted to SEK 55,010 m (43,756).

During the first three months of the financial year the Group generated a cash flow of SEK -1 m (-2,525). The current operations generated a positive cash flow of SEK 1,231 m (2,446). Cash flow was among other things affected by investments in fixed assets of SEK -1,179 m (-970) and by financial investments with a duration of three to twelve months of SEK 0 m (-4,004). Liquid funds and short-term investments amounted to SEK 23,625 m (22,450).

The stock-in-trade increased by 15 percent compared to the same point in time last year and amounted to SEK 9,052 m (7,892). This corresponds to 9.8 percent (9.7) of sales excluding VAT, rolling 12 months. The stock-in-trade was 16.5 percent (18.0) of total assets.

The equity/assets ratio was 74.6 percent (79.5) and the share of risk-bearing capital was 77.9 percent (81.0).

Shareholders' equity apportioned on the outstanding 827,536,000 shares as per 28 February 2009 was SEK 49.60 (42.06).

Expansion

H&M remains positive towards the future expansion and the company's business opportunities.

During the second quarter the Group plans to open 74 (48) stores and close 7 (4). Most of the stores are planned for Germany, France, the UK, Italy, Switzerland and Spain.

For the financial year 2008/2009 a net contribution of 225 stores is planned, including 15 Monki and Weekday stores and 8 COS stores.

As recently announced, H&M has signed a contract for its first store in South Korea. The store will be located in best business location in Myungdong in Seoul and is planned to open during spring 2010.

Jordan will become new franchise market in co-operation with the franchisee Alshaya during spring 2010. Two stores will open in Amman.

Taxes

For the full year of 2008/2009 the effective tax rate for the Group is expected to be approximately 27.5 percent. For the following year the tax is expected to decrease to approximately 27 percent as a consequence of the decreased company tax level in Sweden.

The Parent Company

The parent company had in the first quarter no external sales (29). The result before balance sheet appropriations amounted to SEK 261 m (421). Net investments in fixed assets amounted to SEK 10 m (37).

Comments after the end of the quarter

The openings of the first two stores in Moscow, Russia, were very successful with a great interest from customers and media. Sales for the first two stores surpassed the company's expectations.

In the second quarter the company expects that it will not be able to benefit from the positive effects from the strengthening of primarily the euro, as a consequence of the hedging of the internal flow of goods. The effects from the hedging is expected to even out over time.

Accounting principles

The Group applies International Financial Reporting Standards (IFRS) as adopted by EU. This Interim Report has been prepared according to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

The accounting principles applied in this report are described in the Annual Report and Consolidated Financial Statements for 2007/2008, in Note 1 – Accounting principles.

The parent company applies the Swedish Annual Accounts Act and Recommendation RFR 2.2, Accounting for Legal Entities, which essentially means that IFRS is applied. In accordance with Recommendation RFR 2.2, IAS 39 is not applied in the parent company.

Risks and uncertainties

A number of factors may affect H&M's results and business. Most of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties related to fashion, weather situations, quota systems and exchange rates, but also in connection with expansion into new markets, the launch of new concepts, changes in consumer behaviour or handling of the brand.

For a more detailed description of risks and uncertainties, see the Administration Report and Note 2 in the Annual Report and Consolidated Accounts for 2007/2008. There were no significant changes in risks and uncertainties during the period.

All figures within parenthesis refer to the corresponding period or point in time previous year. Comparable units, previously referred to as comparable stores, imply the stores and the internet and catalogue sales countries that have been in operation for at least a financial year. H&M's financial year is 1 December to 30 November.

Financial Calendar

4 May 2009, at 3 p.m.	AGM 2009, Victoriahallen, International Fairs, Stockholm
25 June 2009	Half year Report, 1 Dec 2008 – 31 May 2009
24 September 2009	Nine Month Report, 1 Dec 2008 – 31 August 2009
28 January 2010	Full year Report, 1 Dec 2008 – 30 November 2009
25 March 2010	Three Month Report, 1 Dec 2009 – 28 Feb 2010
29 April 2010, at 3 p.m.	Annual General Meeting 2010

This three month report has not been audited by the company's auditors.

Stockholm, 25 March 2009
The Board of Directors

The information in this Interim Report is that which H & M Hennes & Mauritz AB (publ) is required to disclose under Sweden's Securities Market Act. It will be released for publication at 08:00 (CET) on 26 March 2009.

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GROUP INCOME STATEMENT (SEK m)

	1 Dec 08- 28 Feb 09	1 Dec 07- 29 Feb 08	1 Dec 07- 30 Nov 08
Sales including VAT	27,282	23,241	104,041
Sales excluding VAT	23,299	19,742	88,532
Cost of goods sold	-10,121	-7,972	-34,064
GROSS PROFIT	13,178	11,770	54,468
Selling expenses	-9,223	-7,491	-32,185
Administrative expenses	-591	-480	-2,145
OPERATING PROFIT	3,364	3,799	20,138
Interest income	192	259	1,060
Interest expense	-2	-1	-8
PROFIT AFTER FINANCIAL ITEMS	3,554	4,057	21,190
Tax	-977	-1,116	-5,896
PROFIT FOR THE PERIOD	2,577	2,941	15,294
Earnings per share, SEK*	3.11	3.55	18.48
Number of shares, thousands*	827,536	827,536	827,536
Depreciation, total	721	578	2,202
of which cost of goods sold	76	60	245
of which selling expenses	609	490	1,825
of which administrative expenses	36	28	132

* Before and after dilution.

GROUP BALANCE SHEET IN SUMMARY (SEK m)

	28 Feb 2009	29 Feb 2008	30 Nov 2008
ASSETS			
Fixed assets			
Intangible fixed assets	1,766	284	1,656
Tangible fixed assets	13,754	9,519	12,441
Financial assets	2,293	1,103	1,775
	17,813	10,906	15,872
Current assets			
Stock-in-trade	9,052	7,892	8,500
Current receivables	4,520	2,508	4,145
Short-term investments, 3-12 months	-	8,904	-
Liquid funds	23,625	13,546	22,726
	37,197	32,850	35,371
TOTAL ASSETS	55,010	43,756	51,243
EQUITY AND LIABILITIES			
Equity	41,043	34,803	36,950
Long-term liabilities*	2,442	817	2,414
Short-term liabilities**	11,525	8,136	11,879
TOTAL EQUITY AND LIABILITIES	55,010	43,756	51,243

* Only pension liabilities of SEK 237 m are interest-bearing (163 for Q1 2008 and 228 for the full year 2008).

** No short-term liabilities are interest-bearing.

CHANGE IN EQUITY (SEK m)

	28 Feb 2009	29 Feb 2008	30 Nov 2008
Shareholders' equity at the beginning of the period	36,950	32,093	32,093
Dividend	-	-	-11,584
Translations effects etc.	2,005	-198	1,147
Change in hedging reserves	-489	-33	-
Profit for the period	2,577	2,941	15,294
Shareholders' equity at the end of the period	41,043	34,803	36,950

GROUP CASH FLOW STATEMENT (SEK m)

	1 Dec 08- 28 Feb 09	1 Dec 07- 29 Feb 08
Current operations		
Profit after financial items*	3,554	4,057
Provisions for pensions	9	7
Depreciation	721	578
Tax paid	-2,059	-1,117
Cash flow from current operations before changes in working capital	2,225	3,525
Cash flow from changes in working capital		
Current receivables	-118	-411
Stock-in-trade	-229	20
Current liabilities	-647	-688
CASH FLOW FROM CURRENT OPERATIONS	1,231	2,446
Investment activities		
Investments in intangible fixed assets	-70	-58
Investments in tangible fixed assets	-1,109	-912
Financial investments, 3-12 months	-	-4,004
Other investments	-53	3
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,232	-4,971
CASH FLOW FOR THE PERIOD	-1	-2,525
Liquid funds at the beginning of the financial year (incl. short-term inv. 0-3 months)	22,726	16,064
Cash flow for the period	-1	-2,525
Exchange rate effect	900	7
Liquid funds at the end of the period (incl. short-term inv. 0-3 months)	23,625	13,546

* Interest paid amounts for the Group to SEK 2 m (1).

FIVE YEAR SUMMARY

December- February

FIRST QUARTER	2008	2007	2006	2005	2004
Sales including VAT, SEK m	27,282	23,241	19,701	17,686	14,820
Sales excluding VAT, SEK m	23,299	19,742	16,772	15,071	12,610
Change from previous year, %	18.0	17.7	11.3	19.5	7.3
Operating profit, SEK m	3,364	3,799	3,223	2,574	2,204
Operating margin, %	14.4	19.2	19.2	17.1	17.5
Depreciation for the period, SEK m	721	578	469	408	336
Profit after financial items, SEK m	3,554	4,057	3,411	2,680	2,309
Profit after tax, SEK m	2,577	2,941	2,302	1,809	1,501
Liquid funds and short-term investments, SEK m	23,625	22,450	20,931	17,812	15,966
Stock-in-trade, SEK m	9,052	7,892	7,196	7,073	5,395
Equity, SEK m	41,043	34,803	30,401	27,638	23,850
Number of shares, thousands*	827,536	827,536	827,536	827,536	827,536
Earnings per share, SEK*	3.11	3.55	2.78	2.19	1.81
Shareholders' equity per share, SEK*	49.60	42.06	36.74	33.40	28.82
Cash flow from current operations per average number of shares, SEK*	1.49	2.96	3.43	1.51	1.42
Share of risk-bearing capital, %	77.9	81.0	81.1	82.7	84.2
Equity/assets ratio, %	74.6	79.5	79.7	80.8	80.8
Total number of stores	1,748	1,529	1,351	1,196	1,069
Rolling twelve months					
Earnings per share, SEK*	18.04	17.19	13.64	11.55	9.20
Return on shareholders' equity, %	39.4	43.6	38.9	37.1	33.6
Return on capital employed, %	54.3	60.5	56.9	54.0	50.7

* Before and after dilution.

Definition on key figures see the Annual Report.

The International Standards (IFRS) are being applied from 2005/2006. The restatement of the 2004/2005 figures according to IFRS has not involved any adjustment.

SALES INCLUDING VAT BY COUNTRY AND NUMBER OF STORES

First Quarter

COUNTRY	SEK m	SEK m	Change in %		No. of stores 28 Feb. 2009	New stores	Closed stores
	Q1-2009	Q1-2008	SEK	Local currency			
Sweden	1,780	1,736	3	3	151	2	1
Norway	1,310	1,307	0	-1	86		
Denmark	987	923	7	-7	68		
United Kingdom	1,689	1,655	2	8	146		
Switzerland	1,386	1,041	33	7	66		
Germany	6,844	5,618	22	6	340	3	2
Netherlands	1,645	1,469	12	-3	97	1	
Belgium	894	722	24	7	56	1	
Austria	1,286	1,146	12	-3	60		
Luxembourg	99	80	24	8	9		
Finland	608	560	9	-6	36		
France	2,072	1,852	12	-3	114		
USA	1,773	1,373	29	-1	169		
Spain	1,601	1,355	18	3	99		
Poland	517	510	1	3	53		
Czech Republic	143	153	-7	-17	16		
Portugal	239	177	35	17	17		
Italy	782	544	44	25	47	1	
Canada	438	355	23	18	43		
Slovenia	144	121	19	3	9		
Ireland	144	113	27	11	9		
Hungary	66	69	-5	-11	8		
Slovakia	42	30	38	20	3		
Greece	95	54	77	53	9	1	
China	308	189	63	21	13		
Japan	228				2		
Franchise	162	88	84	84	22	4	
Total	27,282	23,241	17	4	1,748	13	3

SEGMENT REPORTING (SEK m)

	1 Dec 08- 28 Feb 09	1 Dec 07- 29 Feb 08
Nordic region		
External net sales	3,773	3,634
Operating profit	-27	60
Operating margin, %	-0.7	1.7
Euro Zone excluding Finland		
External net sales	13,372	11,151
Operating profit	-71	-55
Operating margin, %	-0.5	-0.5
Rest of the World		
External net sales	6,154	4,957
Operating profit	-84	-94
Operating margin, %	-1.4	-1.9
Group Functions		
Net sales to other segments	12,658	11,459
Operating profit	3,546	3,888
Operating margin, %	28.0	33.9
Eliminations		
Net sales to other segments	-12,658	-11,459
Total		
External net sales	23,299	19,742
Operating profit	3,364	3,799
Operating margin, %	14.4	19.2

SEGMENT REPORTING

Internal follow-up of the business is carried out by country. To clearly present information on different segments, the operations are divided into three geographical regions: **the Nordic region**, **Euro Zone excluding Finland**, and the **Rest of the World** and also a separate segment; **Group Functions**. There is no internal division into different business segments and hence reporting in secondary segments is not relevant. As of 2009 Slovakia is a part of the segment Euro Zone. Last year Slovakia was a part of the segment Rest of the World. As the values regarding Slovakia are relatively small, the comparison between the years are marginally affected.

PARENT COMPANY INCOME STATEMENT (SEK m)

	1 Dec 08- 28 Feb 09	1 Dec 07- 29 Feb 08	1 Dec 07- 30 Nov 08
Sales including VAT	-	29	136
Sales excluding VAT	-	29	136
Internal sales excluding VAT*	903	835	5,175
Cost of goods sold	-	-	-32
GROSS PROFIT	903	864	5,279
Selling expenses	-319	-262	-1,773
Administrative expenses	-376	-336	-1,388
OPERATING PROFIT	208	266	2,118
Dividend from subsidiaries	-	-	12,839
Interest income	53	155	438
PROFIT AFTER FINANCIAL ITEMS	261	421	15,395
Year-end appropriations	-	-	-663
Tax	-73	-118	-534
PROFIT FOR THE PERIOD	188	303	14,198
Earnings per share, SEK**	0.23	0.37	17.16
Number of shares, thousands**	827,536	827,536	827,536
Depreciation, total	26	27	88
of which cost of goods sold	-	-	11
of which selling expenses	11	12	73
of which administrative expenses	15	15	4

* Includes received royalty from group companies.

** Before and after dilution.

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	28 Feb 2009	29 Feb 2008	30 Nov 2008
ASSETS			
Fixed assets			
Tangible fixed assets	289	366	414
Financial fixed assets	1,022	65	992
	1,311	431	1,406
Current assets			
Stock-in-trade	-	-	-
Current receivables	8,170	3978	8,780
Short-term investments, 3-12 months	-	8904	-
Liquid funds	7,221	168	6,525
	15,391	13,050	15,305
TOTAL ASSETS	16,702	13,481	16,711
EQUITY AND LIABILITIES			
Equity	15,464	12,999	15,276
Deferred tax liabilities	662	119	782
Long-term liabilities*	193	113	193
Short-term liabilities**	383	250	460
TOTAL EQUITY AND LIABILITIES	16,702	13,481	16,711

* Relates to provisions for pensions.

** No short-term liabilities are interest-bearing.

CHANGE IN EQUITY (SEK m)	28 Feb 2009	29 Feb 2008	30 Nov 2008
Shareholders' equity at the beginning of the period	15,276	12,662	12,662
Dividends	-	-	-11,584
Profit of the period	188	303	14,198
Shareholders' equity at the end of the period	15,464	12,965	15,276