



## **H & M HENNES & MAURITZ AB**

### **NINE-MONTH REPORT**

**1 December 2007 – 31 August 2008**

- Sales excluding VAT for the H&M Group for the first nine months of the financial year amounted to SEK 62,222 m (55,529), an increase of 12 percent. In local currencies, the increase was 11 percent. In comparable units, sales were on the same level as last year.
  - Profit after financial items for the first nine months was SEK 14,076 m (12,949), an increase of 9 percent. Group profit after tax was SEK 10,205 m (8,935), corresponding to SEK 12.33 (10.80) per share, an increase of 14 percent.
  - Sales excluding VAT for the third quarter amounted to SEK 20,871 m (18,707), an increase of 12 percent. In local currencies, sales increased by 10 percent and decreased by 1 percent in comparable units.
  - Profit after financial items for the third quarter was SEK 4,586 m (4,404), an increase of 4 percent.
  - Sales in August increased by 8 percent in local currencies compared to the same month last year.
  - The stock-in-trade is on a very satisfying level with a higher proportion of new autumn garments compared to the same point of time last year.
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- Fantastic reception of the first store in Tokyo, Japan in September.
  - Sales in September have up to and including 28 September increased by 9 percent compared to the same period last year.

## **Sales**

Sales excluding VAT for the H&M Group for the first nine months of the financial year amounted to SEK 62,222 m (55,529), an increase of 12 percent. In local currencies the increase was 11 percent. In comparable units, sales were on the same level as last year. Sales including VAT amounted to SEK 73,193 m (65,287).

Sales excluding VAT in the third quarter amounted to SEK 20,871 m (18,707), an increase of 12 percent. Sales including VAT were SEK 24,540 m (22,032), in local currencies sales increased by 10 percent and decreased by 1 percent in comparable units.

In August 2008, sales including VAT in local currencies increased by 8 percent compared to the same month last year. Sales in comparable units decreased by 3 percent.

During the first nine months, the Group opened 85 (99) stores and 9 (12) stores were closed. In addition, 7 Weekday-stores and 13 Monki-stores have been consolidated through H&M's acquisition of Fabric Scandinavien AB. The total number of stores in the Group as per 31 August 2008 thus amounted to 1,618 (1,432), of which 12 are franchise stores.

## **Results for nine months**

Gross profit for the first nine months amounted to SEK 38,052 m (33,673), which corresponds to 61.2 percent (60.6) of sales.

The operating profit after deducting selling and administrative expenses was SEK 13,319 m (12,386). The result corresponded to an operating margin of 21.4 percent (22.3).

Operating profit for the nine months period has been charged with depreciation amounting to SEK 1,745 m (1,450).

Consolidated net interest income was SEK 757 m (563).

Profit after financial items amounted to SEK 14,076 m (12,949), an increase of 9 percent.

Group profit after tax with an estimated average effective tax rate of 27.5 percent (31.0) for the nine month period was SEK 10,205 m (8,935), corresponding to earnings per share of SEK 12.33 (10.80), an increase of 14 percent.

Return on shareholders' equity, rolling 12 months, was 50.7 percent (48.8) and return on capital employed, rolling 12 months, was 68.9 percent (70.3).

The result before tax for the nine month period was positively affected by currency translation effects of approximately SEK 278 m compared to a recalculation of the result at last year's average exchange rates. These currency translation effects arise because of the development in the exchange rates between the foreign subsidiaries' local currencies and the Swedish Krona.

## **Results for the third quarter**

Gross profit for the third quarter amounted to SEK 12,700 m (11,454) which corresponded to a gross margin of 60.8 percent (61.2).

Operating profit was SEK 4,365 m (4,228) for the third quarter, corresponding to an operating margin of 20.9 percent (22.6).

Profit after financial items was SEK 4,586 m (4,404), an increase of 4 percent.

## **Comments on the third quarter**

Sales, which increased by 12 per cent, have been affected by a weaker retail business in most markets. Acting quickly during the quarter mostly through more active price reductions has led to a very satisfying level of stock-in-trade at the end of the quarter. The composition is considered to be very good with a higher proportion of new autumn garments compared to the same point of time last year.

The gross margin amounted to 60.8 (61.2) percent. Higher price reductions compared to the same quarter last year were the major reason to the decrease of 0.4 percentage units. In addition, there has been price inflation in the production countries and higher transportation costs. The negative effects have partly been offset by lower buying costs due to a relatively weak US-dollar.

Selling- and administrative expenses in relation to sales have increased by 1.3 percentage units to 39.9 percent. The increase is mostly due to a slightly lower sales development and to preparations for the strong store expansion during the autumn. The level of costs has also been affected by the strengthening of the organisation to the long-term investments for the store expansion, enlarged internet and catalogue sales and other new initiatives as COS, Fabric Scandinavien and H&M Home.

## **Financial position and cash flow**

Consolidated total assets as per 31 August 2008 compared to the corresponding point of time last year, increased by 16 percent and amounted to SEK 41,929 m (36,297).

During the first nine months of the financial year the Group generated a cash flow of SEK -2,347 m (6,759). The operating activities generated a positive cash flow of SEK 11,962 m (9,958). Cash flow was among other things affected by dividends of SEK -11,584 m (-9,516), investments in fixed assets of SEK -3,077 m (-2,393), acquisition of subsidiary -555 (-) and by financial investments with a duration of three to twelve months of SEK 980 m (8,748). Liquid funds and short-term investments amounted to SEK 17,786 m (16,846).

The stock-in-trade decreased by 5 percent compared to the same point of time last year and amounted to SEK 7,930 m (8,304). This corresponds to 9.3 percent (11.1) of sales excluding VAT, rolling 12 months. The stock-in-trade was 18.9 percent (22.9) of total assets.

The equity/assets ratio was 73.5 percent (76.5) and the share of risk-bearing capital was 75.1 percent (78.1). Shareholders' equity apportioned on the outstanding 827,536,000 shares as per 31 August 2008 was SEK 37.25 (33.57).

## **Expansion**

The first franchise store in Cairo, Egypt, which was opened on June 5, has been very well received by customers and media.

The fourth quarter of the financial year is intense in terms of store openings, as a net contribution of 114 stores is planned. Most of the stores are planned for Germany, Spain, USA, France, the UK and Italy. During the corresponding period last year a net of 90 stores were added. For the financial year 2007/2008 a net contribution of totally 190\* (177) stores is planned.

\* excluding 20 stores from the acquisition of Fabric Scandinavien AB.

## **Events after the close of the quarter**

Sales in local currencies for September, up to and including September 28, increased by 9 percent compared to the same period last year. This should be seen in the light of the fact that sales were strong in September 2007 with an increase of 25 percent compared to the corresponding month in 2006.

The first H&M store was opened at best business location in Tokyo, Japan on September 13. The reception in the Japanese market has been fantastic. Additional three store contracts are signed for Tokyo, of which one will open later this autumn and the other two in 2009. H&M sees great potential for future growth in Japan.

There remains great interest in H&M in the Middle East. The franchise stores that were opened in two new countries during September, Bahrain and Saudi Arabia, were well received. One franchise store will open in Oman during November.

## **Taxes**

As previously notified in the full-year report for 2006/2007, the effective tax rate for the Group for the financial year 2007/2008 is estimated to decline compared to 29.1 percent for 2006/2007. The expected 2007/2008 Group tax rate is estimated to 27.5 percent as the changed transfer pricing will have full effect and that the corporate tax rates has declined in some countries.

## **Acquisition of Fabric Scandinavien AB**

As stated in a press release of 6 March 2008, H&M signed an agreement to acquire the privately owned Swedish fashion company Fabric Scandinavien AB, which designs and sells fashion under a number of own brands including Cheap Monday and which runs the store chains Weekday and Monki. Following approval of the transaction by the relevant competition authorities, as of 30 April 2008, H&M acquired 60 percent of the shares in the company. The parties have also made an agreement that H&M has the possibility/is obliged to acquire the remaining shares within three to five years. This means that Fabric Scandinavien AB is included in the consolidated accounts for the Group with effect from 1 May 2008.

For the financial year 2007/2008 which ended April 30, 2008, sales excluding VAT for Fabric Scandinavien amounted to SEK 332 m and profit after financial items amounted to SEK 28 m.

For further information, refer to Note 1 at the end of this interim report.

## **The Parent Company**

Sales excluding VAT for the parent company during the first nine months of the financial year amounted to SEK 3,341 m (5,521). The result before balance sheet appropriations amounted to SEK 5,130 m (6,599), of which dividend from subsidiaries of SEK 3,560 m (5,033). Net investments in fixed assets amounted to SEK 133 m (30).

Store operations in Sweden were run up until 31 May 2007 by the Parent Company. Internet and catalogue sales in Sweden were run up until 30 November 2007 by the Parent Company. In conjunction with Group restructuring activities, these businesses have been transferred to separate subsidiaries. The external revenue that still remains in the Parent Company in the amount of SEK 84 m refers to remuneration for administrative expenses related to franchising.

## **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 2006/2007, in Note 1 – Accounting principles. Regarding reporting of the acquisition of Fabric Scandinavien, refer to Note 1 at the end of this interim report.

The parent company applies the Swedish Annual Accounts Act and Recommendation RFR 2.1, Accounting for Legal Entities, which essentially means that IFRS is applied. In accordance with Recommendation RFR 2.1, 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 fashions, 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, refer to the Administration Report and to Note 2 in the Annual Report and Consolidated Accounts for 2006/2007. There were no significant changes in risks and uncertainties during the period.

## **Calendar**

|                       |                                                          |
|-----------------------|----------------------------------------------------------|
| 29 January 2009       | Full Year Report, 1 Dec 2007 – 30 November 2008          |
| 26 March 2009         | Three Month Report, 1 Dec 2008 – 28 Feb 2009             |
| 4 May 2009, at 3 p.m. | AGM 2009, Victoriahallen, International Fairs, Stockholm |

Stockholm, 29 September 2008  
The Board of Directors

## Review report

We have reviewed the interim report for H & M Hennes & Mauritz AB (publ) for the period 1 December 2007 – 31 August 2008. It is the responsibility of the Board of Directors and the Managing Director to prepare and present this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

We conducted our review in accordance with the Standard on Review Engagements SÖG 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with the Standards on Auditing in Sweden (RS) and the generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as an opinion expressed on the basis of an audit.

On the basis of our review, nothing has come to our attention that causes us to believe that the interim report, in all material aspects, was not prepared in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the Group and in accordance with the Annual Accounts Act in the case of the parent company.

Stockholm, 29 September 2008

Erik Åström  
Authorised Public Auditor  
Ernst & Young AB

Åsa Lundvall  
Authorised Public Auditor  
Ernst & Young AB

*All figures within parenthesis refer to the corresponding period or point of 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 extends from 1 December to 30 November.*

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 30 September 2008.

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## GROUP INCOME STATEMENT (SEK m)

|                                     | 1 Dec. 2007-<br>31 Aug. 2008 | 1 Dec. 2006-<br>31 Aug. 2007 | 1 June 2008-<br>31 Aug. 2008 | 1 June 2007-<br>31 Aug. 2007 | 1 Dec. 2006-<br>30 Nov. 2007 |
|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Sales including VAT                 | 73 193                       | 65 287                       | 24 540                       | 22 032                       | 92 123                       |
| Sales excluding VAT                 | 62 222                       | 55 529                       | 20 871                       | 18 707                       | 78 346                       |
| Cost of goods sold                  | -24 170                      | -21 856                      | -8 171                       | -7 253                       | -30 499                      |
| <b>GROSS PROFIT</b>                 | <b>38 052</b>                | <b>33 673</b>                | <b>12 700</b>                | <b>11 454</b>                | <b>47 847</b>                |
| Selling expenses                    | -23 188                      | -20 042                      | -7 816                       | -6 834                       | -27 687                      |
| Administrative expenses             | -1 545                       | -1 245                       | -519                         | -392                         | -1 778                       |
| <b>OPERATING PROFIT</b>             | <b>13 319</b>                | <b>12 386</b>                | <b>4 365</b>                 | <b>4 228</b>                 | <b>18 382</b>                |
| Interest income                     | 763                          | 565                          | 224                          | 176                          | 793                          |
| Interest expense                    | -6                           | -2                           | -3                           | 0                            | -5                           |
| <b>PROFIT AFTER FINANCIAL ITEMS</b> | <b>14 076</b>                | <b>12 949</b>                | <b>4 586</b>                 | <b>4 404</b>                 | <b>19 170</b>                |
| Tax                                 | -3 871                       | -4 014                       | -1 261                       | -1 237                       | -5 582                       |
| <b>PROFIT FOR THE PERIOD</b>        | <b>10 205</b>                | <b>8 935</b>                 | <b>3 325</b>                 | <b>3 167</b>                 | <b>13 588</b>                |
| Earnings per share, SEK*            | 12.33                        | 10.80                        | 4.02                         | 3.83                         | 16.42                        |
| No. of shares, thousands*           | 827 536                      | 827 536                      | 827 536                      | 827 536                      | 827 536                      |
| Depreciation, total                 | 1 745                        | 1 450                        | 590                          | 492                          | 1 814                        |
| of which cost of goods sold         | 178                          | 151                          | 59                           | 51                           | 203                          |
| of which selling expenses           | 1 484                        | 1 229                        | 503                          | 417                          | 1 505                        |
| of which administrative expenses    | 83                           | 70                           | 28                           | 24                           | 106                          |

\* before and after dilution



## GROUP BALANCE SHEET IN SUMMARY (SEK m)

|                                     | 31 Aug. 2008  | 31 Aug. 2007  | 30 Nov. 2007  |
|-------------------------------------|---------------|---------------|---------------|
| <b>ASSETS</b>                       |               |               |               |
| <b>Non-current assets</b>           |               |               |               |
| Intangible fixed assets             | 1 613         | 243           | 266           |
| Tangible fixed assets               | 10 346        | 8 686         | 9 287         |
| Financial assets                    | 1 171         | 300           | 1 136         |
| <b>Total non-current assets</b>     | <b>13 130</b> | <b>9 229</b>  | <b>10 689</b> |
| <b>Current assets</b>               |               |               |               |
| Stock-in-trade                      | 7 930         | 8 304         | 7 969         |
| Current receivables                 | 3 083         | 1 918         | 2 112         |
| Short-term investments, 3-12 months | 3 920         | -             | 4 900         |
| Liquid funds                        | 13 866        | 16 846        | 16 064        |
| <b>Total current assets</b>         | <b>28 799</b> | <b>27 068</b> | <b>31 045</b> |
| <b>TOTAL ASSETS</b>                 | <b>41 929</b> | <b>36 297</b> | <b>41 734</b> |

## EQUITY AND LIABILITIES

|                                     |               |               |               |
|-------------------------------------|---------------|---------------|---------------|
| Equity                              | 30 828        | 27 779        | 32 093        |
| Non-current liabilities*            | 1 376         | 809           | 807           |
| Current liabilities**               | 9 725         | 7 709         | 8 834         |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>41 929</b> | <b>36 297</b> | <b>41 734</b> |

\* Only pensions liabilities of SEK 179 m are interest bearing (150 for Q3 2007 and 156 for the Full Year 2007).

\*\* No current liabilities are interest bearing.

|                                                               | 31 Aug. 2008  | 31 Aug. 2007  | 30 Nov. 2007  |
|---------------------------------------------------------------|---------------|---------------|---------------|
| <b>CHANGE IN EQUITY</b>                                       |               |               |               |
| Shareholders' equity at the beginning of the period           | 32 093        | 27 779        | 27 779        |
| Translation effects, hedge reserve                            | 114           | 581           | 241           |
| <b>Total income and expense recognised directly in equity</b> | <b>114</b>    | <b>581</b>    | <b>241</b>    |
| <br>Profit for the period                                     | <br>10 205    | <br>8 935     | <br>13 588    |
| <b>Total income and expense</b>                               | <b>10 319</b> | <b>9 516</b>  | <b>13 829</b> |
| <br>Dividends                                                 | <br>-11 584   | <br>-9 516    | <br>-9 515    |
| <b>Shareholders' equity at the end of the period</b>          | <b>30 828</b> | <b>27 779</b> | <b>32 093</b> |

## GROUP CASH FLOW STATEMENT (SEK m)

|                                                                           | 1 Dec. 2007-<br>31 Aug. 2008 | 1 Dec. 2006-<br>31 Aug. 2007 |
|---------------------------------------------------------------------------|------------------------------|------------------------------|
| <b>Operating activities</b>                                               |                              |                              |
| Profit after financial items                                              | 14 076                       | 12 949                       |
| Provisions for pensions                                                   | 17                           | 20                           |
| Depreciation                                                              | 1 745                        | 1 450                        |
| Tax paid                                                                  | -3 686                       | -3 898                       |
| <b>Cash flow from operating activities before working capital changes</b> | <b>12 152</b>                | <b>10 521</b>                |
| <b>Cash flow from changes in working capital</b>                          |                              |                              |
| Current receivables                                                       | -912                         | -206                         |
| Stock-in-trade                                                            | 109                          | -897                         |
| Current liabilities                                                       | 613                          | 540                          |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                                | <b>11 962</b>                | <b>9 958</b>                 |
| <b>Investing activities</b>                                               |                              |                              |
| Investment in intangible assets                                           | -378                         | -50                          |
| Investment in tangible assets                                             | -2 699                       | -2 343                       |
| Acquisition of subsidiaries                                               | -555                         | -                            |
| Financial investments, 3-12 months                                        | 980                          | 8 748                        |
| Other investments                                                         | -73                          | -38                          |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                                | <b>-2 725</b>                | <b>6 317</b>                 |
| <b>Financing activities</b>                                               |                              |                              |
| Dividend                                                                  | -11 584                      | -9 516                       |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                                | <b>-11 584</b>               | <b>-9 516</b>                |
| <b>CASH FLOW FOR THE PERIOD</b>                                           | <b>-2 347</b>                | <b>6 759</b>                 |
| <b>Liquid funds at beginning of the year</b>                              | <b>16 064</b>                | <b>9 877</b>                 |
| Cash flow for the period                                                  | -2 347                       | 6 759                        |
| Exchange rate effects                                                     | 149                          | 210                          |
| <b>Liquid funds at the end of the period</b>                              | <b>13 866</b>                | <b>16 846</b>                |

## FIVE YEAR SUMMARY

| <b>Nine months</b>                                                     | 1 Dec. 07-<br>31 Aug. 08 | 1 Dec. 06-<br>31 Aug. 07 | 1 Dec. 05-<br>31 Aug. 06 | 1 Dec. 04-<br>31 Aug. 05 | 1 Dec. 03-<br>31 Aug. 04 |
|------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Sales including VAT, SEK m                                             | 73 193                   | 65 287                   | 57 262                   | 50 785                   | 44 367                   |
| Sales excluding VAT, SEK m                                             | 62 222                   | 55 529                   | 48 888                   | 43 253                   | 37 821                   |
| Change from previous year, %                                           | 12.1                     | 13.6                     | 13.0                     | 14.4                     | 10.2                     |
| Operating profit, SEK m                                                | 13 319                   | 12 386                   | 10 020                   | 8 968                    | 6 701                    |
| Operating margin, %                                                    | 21.4                     | 22.3                     | 20.5                     | 20.7                     | 17.7                     |
| Depreciation for the period, SEK m                                     | 1 745                    | 1 450                    | 1 233                    | 1 059                    | 947                      |
| Profit after financial items, SEK m                                    | 14 076                   | 12 949                   | 10 368                   | 9 256                    | 6 949                    |
| Profit after tax, SEK m                                                | 10 205                   | 8 935                    | 6 998                    | 6 016                    | 4 517                    |
| Liquid funds and short-term investments, SEK m                         | 17 786                   | 16 846                   | 14 696                   | 13 249                   | 11 183                   |
| Stock-in-trade, SEK m                                                  | 7 930                    | 8 304                    | 7 812                    | 6 571                    | 6 323                    |
| Equity, SEK m                                                          | 30 828                   | 27 779                   | 24 395                   | 22 367                   | 19 887                   |
| Number of shares, thousands*                                           | 827 536                  | 827 536                  | 827 536                  | 827 536                  | 827 536                  |
| Earnings per share, SEK*                                               | 12.33                    | 10.80                    | 8.46                     | 7.27                     | 5.46                     |
| Shareholders' equity per share, SEK*                                   | 37.25                    | 33.57                    | 29.48                    | 27.03                    | 24.03                    |
| Cash flow from operating activities per average number of shares, SEK* | 14.45                    | 12.03                    | 8.76                     | 7.02                     | 4.73                     |
| Share of risk-bearing capital, %                                       | 75.1                     | 78.1                     | 79.0                     | 81.5                     | 80.8                     |
| Equity/assets ratio, %                                                 | 73.5                     | 76.5                     | 76.8                     | 78.0                     | 77.2                     |
| Total number of stores                                                 | 1 618**                  | 1 432                    | 1 264                    | 1 134                    | 1 006                    |
| <b>Rolling twelve months</b>                                           |                          |                          |                          |                          |                          |
| Earnings per share, SEK*                                               | 17.95                    | 15.39                    | 12.36                    | 10.60                    | 8.20                     |
| Return on shareholders' equity, %                                      | 50.7                     | 48.8                     | 43.7                     | 41.5                     | 35.6                     |
| Return on capital employed, %                                          | 68.9                     | 70.3                     | 62.7                     | 63.0                     | 53.6                     |

\* Before and after dilution.

\*\* Including acquired 20 Monki and Weekday stores and one opened Monki store during q3 2008.

Definition on key figures see 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 in any adjustment.

2003/2004 is accounted according to previous principles based on the International Standards (IFRS).

## SALES INCLUDING VAT BY COUNTRY AND NUMBER OF STORES

Nine months, 1 December 2007--31 August 2008

| COUNTRY        | Sales, SEK m  |               | Change in % |                | No. of stores<br>31 Aug. 2008 | New<br>stores | Closed<br>stores |
|----------------|---------------|---------------|-------------|----------------|-------------------------------|---------------|------------------|
|                | 2008          | 2007          | SEK         | local currency |                               |               |                  |
| Sweden         | 5 444 *       | 5 177 *       | 5           | 5              | 143                           | 20            | -1               |
| Norway         | 3 865 *       | 3 659 *       | 6           | 2              | 82                            | 1             | -1               |
| Denmark        | 2 785 *       | 2 656 *       | 5           | 3              | 65                            | 1             | -1               |
| United Kingdom | 5 172         | 5 182         | 0           | 11             | 138                           | 11            | -2               |
| Switzerland    | 3 354         | 3 122         | 7           | 9              | 62                            | 2             |                  |
| Germany        | 17 946 *      | 15 845 *      | 13          | 10             | 327                           | 9             | -1               |
| Netherlands    | 4 775 *       | 4 273 *       | 12          | 9              | 94                            | 5             |                  |
| Belgium        | 2 218         | 2 040         | 9           | 6              | 55                            | 3             | -2               |
| Austria        | 3 530 *       | 3 220 *       | 10          | 7              | 59                            | 1             |                  |
| Luxembourg     | 246           | 238           | 3           | 1              | 8                             |               |                  |
| Finland        | 1 791 *       | 1 648 *       | 9           | 6              | 34                            | 1             | -1               |
| France         | 5 506         | 4 894         | 13          | 9              | 104                           | 6             |                  |
| USA            | 4 503         | 4 155         | 8           | 20             | 157                           | 12            |                  |
| Spain          | 4 115         | 3 628         | 13          | 10             | 86                            | 7             |                  |
| Poland         | 1 782         | 1 213         | 47          | 29             | 47                            | 5             |                  |
| Czech Republic | 481           | 428           | 12          | -2             | 14                            |               |                  |
| Portugal       | 540           | 490           | 10          | 8              | 15                            |               |                  |
| Italy          | 1 784         | 1 117         | 60          | 56             | 39                            | 8             |                  |
| Canada         | 1 235         | 975           | 27          | 27             | 41                            | 6             |                  |
| Slovenia       | 400           | 328           | 22          | 19             | 8                             | 2             |                  |
| Ireland        | 348           | 298           | 17          | 14             | 7                             |               |                  |
| Hungary        | 216           | 132           | 64          | 57             | 6                             |               |                  |
| Slovakia       | 95            | 45            | 111         | 91             | 2                             |               |                  |
| Greece         | 197           | 83            | 137         | 131            | 4                             | 1             |                  |
| China          | 583           | 279           | 109         | 124            | 9                             | 2             |                  |
| Franchise      | 282           | 162           | 74          | 74             | 12                            | 2             |                  |
| <b>Total</b>   | <b>73 193</b> | <b>65 287</b> | <b>12</b>   | <b>11</b>      | <b>1 618 **</b>               | <b>105 **</b> | <b>-9</b>        |

\* Including internet and catalogue sales.

\*\* Including 20 Monki and Weekday-stores through the acquisition and 1 Monki store opened in q3 2008.

## SALES INCLUDING VAT BY COUNTRY AND NUMBER OF STORES

Third quarter, 1 June 2008--31 August 2008

| COUNTRY        | Sales, SEK m  |               | Change in % |                | No. of stores<br>31 Aug. 2008 | New<br>stores | Closed<br>stores |
|----------------|---------------|---------------|-------------|----------------|-------------------------------|---------------|------------------|
|                | 2008          | 2007          | SEK         | local currency |                               |               |                  |
| Sweden         | 1 886 *       | 1 783 *       | 6           | 6              | 143                           |               |                  |
| Norway         | 1 323 *       | 1 321 *       | 0           | -3             | 82                            | 1             |                  |
| Denmark        | 889 *         | 919 *         | -3          | -5             | 65                            | 1             | -1               |
| United Kingdom | 1 716         | 1 658         | 3           | 17             | 138                           | 1             |                  |
| Switzerland    | 1 122         | 964           | 16          | 11             | 62                            |               |                  |
| Germany        | 5 949 *       | 5 248 *       | 13          | 10             | 327                           | 2             |                  |
| Netherlands    | 1 535 *       | 1 422 *       | 8           | 5              | 94                            | 3             |                  |
| Belgium        | 738           | 658           | 12          | 10             | 55                            | 1             |                  |
| Austria        | 1 175 *       | 1 055 *       | 11          | 8              | 59                            |               |                  |
| Luxembourg     | 80            | 77            | 4           | 2              | 8                             |               |                  |
| Finland        | 653 *         | 621 *         | 5           | 4              | 34                            |               |                  |
| France         | 1 780         | 1 630         | 9           | 6              | 104                           | 2             |                  |
| USA            | 1 613         | 1 440         | 12          | 23             | 157                           | 4             |                  |
| Spain          | 1 342         | 1 235         | 9           | 5              | 86                            | 1             |                  |
| Poland         | 651           | 431           | 51          | 29             | 47                            | 1             |                  |
| Czech Republic | 160           | 142           | 13          | -5             | 14                            |               |                  |
| Portugal       | 184           | 160           | 15          | 13             | 15                            |               |                  |
| Italy          | 574           | 381           | 51          | 47             | 39                            | 3             |                  |
| Canada         | 458           | 377           | 21          | 28             | 41                            | 2             |                  |
| Slovenia       | 134           | 115           | 17          | 14             | 8                             | 1             |                  |
| Ireland        | 115           | 98            | 17          | 16             | 7                             |               |                  |
| Hungary        | 70            | 41            | 71          | 53             | 6                             |               |                  |
| Slovakia       | 32            | 21            | 52          | 34             | 2                             |               |                  |
| Greece         | 66            | 42            | 57          | 53             | 4                             |               |                  |
| China          | 184           | 129           | 43          | 51             | 9                             | 2             |                  |
| Franchise      | 110           | 63            | 75          | 74             | 12                            | 1             |                  |
| <b>Total</b>   | <b>24 539</b> | <b>22 031</b> | <b>11</b>   | <b>10</b>      | <b>1 618 **</b>               | <b>26</b>     | <b>-1</b>        |

\* Including internet and catalogue sales.

\*\* Including 20 Monki and Weekday-stores through the acquisition and 1 Monki store opened in q3 2008.

## SEGMENT REPORTING

Internal follow-up of the business is carried out by country. To present information on different segments in an easily accessible way, the operations are divided into three geographical regions: the Nordic region, Euro Zone countries excluding Finland, and the Rest of the World. There is no internal division into different business segments and hence reporting in secondary segments is not relevant. In 2007 the Group structure was refined in order to facilitate the division of the logistics functions into regions and to support continued expansion. As a result of this, the central functions of design, logistics, stock management and buying were transferred into a separate subsidiary. Along with all the other subsidiaries with no external sales, this company is reported with effect from 1 December 2007 in a separate segment: Group Functions. A great deal of the Group's value-added is created in this segment. In 2007 the internal pricing model was adapted in accordance with this, with the result that the operating profit and operating margin in individual segments for the current financial year are not comparable with previous years.

|                                   | 1 Dec. 2007-<br>31 Aug. 2008 |                                   | 1 Dec. 2006-<br>31 Aug. 2007 |
|-----------------------------------|------------------------------|-----------------------------------|------------------------------|
| <b>Nordic Region</b>              |                              | <b>Nordic Region</b>              |                              |
| Net sales external                | 10 847                       | Net sales external                | 10 566                       |
| Operating profit                  | 394                          | Operating profit                  | 2 874                        |
| Operating margin, %               | 3.6                          | Operating margin, %               | 27.2                         |
| <b>Eurozone excluding Finland</b> |                              | <b>Eurozone excluding Finland</b> |                              |
| Net sales external                | 35 327                       | Net sales external                | 30 809                       |
| Operating profit                  | 821                          | Operating profit                  | 7 126                        |
| Operating margin, %               | 2.3                          | Operating margin, %               | 23.1                         |
| <b>Rest of the World</b>          |                              | <b>Rest of the World</b>          |                              |
| Net sales external                | 16 048                       | Net sales external                | 14 154                       |
| Operating profit                  | 374                          | Operating profit                  | 2 386                        |
| Operating margin, %               | 2.3                          | Operating margin, %               | 16.9                         |
| <b>Group Functions</b>            |                              |                                   |                              |
| Net sales to other segments       | 36 878                       |                                   |                              |
| Operating profit                  | 11 730                       |                                   |                              |
| Operating margin, %               | 31.8                         |                                   |                              |
| <b>Eliminations</b>               |                              |                                   |                              |
| Net sales to other segments       | -36 878                      |                                   |                              |
| <b>Total</b>                      |                              | <b>Total</b>                      |                              |
| Net sales external                | 62 222                       | Net sales external                | 55 529                       |
| Operating profit                  | 13 319                       | Operating profit                  | 12 386                       |
| Operating margin, %               | 21.4                         | Operating margin, %               | 22.3                         |

## PARENT COMPANY INCOME STATEMENT (SEK m)

|                                     | 1 Dec. 2007-<br>31 Dec. 2008 | 1 Dec. 2006-<br>31 Aug. 2007 | 1 June 2008-<br>31 Dec. 2008 | 1 June 2007-<br>31 Aug. 2007 | 1 Dec. 2006-<br>30 Nov. 2007 |
|-------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Sales including VAT                 | 84                           | 6 445                        | 30                           | 4 482                        | 10 738                       |
| Sales excluding VAT                 | 84                           | 5 521                        | 30                           | 3 942                        | 9 629                        |
| Internal sales excluding VAT        | 3 257                        | -                            | 1 280                        | -                            | -                            |
| Cost of goods sold                  | -                            | -1 536                       | -                            | -1 137                       | -3 579                       |
| <b>GROSS PROFIT</b>                 | <b>3 341</b>                 | <b>3 985</b>                 | <b>1 310</b>                 | <b>2 805</b>                 | <b>6 050</b>                 |
| Selling expenses                    | -1 100                       | -1 906                       | -255                         | -1 263                       | -2 934                       |
| Administrative expenses             | -1 023                       | -831                         | -337                         | -584                         | -1 092                       |
| <b>OPERATING PROFIT</b>             | <b>1 218</b>                 | <b>1 248</b>                 | <b>718</b>                   | <b>958</b>                   | <b>2 024</b>                 |
| Dividend from subsidiaries          | 3 560                        | 5 033                        | 863                          | 5 033                        | 8 465                        |
| Interest net                        | 352                          | 318                          | 60                           | 232                          | 449                          |
| <b>PROFIT AFTER FINANCIAL ITEMS</b> | <b>5 130</b>                 | <b>6 599</b>                 | <b>1 641</b>                 | <b>6 223</b>                 | <b>10 938</b>                |
| Year-end appropriations             | -                            | -                            | -                            | -                            | 130                          |
| Tax                                 | -463                         | -439                         | -225                         | -334                         | -751                         |
| <b>PROFIT FOR THE PERIOD</b>        | <b>4 667</b>                 | <b>6 160</b>                 | <b>1 416</b>                 | <b>5 889</b>                 | <b>10 317</b>                |
| Earnings per share, SEK*            | 5.64                         | 7.44                         | 1.71                         | 7.12                         | 12.47                        |
| No. of shares, thousands*           | 827 536                      | 827 536                      | 827 536                      | 827 536                      | 827 536                      |
| Depreciation, total                 | 83                           | 80                           | 26                           | 11                           | 88                           |
| of which cost of goods sold         | -                            | 11                           | -                            | 2                            | 12                           |
| of which selling expenses           | 43                           | 65                           | 18                           | 8                            | 72                           |
| of which administrative expenses    | 40                           | 4                            | 8                            | 1                            | 4                            |

\* Before and after dilution.

Store operations in Sweden were run up until 31 May 2007 by the Parent Company.

Internet and catalogue sales in Sweden were run up until 30 November 2007 by the Parent Company.

In conjunction with Group restructuring activities, these businesses have been transferred to separate subsidiaries. The departments for design, logistics and buying that previously were part of the parent company were also transferred into a separate subsidiary as of 1 June 2007.

The external revenue that still remains in the Parent Company in the amount of SEK 84 m refers to remuneration for administrative expenses related to franchising.

## PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

| ASSETS                              | 31 Aug. 2008 | 31 Aug. 2007  | 30 Nov. 2007  |
|-------------------------------------|--------------|---------------|---------------|
| <b>Non-current assets</b>           |              |               |               |
| Tangible fixed assets               | 260          | 351           | 317           |
| Financial assets                    | 856          | 245           | 59            |
| Total non-current assets            | <b>1 116</b> | <b>596</b>    | <b>376</b>    |
| <b>Current assets</b>               |              |               |               |
| Stock-in-trade                      | -            | 358           | 407           |
| Current receivables                 | 495          | 5 803         | 6 376         |
| Short-term investments, 3-12 months | 3 920        | -             | 4 900         |
| Liquid funds                        | 398          | 4 275         | 1 417         |
| Total current assets                | <b>4 813</b> | <b>10 436</b> | <b>13 100</b> |
| <b>TOTAL ASSETS</b>                 | <b>5 929</b> | <b>11 032</b> | <b>13 476</b> |
| <b>EQUITY AND LIABILITIES</b>       |              |               |               |
| Equity                              | 5 745        | 8 505         | 12 662        |
| Untaxed reserves                    | 13           | 249           | 119           |
| Non current liabilities*            | 113          | 100           | 113           |
| Current liabilities**               | 58           | 2 178         | 582           |
| <b>TOTAL EQUITY AND LIABILITIES</b> | <b>5 929</b> | <b>11 032</b> | <b>13 476</b> |

\* Refers to provisions for pensions.

\*\* No current liabilities are interest bearing.

| CHANGE IN EQUITY                                    | 31 Aug. 2008 | 31 Aug. 2007 | 30 Nov. 2007 |
|-----------------------------------------------------|--------------|--------------|--------------|
| Shareholders' equity at the beginning of the period | 12 662       | 11 860       | 11 860       |
| Profit for the period                               | 4 667        | 6 160        | 10 317       |
| Total income and expense                            | 17 329       | 18 020       | 22 177       |
| Dividends                                           | -11 584      | -9 515       | -9 515       |
| Shareholders' equity at the end of the period       | 5 745        | 8 505        | 12 662       |

Store operations in Sweden were run up until 31 May 2007 by the Parent Company. Internet and catalogue sales in Sweden were run up until 30 November 2007 by the Parent Company. In conjunction with Group restructuring activities, these businesses have been transferred to separate subsidiaries. The departments for design, logistics and buying that previously were part of the parent company were also transferred into a separate subsidiary as of 1 June 2007.



## Note 1 Acquisitions

As stated in a press release of 6 March 2008, H&M has signed an agreement to acquire the privately owned Swedish fashion company Fabric Scandinavien AB, which designs and sells fashion under a number of own brands including Cheap Monday and which also runs the store chains Weekday and Monki. Following approval of the transaction by the relevant competition authorities, as of 30 April 2008 H&M acquired 60 percent of the shares in the company for SEK 551 m in cash. This means that Fabric Scandinavien AB is included in the consolidated accounts for the Group with effect from 1 May 2008.

The parties have also entered into an agreement under which H&M has the opportunity/obligation to acquire the remaining shares within three to five years. The calculated value of the put options given to minority shareholders in conjunction with the acquisition of the company is reported at a provision for a conditional price supplement. As a result, no minority share is reported. The provision at the time of acquisition was SEK 368 m. Any change in the fair value of the put options/price supplement will be reported as an adjustment of goodwill.

The total purchase price including provisions for the minority shareholders' put options is calculated as SEK 919 m. In addition to this there are acquisition expenses of SEK 8 m, resulting in a total acquisition cost of SEK 927 m. The acquisition gives rise to goodwill of SEK 431 m following the identification of intangible assets of SEK 470 m relating to the brands and of SEK 131 m relating to customer relationships, while deferred tax liability is reported at SEK 169 m. Goodwill in connection with the acquisition relates for example to synergy effects achieved through economies of scale in areas such as production, logistics and expansion, as well as know-how in the existing organisation.

The assets and liabilities included in the acquisition are as follows:

| SEK m                                       | Reported value within Fabric Scandinavien | Values according to provisional acquisition analysis |
|---------------------------------------------|-------------------------------------------|------------------------------------------------------|
| Intangible fixed assets                     |                                           |                                                      |
| - Brands*                                   |                                           | 470                                                  |
| - Customer relationships*                   |                                           | 131                                                  |
| - Leasehold rights                          | 8                                         | 8                                                    |
| Tangible fixed assets                       | 42                                        | 42                                                   |
| Financial fixed assets                      | 1                                         | 1                                                    |
| Stock-in-trade                              | 48                                        | 48                                                   |
| Other current assets                        | 51                                        | 51                                                   |
| Liquid funds                                | 4                                         | 4                                                    |
| Deferred tax liabilities                    | -5                                        | -174                                                 |
| Non current liabilities                     | -22                                       | -22                                                  |
| Current liabilities                         | -63                                       | -63                                                  |
| <b>Identifiable net assets acquired</b>     |                                           | <b>496</b>                                           |
| Goodwill                                    |                                           | 431                                                  |
| <b>Total</b>                                | <b>64</b>                                 | <b>927</b>                                           |
|                                             |                                           |                                                      |
|                                             |                                           |                                                      |
| Purchase price for shares in subsidiaries   |                                           | 551                                                  |
| Acquisition expenses                        |                                           | 8                                                    |
| Provisions for price supplement/put options |                                           | 368                                                  |
| <b>Total acquisition cost</b>               |                                           | <b>927</b>                                           |

\*The utilisation period for these assets has been assessed as ten years.

Fabric Scandinavien's contribution to the Group's operating profit since acquisition does not amount to any material sum.