



NINE MONTH REPORT

1 December 2005 – 31 August 2006

- **Sales for the H&M Group excluding VAT for the first nine months amounted to SEK 48,888 m (43,253), an increase of 13 per cent. With comparable exchange rates, the increase was 11 per cent.**
- **Profit after financial items for the first nine months amounted to SEK 10,368 m (9,256), an increase of 12 per cent. Group profit after tax was SEK 6,998 m (6,016), corresponding to SEK 8.46 (7.27) per share.**
- **Sales for the third quarter excluding VAT amounted to SEK 16,754 m (15,158), an increase of 11 per cent compared with the previous year. Also with comparable exchange rates the increase was 11 per cent.**
- **Profit after financial items for the third quarter was SEK 3,768 m (3,324), an increase of 13 per cent.**
- **The increase in sales for the month of August was 15 per cent with comparable exchange rates compared to August previous year.**
- **Successful start of H&M's online sales in the Netherlands.**
- **Online sales to begin in Germany and Austria, autumn 2007.**

Sales

Sales excluding VAT for the H&M Group increased by 13 per cent in the first nine months (with comparable exchange rates, 11 per cent, of which 2 per cent in comparable stores) and amounted to SEK 48,888 m (43,253). Sales including VAT amounted to SEK 57,262 m (50,785).

Sales excluding VAT for the third quarter increased by 11 per cent (with comparable exchange rates, 11 per cent, of which 3 per cent in comparable stores) and amounted to SEK 16,754 m (15,158). Sales including VAT amounted to SEK 19,607 m (17,805).

With comparable exchange rates, the sales in August increased by 15 per cent compared to the same month last year. Sales in comparable stores increased by 5 per cent.

During the first nine months, the Group opened 82 stores (76); 14 in the USA, twelve in Germany, eight in Spain, seven each in France and Canada, six in the Netherlands, five in Poland, four in the United Kingdom, three each in Switzerland, Austria and Italy, two each in Sweden, Belgium and Portugal and one each in the Czech Republic, Slovenia, Ireland and Hungary. Eleven stores were closed (10). The total number of stores in the Group thus amounts to 1,264 (1,134).

Results for nine months

Gross profit for the first nine months amounted to SEK 28,605 m (25,379), which corresponds to 58.5 per cent (58.7) of sales.

The operating profit after deducting selling and administrative expenses was SEK 10,020 m (8,968). The result corresponds to an operating margin of 20.5 per cent (20.7).

Operating profit for the first nine months has been charged with depreciation amounting to SEK 1,233 m (1,059).

Consolidated net interest income during the first nine months was SEK 348 m (288).

Profit after financial items amounted to SEK 10,368 m (9,256), an increase of 12 per cent.

Group profit after tax (estimated average effective tax rate) of 32.5 per cent (35) for the nine-month period was SEK 6,998 m (6,016), corresponding to earnings per share of SEK 8.46 (7.27).

The estimated tax rate for the financial year amounts to 32.5 per cent, which is 2.5 percentage units lower than previous standard. The decrease is mainly due to lowered tax rates in a number of sales countries.

Return on shareholders' equity (rolling 12 months) was 43.7 per cent (41.5) and return on capital employed (rolling 12 months) was 62.7 per cent (63.0).

The result of the nine month period before tax was positively affected by currency effects of about SEK 210 m compared to the same period last year. These currency effects arise because of the development in the exchange rates between the foreign subsidiaries' local currencies and the Swedish Krona compared to the same period previous year.

Results for the third quarter

Gross profit for the third quarter amounted to SEK 9,917 m (8,909) which corresponds to a gross margin of 59.2 per cent (58.8).

Operating profit for the third quarter was SEK 3,648 m (3,238) corresponding to an operating margin of 21.8 per cent (21.4).

Profit after financial items was SEK 3,768 m (3,324) an increase of 13 per cent.

Comments on the third quarter

The bought-in margin has been improved by 0.7 percentage units compared to the same period last year, mainly due to a more efficient purchasing process that has led to lower buying prices. The price reductions have been higher than the third quarter last year since the stock level, as previously notified, was marginally higher than planned at the beginning of the quarter. The effect of the price reductions has reduced the gross margin by 0.3 percentage units compared to the same period last year. All together the total improvement of the gross margin was 0.4 percentage units.

The stock-in-trade, at the end of the period, is considered to be well balanced both in terms of volume and content.

In the beginning of August, online sales were introduced in the Netherlands. The response was very positive and beyond H&M's expectations.

Events after the end of the quarter

Three franchise stores have opened in Dubai and one in Kuwait during the month of September. Sales have so far been very satisfactory.

Financial position and cash flow

Consolidated total assets, as of 31 August 2006, increased by 11 per cent compared to the same time last year and amounted to SEK 31,756 m (28,673).

During the first nine months the Group generated a cash flow of SEK -2,520 m (948). Cash flow was affected by dividends of SEK -7,861 m (-6,620) and by increased financial investments with a duration of three to twelve months of SEK -662 m. During the corresponding period last year SEK 3,250 m was retransferred from financial investments to liquid funds.

Financial assets and short-term investments amounted to SEK 14,696 m (13,249).

The stock-in-trade increased by 19 per cent compared to the same time last year and amounted to SEK 7,812 m (6,571). This corresponds to 11.7 per cent (11.1) of sales excluding VAT rolling twelve months. The stock-in-trade was 24.6 per cent (22.9) of total assets.

Investments in fixed assets during the first nine months amounted to SEK 1,263 m (1,514).

The equity/assets ratio was 76.8 per cent (78.0) and the share of risk-bearing capital was 79.0 per cent (81.5).

Shareholders' equity apportioned on the outstanding 827,536,000 shares on 31 August 2006 was SEK 29.48 (27.03).

All figures within parenthesis refer to the corresponding period or point of time previous year.

Expansion

During the fourth quarter approximately 80 stores net are estimated to be added mainly in the USA, France, Spain, Canada, the United Kingdom and Germany. During the corresponding period last year 59 stores net were added.

The extension of H&M's online and catalogue sales continues. During autumn 2007, Germany and Austria will be added as new markets.

The preparations for the first store openings in Shanghai, Hong Kong, Greece and Slovakia and the launch of H&M's shoe assortment in 200 H&M stores, during spring 2007, progress according to plan. H&M has extended the franchise co-operation with Alshaya to also include Qatar to open in spring 2007.

As previously notified, H&M will open a niched store chain for women and men under a separate brand name during spring 2007. The establishment continues according to plan and around ten stores are planned to open during 2007 in selected H&M markets.

The Parent Company

The parent company achieved sales (including inter-company sales) during the first nine months of SEK 5,524 (5,063) with an estimated result before balance sheet appropriations of SEK 3,825 m (6,810), of which SEK 2,364 m (5,575) consisted of dividends from subsidiaries. Investments in fixed assets amounted to SEK 73 m (69).

Election Committee

H&M's Election Committee consists of:

Stefan Persson, Chairman of the board of H&M, representing Stefan Persson
Lottie Tham, representing Lottie Tham
Tomas Nicolin, representing Alecta
Mats Lagerqvist, representing Robur fonder
Björn Lind, representing SEB fonder
Joachim Spetz, representing Handelsbanken fonder

The period of mandate for the Election Committee extends to the point that a new Election Committee has been appointed.

Proposals from shareholders for the Election Committee may be sent either to individual members of the Election Committee or directly to the company for forwarding to the Committee, by e-mail to valberedningen@hm.com or alternatively to the following postal address: H & M Hennes & Mauritz AB, Att. Carola Echarti-Ardéhn, Salénhuset/HO, 106 38 Stockholm, Sweden.

Accounting principles

With effect from 1 December 2005 the Group is applying International Financial Reporting Standards (IFRS). This report for the Group has been prepared in accordance with IAS 34: Interim Financial Reporting, which accords with the requirements set in Recommendation RR 31 of the Swedish Financial Accounting Standards Council on Interim Financial Reporting.

The accounting principles applied in this interim report is those described in the Annual Report for 2004/05 under the section Accounting principles (where applicable) as well as those in the section on Derivatives and hedge accounting below.

According to IFRS 1, the report is to be prepared in accordance with the IFRS standards effective on 30 November 2006. Moreover, these standards shall have been approved by the EU. The reported effects of the adoption of IFRS are therefore provisional and based on current IFRS standards and interpretations thereof, which may be changed before 30 November 2006 with subsequent consequences for the amounts reported.

Derivatives and hedge accounting

The Group's policy is for derivatives to be held only for hedging purposes. Derivatives comprise forward currency contracts that are used to cover the risk of exchange rate changes in the Group's binding purchase commitments. In previous years the Group has applied hedge accounting in accordance with the accounting rules applicable at that time, which resulted in deferred hedge accounting. This meant that the result from derivatives was not reported until the transaction hedged took place.

With effect from 1 December 2005 H&M is applying hedge accounting in accordance with IAS 39, in contrast to what was stated in the Annual Report for 2004/05, Note 23: Effects of the transition to IFRS. Hedge accounting is judged to provide a more accurate picture of the Group's result. In accordance with the exemption rule in IFRS 1, the information for the comparison year has not been converted in respect of IAS 39. The effects of the adoption of IFRS on the result and shareholders' equity as stated in the Annual Report for 2004/05 are thus no longer relevant.

H&M reports hedges of the currency risk in binding commitments as hedging of fair value. Derivatives are reported in the balance sheet at their fair value. In the same way, the binding purchase commitment is also reported at fair value in respect of the currency risk hedged. The change in the value of derivatives is reported in the income statement along with the hedged entry. As of 31 August 2006 SEK 43 m is included in current receivables and current liabilities in respect of hedge accounting.

In summary, neither H&M's shareholders' equity as at 1 December 2004 and 1 December 2005 nor its result for 2004/05 is affected by the adoption of IFRS.

The Parent Company

With effect from 1 December 2005 the parent company is applying Recommendation RR 32 (Accounting for Legal Entities) from the Swedish Financial Accounting Standards Council, which essentially means that IFRS will be applied, but with certain exceptions.

Reporting dates

The Full-Year results for the financial year 2005/2006 will be published on 25 January 2007.

The three month results for 2006/2007 will be published on 28 March 2007.

The Annual General Meeting takes place on 3 May 2007.

Stockholm, 27 September 2006

The Board of Directors

Review report

We have reviewed the interim report for H&M Hennes & Mauritz AB (publ) for the period 1 December 2005 – 31 August 2006. It is the responsibility of the Board of Directors 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 the 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* issued by FAR. 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 Annual Accounts Act.

Stockholm, 27 September 2006

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CONSOLIDATED INCOME STATEMENT
(SEK m)

	1 December 2005- 31 August 2006	1 December 2004- 31 August 2005	1 June 2006- 31 August 2006	1 June 2005- 31 August 2005	1 December 2004- 30 November 2005
Sales including VAT	57 262	50 785	19 607	17 805	71 886
Sales excluding VAT	48 888	43 253	16 754	15 158	61 262
Cost of goods sold	-20 283	-17 874	-6 837	-6 249	-25 080
GROSS PROFIT	28 605	25 379	9 917	8 909	36 182
Selling expenses	-17 558	-15 528	-5 943	-5 390	-21 801
Administrative expenses	-1 027	-883	-326	-282	-1 208
OPERATING PROFIT	10 020	8 968	3 648	3 237	13 173
Profit from financial investments					
Interest income	351	291	121	88	384
Interest expenses	-3	-3	-1	-1	-4
PROFIT AFTER FINANCIAL ITEMS	10 368	9 256	3 768	3 324	13 553
Tax	-3 370	-3 240	-1 225	-1 163	-4 306
PROFIT FOR THE PERIOD	6 998	6 016	2 543	2 161	9 247
Earnings per share, before and after dilution	8.46	7.27	3.07	2.61	11.17
Average number of shares, before and after dilution	827 536 000	827 536 000	827 536 000	827 536 000	827 536 000
Depreciation, total	1 233	1 059	411	369	1 452
of which cost of goods sold	129	113	42	39	155
of which selling expenses	1 045	895	349	312	1 227
of which administrative expenses	59	51	20	18	70

CONSOLIDATED BALANCE SHEET

(SEK m)

	31 August 2006	31 August 2005	30 November 2005
ASSETS			
Fixed assets			
Intangible assets	270	285	250
Tangible assets	7 316	7 089	7 619
Financial assets	188	168	208
Total fixed assets	7 774	7 542	8 077
Current assets			
Stock-in-trade	7 812	6 571	6 841
Current receivables	1 474	1 311	1 419
Short-term investments, 3-12 months	7 012	-	6 350
Liquid funds	7 684	13 249	10 496
Total current assets	23 982	21 131	25 106
Total assets	31 756	28 673	33 183
Equity and liabilities			
Equity	24 395	22 367	25 924
Long-term liabilities *	783	1 095	775
Short-term liabilities **	6 578	5 211	6 484
Total equity and liabilities	31 756	28 673	33 183

* Refers to deferred tax debts and allocation to pensions.

** No liabilities are interest bearing.

CHANGE IN EQUITY (SEK m)

	1 December 2005-1 31 August 2006	1 December 2004- 31 August 2005	1 December 2004- 30 November 2005
Equity, opening balance	25 924	22 193	22 193
Dividend	-7 861	-6 619	-6 619
Currency translation effects etc.	-666	777	1 103
Profit for the period	6 998	6 016	9 247
Equity, closing balance	24 395	22 367	25 924

GROUP CASH FLOW ANALYSIS (SEK m)

CURRENT OPERATIONS	1 December 2005- 31 August 2006	1 December 2004- 31 August 2005
Profit after financial items*	10 368	9 256
Provisions for pensions	15	10
Depreciation	1 233	1 058
Tax paid	-4 077	-2 767
Cash flow from current operations before changes in working capital	7 539	7 557
Cash flow from changes in working capital		
Current receivables	-48	-46
Stock-in-trade	-1 175	-1 249
Current liabilities	935	-455
CASH FLOW FROM CURRENT OPERATIONS	7 251	5 807
INVESTMENT ACTIVITIES		
Investments in intangible assets	-61	-209
Investments in tangible assets	-1 202	-1 305
CASH FLOW FROM INVESTMENT ACTIVITIES	-1 263	-1 514
FINANCING ACTIVITIES		
Financial investments, 3-12 months	-662	3 250
Financial fixed assets	15	25
Dividend	-7 861	-6 620
CASH FLOW FROM FINANCING ACTIVITIES	-8 508	-3 345
CASH FLOW FOR THE PERIOD	-2 520	948
Liquid funds, opening balance (incl. short-term investments, 0-3 months)	10 496	11 801
Cash flow for the period	-2 520	948
Changes in exchange rates	-292	499
Liquid funds, closing balance (incl. short-term investments, 0-3 months)	7 684	13 248

* Interest paid amounts to SEK 3.0 (2.4)

FIVE YEAR SUMMARY (SEK m)

Nine months	31 August 2006	31 August 2005	31 August 2004	31 August 2003	31 August 2002
Sales including VAT	57 262	50 785	44 367	40 235	37 369
Sales excluding VAT	48 888	43 253	37 821	34 315	31 885
Change from previous year, %	13.0	14.4	10.2	7.6	15.5
Operating profit	10 020	8 968	6 701	6 029	4 969
Operating margin, %	20.5	20.7	17.7	17.6	15.6
Depreciation for the period	1 233	1 059	947	850	794
Profit after financial items	10 368	9 256	6 949	6 335	5 225
Profit after tax	6 998	6 016	4 517	4 118	3 396
Number of shares (thousand)	827 536	827 536	827 536	827 536	827 536
Earnings per share, SEK (before and after dilution)	8.46	7.27	5.46	4.98	4.10
Shareholders' equity per share, SEK	29.48	27.03	24.03	22.05	20.54
Debt/equity ratio, %	0	0	0.2	0	1.1
Share of risk-bearing capital, %	79.0	81.5	80.8	81.5	78.5
Equity/assets ratio, %	76.8	78.0	77.2	78.0	75.2
Liquid funds (including short-term investments)	14 696	13 249	11 183	10 362	9 910
Stock-in-trade	7 812	6 571	6 323	5 460	5 286
Equity	24 395	22 367	19 887	18 247	16 966
Total number of stores	1 264	1 134	1 006	901	809
Rolling, twelve months					
Earnings per share, SEK (before and after dilution)	12.36	10.60	8.20	7.74	6.18
Return on shareholders' equity, %	43.7	41.5	35.6	36.4	33.4
Return on capital employed, %	62.7	63.0	53.6	55.0	49.0

Definition on key figures see Annual Report.

The International Financial Reporting Standards (IFRS) are being applied from 2005/2006. The restatement of the 2004/2005 figures according to IFRS has not involved any adjustment. Years 2001/2002 - 2003/2004 have been reported according to the previously applied principles based on the Swedish Financial Accounting Standards Council's recommendations.

SALES BY COUNTRY AND NUMBER OF STORES

1 December 2005 - 31 August 2006

SEK m	Sales 2006 incl. VAT	Sales 2005 incl. VAT	Change SEK %	Change local currency %	No.of stores 31 August 2006	Change since 1 December 2005
Sweden	4 855	4 450	8	8	120	-4
Norway	3 514	3 321	6	2	78	
Denmark	2 365	2 122	11	10	56	
United Kingdom	4 771	4 225	13	11	106	4
Switzerland	2 929	2 765	6	6	55	3
Germany	14 693	14 083	4	3	299	11
Netherlands	3 520	3 022	16	15	79	6
Belgium	2 031	1 800	13	11	50	2
Austria	3 085	3 049	1	-1	54	2
Luxembourg	225	214	5	3	7	
Finland	1 463	1 297	13	11	27	
France	4 193	3 643	15	13	76	5
USA	3 601	2 774	30	23	105	14
Spain	2 691	2 003	34	32	57	7
Poland	827	526	57	47	32	5
Czech Republic	362	247	47	36	13	1
Portugal	298	211	41	39	9	2
Italy	647	371	74	72	13	3
Canada	662	415	60	40	18	7
Slovenia	242	176	38	36	3	1
Ireland	234	71	230	226	5	1
Hungary	54				2	1
Total	57 262	50 785	13	11	1 264	71

SALES BY COUNTRY AND NUMBER OF STORES

1 June 2006 - 31 August 2006

SEK m	Sales 2006 incl. VAT	Sales 2005 incl. VAT	Change SEK %	Change local currency %	No.of stores 31 August 2006	Change since 1 June 2006
Sweden	1 673	1 528	7	7	120	-1
Norway	1 215	1 249	-3	-2	78	
Denmark	788	728	8	10	56	
United Kingdom	1 614	1 467	10	12	106	1
Switzerland	1 011	938	8	10	55	1
Germany	4 975	4 836	3	4	299	3
Netherlands	1 214	1 052	15	17	79	2
Belgium	689	636	8	10	50	
Austria	1 043	1 047	0	1	54	-1
Luxembourg	76	74	3	4	7	
Finland	528	489	8	9	27	
France	1 418	1 272	11	13	76	
USA	1 256	1 023	23	28	105	9
Spain	933	722	29	30	57	2
Poland	299	189	58	56	32	1
Czech Republic	123	89	38	31	13	
Portugal	103	77	34	34	9	1
Italy	207	132	57	58	13	
Canada	252	163	55	47	18	2
Slovenia	89	65	37	40	3	
Ireland	78	29	169	10	5	
Hungary	23				2	
Total	19 607	17 805	10	11	1 264	20

SEGMENT REPORTING

REPORTING BY REGION, SEK m

	1 December 2005- 31 August 2006	1 December 2004- 31 August 2005	1 June 2006- 31 August 2006	1 June 2005- 31 August 2005	1 December 2004- 30 November 2005
Nordic Region					
Sales including VAT	12 211	11 190	4 218	3 994	15 624
Net sales	9 816	8 988	3 396	3 208	12 556
Operating profit	2 556	2 194	1 144	1 082	3 020
Operating margin, %	26.0	24.4	33.7	33.7	24.1
Eurozone excl. Finland					
Sales including VAT	31 603	28 467	10 723	9 920	40 178
Net sales	26 891	24 232	9 124	8 443	34 197
Operating profit	5 764	5 437	1 933	1 772	7 854
Operating margin, %	21.4	22.4	21.2	21.0	23.0
Rest of the World					
Sales including VAT	13 448	11 128	4 666	3 891	16 084
Net sales	12 181	10 033	4 234	3 507	14 509
Operating profit	1 700	1 337	571	384	2 299
Operating margin, %	14.0	13.3	13.5	10.9	15.8
Total					
Sales including VAT	57 262	50 785	19 607	17 805	71 886
Net sales	48 888	43 253	16 754	15 158	61 262
Operating profit	10 020	8 968	3 648	3 238	13 173
Operating margin, %	20.5	20.7	21.8	21.4	21.5

Segment reporting

Internal follow-up is carried out by country. To present the information by segments in a comprehensive way the countries are divided into three regions: the Nordic Region, the Eurozone excluding Finland and the Rest of the World. There is no internal division into different lines of business and hence reporting in secondary segments is not relevant.