



H & M HENNES & MAURITZ AB

THREE-MONTH REPORT

1 December 2006 – 28 February 2007

- **Sales for the H&M Group excluding VAT for the first three months of the financial year amounted to SEK 16,772 m (15,071), an increase of 11 per cent. In local currencies, the increase was 16 per cent and in comparable stores 5 per cent.**
- **Profit after financial items was SEK 3,411 m (2,680), an increase of 27 per cent. Group profit after tax was SEK 2,302 m (1,809), corresponding to SEK 2.78 (2.19) per share.**
- **Gross profit amounted to SEK 9,876 m (8,514), corresponding to a margin of 58.9 per cent (56.5).**
- **Operating profit amounted to SEK 3,223 m (2,574). The operating margin was 19.2 per cent (17.1).**

Sales

Sales excluding VAT for the H&M Group for the first three months of the financial year amounted to SEK 16,772 m (15,071), an increase of 11 per cent. The increase in local currencies was 16 per cent and 5 per cent in comparable stores. Sales including VAT amounted to SEK 19,701 m (17,686).

In local currencies, sales in February increased by 15 per cent compared to the same month last year. Sales in comparable stores increased by 5 per cent.

During the first quarter, the Group opened nine stores (6) and three stores were closed (3). The total number of stores in the Group thus amounts to 1,351 (1,196) as at 28 February 2007.

Results

Gross profit for the first quarter amounted to SEK 9,876 m (8,514), which corresponds to 58.9 per cent (56.5) of sales.

The operating profit after deducting selling and administrative expenses was SEK 3,223 m (2,574). The result corresponds to an operating margin of 19.2 per cent (17.1).

Operating profit for the quarter has been charged with depreciation amounting to SEK 469 m (408).

Consolidated net interest income was SEK 188 m (106).

Profit after financial items amounted to SEK 3,411 m (2,680), an increase of 27 per cent.

Group profit after tax (estimated average effective tax rate) of 32.5 per cent (32.5) for the three-month period was SEK 2,302 m (1,809), corresponding to earnings per share of SEK 2.78 (2.19).

Return on shareholders' equity (rolling 12 months) was 38.9 per cent (37.1) and return on capital employed (rolling 12 months) was 56.9 per cent (54.0).

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

Comments on the first quarter

Well composed collections appreciated by customers have led to a sales increase of 16 per cent in local currencies. The appreciation of the Swedish krona, in relation to other sales currencies of the Group, resulted in a sales increase of 11 per cent when translated into Swedish kronor.

The gross margin increased by 2.4 percentage units to 58.9 per cent compared to the same period previous year. The explanation is a lower US-dollar exchange rate, a more efficient buying process and a lower proportion of price reductions.

Selling and administrative expenses in relation to sales have increased marginally. Preparations for four new markets, several new concepts and an increase in the number of openings by 50 per cent for the Group during the second quarter, compared to the same quarter previous year, has affected the level of expenses.

Deliveries of the extended shoe assortment for women to 200 selected H&M stores have begun during the quarter. Sales have started very well.

The three-month profit before tax was negatively affected by currency translation effects of approximately SEK 125 m compared to the same period last year. These currency effects arise because of the development in exchange rates between foreign subsidiaries' local currencies and the Swedish krona compared to the same period previous year.

Financial position and cash flow

Consolidated total assets as of 28 February 2007 increased by 12 per cent compared to the same point of time last year and amounted to SEK 38,164 m (34,206).

During the first three months of the financial year the Group generated a positive cash flow from current operations of SEK 2,836 m (1,253). Cash flow was affected by investments in fixed assets of SEK 662 m (249) and financial investments with duration of three to twelve months of SEK 112 m (-790). Cash flow for the quarter was SEK 2,272 m (247). Liquid funds and short term investments amounted to SEK 20,931 m (17,812).

Stock-in-trade increased by 2 per cent compared to the same point of time previous year and amounted to SEK 7,196 m (7,073). This corresponds to 10.3 per cent (11.1) of sales excluding VAT, revolving 12 months. The stock-in-trade was 18.9 per cent (20.7) of total assets.

The equity/assets ratio was 79.7 per cent (80.8) and the share of risk bearing capital was 81.1 per cent (82.7).

Shareholders' equity apportioned on the outstanding 827,536,000 shares as at 28 February 2007 was 36.74 (33.40).

Expansion

In the second quarter H&M plans to open 75 stores and to close three. The majority of the stores will be opened in the USA, the United Kingdom, the Netherlands, Poland and Italy. In the corresponding period last year 51 stores were opened and three were closed.

In the second quarter stores are opened in the, for H&M, new markets Hong Kong, Shanghai, Greece, Slovakia and Qatar.

So far in March around 20 stores have been opened. Among these the first store in Hong Kong can be mentioned with sales that have exceeded our expectations so far. The first COS store was opened in March on Regent Street in London. Also here the response was very positive.

The Parent Company

In the first three months of the financial year the parent company achieved sales excluding VAT of SEK 1,963 m (1,754) with a result before balance sheet appropriations of SEK 376 m (1,031), of which SEK 0 m (660) consisted of dividends from subsidiaries. Investments in fixed assets amounted to SEK 26 (11).

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 Consolidated Interim Financial Reporting.

The accounting principles applied in this report are those described in the Annual Report for 2005/2006, in Note 1 – Accounting principles.

Parent company

With effect from 1 December 2005 the parent company is applying Recommendation RR 32, Accounting for Legal Entities, which essentially means that IFRS is being applied. In accordance with RR 32:06, the parent company is not applying IAS 39. The main difference is that hedge accounting is applied in accordance with the principles of deferred hedge accounting, which means that the derivatives are not recognised until the hedged transaction takes place.

Calendar

3 May 2007	Annual General Meeting at 3 pm, in the Victoria Hall, International Fairs, in Stockholm.
20 June 2007	Half-Year Report, 1 Dec 2006 – 31 May 2007
26 September 2007	Nine-Month Report, 1 Dec 2006 – 31 August 2007
31 January 2008	Full-Year Report, 1 Dec 2006 – 30 November 2007
27 March 2008	Three-Month Report, 1 Dec 2007– 29 Feb. 2008
8 May 2008	Annual General Meeting 2008

This three-month report has not been audited.

Stockholm, 28 March 2007
The Board of Directors

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CONSOLIDATED INCOME STATEMENT
(SEK m)

	1 December 2006- 28 February 2007	1 December 2005- 28 February 2006	1 December 2005- 30 November 2006
Sales including VAT	19 701	17 686	80 081
Sales excluding VAT	16 772	15 071	68 400
Cost of goods sold	-6 896	-6 557	-27 736
GROSS PROFIT	9 876	8 514	40 664
Selling expenses	-6 260	-5 605	-23 971
Administrative expenses	-393	-335	-1 395
OPERATING PROFIT	3 223	2 574	15 298
Profit from financial investments			
Interest income	189	107	515
Interest expenses	-1	-1	-5
PROFIT AFTER FINANCIAL ITEMS	3 411	2 680	15 808
Tax	-1 109	-871	-5 011
PROFIT FOR THE PERIOD	2 302	1 809	10 797
Earnings per share, SEK, (before and after dilution)	2.78	2.19	13.05
Number of shares, 827, 536,000 (before and after dilution)			
Depreciation, total	469	408	1 624
of which cost of goods sold	49	50	172
of which selling expenses	397	339	1 374
of which administrative expenses	23	19	78

CONSOLIDATED BALANCE SHEET (SEK m)

28 Feb. 2007 28 Feb. 2006 30 Nov. 2006

ASSETS

Fixed assets

Intangible assets	220	293	222
Tangible assets	7 829	7 393	7 554
Financial assets	277	174	257
Total fixed assets	8 326	7 860	8 033

Current assets

Stock-in-trade	7 196	7 073	7 220
Current receivables	1 711	1 461	1 677
Short-term investments, 3-12 months	8 636	7 140	8 748
Liquid funds	12 295	10 672	9 877
Total current assets	29 838	26 346	27 522

Total assets

38 164 34 206 35 555

Equity and liabilities

Equity	30 401	27 638	27 779
Long-term liabilities*	790	779	780
Short-term liabilities*	6 973	5 789	6 996
Total equity and liabilities	38 164	34 206	35 555

* Only provisions for pensions are interest bearing.

CHANGE IN EQUITY

Equity, opening balance	27 779	25 924	25 924
Dividend	-	-	-7 861
Currency translation effects etc.	320	-95	-1 081
Profit for the period	2 302	1 809	10 797
Equity, closing balance	30 401	27 638	27 779

GROUP CASH FLOW ANALYSIS (SEK m)

	1 Dec. 2006- 28 Feb. 2007	1 Dec. 2005- 28 Feb. 2006
Current operations		
Profit after financial items*	3 411	2 680
Provisions for pensions	5	5
Depreciation	469	408
Tax paid	-1 284	-1 619
Cash flow from current operations before changes in working capital	2 601	1 474
Cash flow from changes in working capital		
Current receivables	23	-1
Stock-in-trade	150	-252
Current liabilities	62	32
CASH FLOW FROM CURRENT OPERATIONS	2 836	1 253
Investment activities		
Investment in intangible assets	-4	-69
Investments in tangible assets	-658	-180
Financial investments, 3 - 12 months	112	-790
CASH FLOW FROM INVESTMENT ACTIVITIES	-550	-1 039
Financing activities		
Financial fixed assets	-14	33
CASH FLOW FROM FINANCING ACTIVITIES	-14	33
CASH FLOW FOR THE PERIOD	2 272	247
Liquid funds, opening balance (incl. short-term investments, 0-3 months)	9 877	10 496
Cash flow for the period	2 272	247
Exchange rate effect	146	-71
Liquid funds, closing balance (incl. short-term investments, 0-3 months)	12 295	10 672

* Interest paid amounts to SEK 1,1 (1,0)

FIVE YEAR SUMMARY (SEK m)

Three months	28 Feb. 2007	28 Feb. 2006	28 Feb. 2005	29 Feb. 2004	28 Feb. 2003
Sales including VAT	19 701	17 686	14 820	13 807	12 636
Sales excluding VAT	16 772	15 071	12 610	11 756	10 771
Change from previous year, %	11.3	19.5	7.3	9.1	12.4
Operating profit	3 223	2 574	2 204	1 701	1 558
Operating margin, %	19.2	17.1	17.5	14.5	14.5
Depreciation for the period	469	408	336	308	284
Profit after financial items	3 411	2 680	2 309	1 788	1 689
Profit after tax	2 302	1 809	1 501	1 162	1 098
Liquid funds (including short-term investments)	20 931	17 812	15 966	13 784	13 492
Stock-in-trade	7 196	7 073	5 395	5 130	4 368
Equity	30 401	27 638	23 850	21 520	19 999
Number of shares (thousand)	827 536	827 536	827 536	827 536	827 536
Earnings per share (before and after dilution)	2.78	2.19	1.81	1.40	1.33
Shareholders' equity per share	36.74	33.40	28.82	26.00	24.17
Share of risk-bearing capital, %	81.1	82.7	84.2	84.7	82.6
Equity/asset ratio, %	79.7	80.8	80.8	81.2	79.4
Number of stores	1 351	1 196	1 069	948	849
Rolling, twelve months					
Earnings per share (before and after dilution)	13.64	11.55	9.20	7.79	7.27
Return on shareholders' equity, %	38.9	37.1	33.6	31.1	33.6
Return on capital employed, %	56.9	54.0	50.7	46.8	50.8

Definition of key figures see Annual Report.

The International Financial Reporting Standards (IFRS) are being applied from 2005/2006. The restatement of 2004/2005 according to IFRS has not involved any adjustments.

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 2006 -- 28 February 2007

SEK m	Sales 2006/07 incl. VAT	Sales 2005/06 Incl. VAT	Change SEK %	Change local currency %	No. of stores 28 Feb. 2007	Openings during the year	Closings during the year
Sweden	1 598	1 520	5	5	123		
Norway	1 162	1 165	0	5	78		1
Denmark	803	765	5	8	58		
United Kingdom	1 648	1 488	11	12	111		1
Switzerland	928	889	4	12	56		
Germany	4 834	4 548	6	10	303		
Netherlands	1 196	1 041	15	19	81		
Belgium	679	645	5	9	51	1	
Austria	1 005	969	4	7	54		
Luxembourg	74	70	6	8	7		
Finland	486	466	4	8	33		
France	1 526	1 331	15	18	85		
USA	1 194	1 061	13	28	118	4	
Spain	1 138	819	39	44	69	1	
Poland	343	226	52	58	35	1	1
Czech Republic	129	102	26	28	13		
Portugal	161	93	73	79	14		
Italy	292	185	58	63	19	1	
Canada	248	165	50	72	26		
Slovenia	85	60	42	44	3		
Ireland	87	72	21	24	6	1	
Hungary	40	6	567	565	4		
Franchise	45				4		
Total	19 701	17 686	11	16	1 351	9	3

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.

Slovenia has changed its currency from SIT to EUR, consequently both years' sales figures have been moved to Eurozone from Rest of the World.

	1 Dec. 2006- 28 Feb. 2007	1 Dec. 2005- 28 Feb. 2006	1 Dec. 2005- 20 Nov. 2006
Nordic Region			
Net sales	3 253	3 145	13 499
Operating profit	767	654	3 655
Operating margin, %	23.6	20.8	27.1
Eurozone excl. Finland			
Net sales	9 370	8 367	37 804
Operating profit	1 975	1 588	8 676
Operating margin, %	21.1	19.0	22.9
Rest of the world			
Net sales	4 149	3 559	17 097
Operating profit	481	332	2 967
Operating margin, %	11.6	9.3	17.4
Total			
Net sales	16 772	15 071	68 400
Operating profit	3 223	2 574	15 298
Operating margin, %	19.2	17.1	22.4