



H & M HENNES & MAURITZ AB

SIX MONTH REPORT

1 December 2006 – 31 May 2007

- **Sales for the H&M Group excluding VAT for the first six months of the financial year amounted to SEK 36,822 m (32,134), an increase of 15 per cent. In local currencies, the increase was 18 per cent and in comparable stores 6 per cent.**
- **Profit after financial items for the first six months was SEK 8,545 m (6,600), an increase of 29 per cent. Group profit after tax was SEK 5,768 m (4,455), corresponding to SEK 6.97 (5.38) per share.**
- **Sales for the second quarter excluding VAT amounted to SEK 20,050 m (17,063), an increase of 18 per cent compared with the previous year. In local currencies, the increase was 20 per cent and in comparable stores 7 per cent.**
- **Profit after financial items for the second quarter was SEK 5,134 m (3,920), an increase of 31 per cent.**
- **Expansive quarter. Successful launches of H&M in four new countries and of the store chain COS. The expansion of online and catalogue sales in the Netherlands and of shoes has surpassed expectations.**

Sales

Sales excluding VAT for the H&M Group in the first six months of the financial year amounted to SEK 36,822 m (32,134), an increase of 15 per cent. In local currencies the increase was 18 per cent and 6 per cent in comparable stores. Sales including VAT amounted to SEK 43,255 m (37,655).

Sales excluding VAT in the second quarter amounted to SEK 20,050 m (17,063), an increase of 18 per cent. In local currencies the increase was 20 per cent and 7 per cent in comparable stores. Sales including VAT amounted to SEK 23,554 m (19,969).

In local currencies, the sales in May increased by 10 per cent compared to the same month last year. Sales in comparable stores decreased by 2 per cent.

During the first half-year, the Group opened 83 stores (57) of which five stores were opened on franchise basis. Eight stores were closed (6). The total number of stores in the Group thus amounts to 1,420 (1,244).

Results for six months

Gross profit for the first six months amounted to SEK 22,219 m (18,688), which corresponds to 60.3 per cent (58.2) of sales.

The operating profit after deducting selling and administrative expenses was SEK 8,158 m (6,372). The result corresponds to an operating margin of 22.2 per cent (19.8).

Operating profit for the first half-year has been charged with depreciation amounting to SEK 958 m (822).

Consolidated net interest income was SEK 387 m (228).

Profit after financial items amounted to SEK 8,545 m (6,600), an increase of 29 per cent.

Group profit after tax (estimated average effective tax rate) of 32.5 per cent (32.5) for the six month period was SEK 5,768 m (4,455), corresponding to earnings per share of SEK 6.97 (5.38).

Return on shareholders' equity (rolling 12 months) was 52.3 per cent (47.2) and return on capital employed (rolling 12 months) was 76.4 per cent (68.2).

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

The result of the six month period before tax was negatively affected by currency translation effects of about SEK 230 m compared to the same period last year. These currency translation 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 second quarter

Gross profit for the second quarter amounted to SEK 12,343 m (10,174) which corresponded to a gross margin of 61.6 per cent (59.6).

Operating profit was SEK 4,935 m (3,798) for the second quarter corresponding to an operating margin of 24.6 per cent (22.3).

Profit after financial items was SEK 5,134 m (3,920) an increase of 31 per cent.

Comments on the second quarter

The spring collections have been well received by the customers during the whole first half-year. This was reflected in a sales increase in local currencies excluding VAT of 20 per cent for the second quarter.

The size and composition of the stock-in-trade is deemed to be very good. The stock level in comparable stores is approximately 10 per cent lower than at the corresponding point of time last year.

The gross margin increased by 2 percentage units compared to the same period last year. The explanation is, as in the previous quarter, among other things a more efficient buying process, a lower proportion of price reductions and a favourable US dollar exchange rate.

The good sales increase along with a good cost control resulted in that the operating costs in relation to sales decreased from 37.3 per cent to 37.0 per cent despite the fact that several new markets were opened and several new concepts are under development.

The expansion pace of the Group has been high during the quarter with successful store openings and launches. Among other things, stores were opened in the new H&M markets Hong Kong, Shanghai, Slovakia, Greece and Qatar. The opening in Doha, the capital of Qatar, was done in co-operation with the franchisee Alshaya. The launch of the Madonna collection in over thousand stores in all markets, and the new store chain COS with eight stores in the UK, Germany, Belgium and the Netherlands were well received both by customers and media.

Financial position and cash flow

Consolidated total assets as of 31-05-2007, increased by 13 per cent compared to the same time last year and amounted to SEK 32,203 m (28,525).

During the first six months of the financial year the Group generated a positive cash flow from the running operations of SEK 7,584 m (5,054). Cash flow was among other things affected by dividends of SEK 9,517 m (7,862), investments in fixed assets of SEK 1,490 m (734), and by financial investments with a duration of three to twelve months of SEK 8,748 m (5,550). Cash flow for the first half-year amounted to SEK 5,301 m (2,064). Liquid funds and short-term investments amounted to SEK 15,332 m (13,114).

The stock-in-trade increased by 2 per cent compared to the same time last year and amounted to SEK 6,451 m (6,328). This corresponds to 8.8 per cent (9.7) of sales excluding VAT rolling twelve months. The stock-in-trade was 20.0 per cent (22.2) of total assets.

The equity/assets ratio was 75.8 per cent (76.8) and the share of risk-bearing capital was 77.5 per cent (79.0).

Shareholders' equity apportioned on the outstanding 827,536,000 shares on 31 May 2007 was SEK 29.50 (26.47).

Expansion and customer offerings

During the remainder of the financial year 95 stores net are planned to open mainly in USA, France, Spain, Germany, the UK and Italy.

The expansion of H&M's online and catalogue sales will continue during the second half-year with online sales in Germany and Austria.

The launch of H&M Home is planned for the autumn 2007 via online and catalogue sales in the Nordic countries and in the Netherlands, and by online sales in Germany and Austria.

The sales of the shoe assortment have started well. The shoe assortment will be enlarged by a smaller collection of men's shoes during the autumn.

The preparations for the establishment in Tokyo, Japan in 2008 are going according to plan. A contract has been signed for a second store in Tokyo which will open in autumn 2008.

The collaboration with this year's guest designer, Roberto Cavalli, is today announced at the fashion week in Florence. A women's and a men's collection will be available from November 8 in around 200 stores in all 28 markets. For more information see www.hm.com/press.

Taxes

The current trend towards a reduction in corporate tax rates in different EU countries (e.g. Netherlands, Germany, Denmark) will have a positive impact on the Group's future overall tax rate. Furthermore a review and refinement of the Group structure has been conducted to facilitate the regional grouping of distribution activities and to support the ongoing expansion, as stated in the full year report. As a consequence thereof, the central functions for design, buying, production, logistics and warehousing have been entrusted to a group buying company in Sweden. The transfer pricing model has been aligned accordingly, effective June 1.

The Parent Company

The parent company achieved sales excluding VAT during the first six months of the financial year of SEK 4,303 m (3,677) with an estimated result before balance sheet appropriations of SEK 4,964 m (2,571), of which SEK 4,147 m (1,785) consisted of dividends from subsidiaries. Investments in fixed assets amounted to SEK 64 m (37).

Accounting principles

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.

The parent company is applying Recommendation RR 32:06, 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 in the parent company 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.

Reporting dates

26 September 2007

31 January 2008

27 March 2008

8 May 2008

Nine Month Report, 1 Dec 2006 – 31 August 2007

Full Year Report, 1 Dec 2006 – 30 November 2007

Three Month Report, 1 Dec 2007– 29 Feb 2008

Annual General Meeting 2008

This six month report has not been audited.

Stockholm, 20 June 2007

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CONSOLIDATED INCOME STATEMENT
(SEK m)

	1 Dec. 2006- 31 May 2007	1 Dec. 2005- 31 May 2006	1 March 2007- 31 May 2007	1 March 2006- 31 May 2006	1 Dec. 2005- 30 Nov. 2006
Sales including VAT	43 255	37 655	23 554	19 969	80 081
Sales excluding VAT	36 822	32 134	20 050	17 063	68 400
Cost of goods sold	-14 603	-13 446	-7 707	-6 889	-27 736
GROSS PROFIT	22 219	18 688	12 343	10 174	40 664
Selling expenses	-13 208	-11 615	-6 948	-6 010	-23 971
Administrative expenses	-853	-701	-460	-366	-1 395
OPERATING PROFIT	8 158	6 372	4 935	3 798	15 298
Interest income	389	230	200	123	515
Interest expense	-2	-2	-1	-1	-5
PROFIT AFTER FINANCIAL ITEMS	8 545	6 600	5 134	3 920	15 808
Tax	-2 777	-2 145	-1 668	-1 274	-5 011
PROFIT FOR THE PERIOD	5 768	4 455	3 466	2 646	10 797
Earnings per share, SEK, (before and after dilution)	6,97	5,38	4,19	3,20	13,05
Number of shares, thousands, (before and after dilution)	827 536	827 536	827 536	827 536	827 536
Depreciation, total	958	822	489	414	1 624
of which cost of goods sold	100	87	51	37	172
of which selling expenses	812	696	415	357	1 374
of which administrative expenses	46	39	23	20	78

CONSOLIDATED BALANCE SHEET
(SEK m)

	31 May 2007	31 May 2006	30 Nov. 2006
ASSETS			
Fixed assets			
Intangible assets	247	285	222
Tangible assets	8 169	7 222	7 554
Financial assets	289	174	257
Total fixed assets	8 705	7 681	8 033
Current assets			
Stock-in-trade	6 451	6 328	7 220
Current receivables	1 715	1 402	1 677
Short-term investments, 3-12 months	0	800	8 748
Liquid funds	15 332	12 314	9 877
Total current assets	23 498	20 844	27 522
TOTAL ASSETS	32 203	28 525	35 555
EQUITY AND LIABILITIES			
Equity	24 414	21 902	27 779
Long-term liabilities*	801	779	780
Short-term liabilities**	6 988	5 844	6 996
TOTAL EQUITY AND LIABILITIES	32 203	28 525	35 555
* Refers to deferred tax debts and allocation to pensions.			
** No short-term liabilities are interest bearing.			
CHANGE IN EQUITY			
Equity, opening balance, 1 Dec. 2005	27 779	25 924	25 924
Currency translation effects etc.	384	-616	-1 081
Income and expenses posted directly to equity	384	-616	-1 081
Profit for the period	5 768	4 455	10 797
Total income and expenses	6 152	3 839	9 716
Dividend	-9 517	-7 861	-7 861
Equity, closing balance, 31 May 2007	24 414	21 902	27 779

GROUP CASH FLOW ANALYSIS (SEK m)

	1 Dec. 2006- 31 May 2007	1 Dec. 2005- 31 May 2006
CURRENT OPERATIONS		
Profit after financial items*	8 545	6 600
Provisions for pensions	10	10
Depreciation	958	822
Tax paid	-2 778	-3 071
Cash flow from current operations before changes in working capital	6 735	4 361
Cash flow from changes in working capital		
Current receivables	-15	214
Stock-in-trade	911	278
Current liabilities	-47	201
CASH FLOW FROM CURRENT OPERATIONS	7 584	5 054
INVESTMENT ACTIVITIES		
Investments in intangible assets	-45	-67
Investments in tangible assets	-1 445	-660
Financial investments, 3-12 months	8 748	5 550
Other investments	-25	48
CASH FLOW FROM INVESTMENT ACTIVITIES	7 233	4 871
FINANCING ACTIVITIES		
Dividend	-9 517	-7 862
Repaid dividend	1	1
CASH FLOW FROM FINANCING ACTIVITIES	-9 516	-7 861
CASH FLOW FOR THE PERIOD	5 301	2 064
Liquid funds, opening balance	9 877	10 496
Cash flow for the period	5 301	2 064
Exchange rate effect	154	-246
Liquid funds, closing balance	15 332	12 314

* Interest paid amounts to SEK 2.0 m (2.0).

FIVE YEAR SUMMARY

Six months	31 May 2007	31 May 2006	31 May 2005	31 May 2004	31 May 2003
Sales including VAT, SEK m	43 255	37 655	32 980	29 304	27 025
Sales excluding VAT, SEK m	36 822	32 134	28 095	24 981	23 070
Change from previous year, %	14,6	14,4	12,5	8,3	9,5
Operating profit, SEK m	8 158	6 372	5 730	4 324	4 028
Operating margin, %	22,2	19,8	20,4	17,3	17,5
Depreciation for the period, SEK m	958	822	689	625	570
Profit after financial items, SEK m	8 545	6 600	5 931	4 497	4 256
Profit after tax, SEK m	5 768	4 455	3 855	2 923	2 766
Liquid funds and short-term investments, SEK m	15 332	13 114	12 352	10 718	10 285
Stock-in-trade, SEK m	6 451	6 328	4 925	4 869	3 631
Equity, SEK m	24 414	21 902	19 826	18 266	16 579
Number of shares (thousand) (before and after dilution)	827 536	827 536	827 536	827 536	827 536
Earnings per share, SEK (before and after dilution)	6,97	5,38	4,66	3,53	3,34
Shareholders' equity per share, SEK (before and after dilution)	29,50	26,47	23,96	22,07	20,03
Share of risk-bearing capital, %	77,5	79,0	80,9	82,6	82,3
Equity/assets ratio, %	75,8	76,8	77,2	78,9	78,5
Number of stores	1 420	1 244	1121	994	893
Rolling, twelve months					
Earnings per share, SEK (before and after dilution)	14,63	11,90	9,92	7,91	7,61
Return on shareholders' equity, %	52,3	47,2	43,1	37,6	38,8
Return on capital employed, %	76,4	68,2	65,3	56,5	58,6

Definition on 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 adjustment. Years 2002/2003-2003/2004 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--31 May 2007

SEK m	Sales 2006/07 incl. VAT	Sales 2005/06 incl. VAT	Change SEK %	Change local currency %	No.of stores 31 May 2007	Openings during the period	Closings during the period
Sweden	3 394	3 182	7	7	122		1
Norway	2 338	2 299	2	7	78		1
Denmark	1 737	1 577	10	12	60	2	
United Kingdom	3 523	3 157	12	12	119	8	1
Switzerland	2 158	1 918	13	11	57	1	
Germany	10 597	9 718	9	11	312	11	2
Netherlands	2 851	2 306	24	26	87	7	1
Belgium	1 382	1 342	3	5	51	2	1
Austria	2 165	2 042	6	8	57	3	
Luxembourg	161	149	8	11	8	1	
Finland	1 027	935	10	12	34	1	
France	3 264	2 775	18	20	88	3	
USA	2 715	2 345	16	29	129	15	
Spain	2 393	1 758	36	39	71	3	
Poland	782	528	48	51	39	5	1
Czech Republic	286	239	20	20	13		
Portugal	330	195	69	73	14		
Italy	736	440	67	71	23	5	
Canada	598	410	46	62	29	3	
Slovenia	213	153	39	42	4	1	
Ireland	200	156	28	32	6	1	
Hungary	91	31	194	188	4		
Slovakia	24				1	1	
Greece	41				2	2	
China	150				3	3	
Franchise	99				9	5	
Total	43 255	37 655	15	18	1 420	83	8

SALES BY COUNTRY AND NUMBER OF STORES
1 March 2007-- 31 May 2007

SEK m	Sales 2006/07 incl. VAT	Sales 2005/06 incl. VAT	Change SEK %	Change local currency %	No. of stores 31 May 2007	Openings during the period	Closings during the period
Sweden	1 796	1 662	8	8	122		1
Norway	1 176	1 134	4	8	78		
Denmark	934	812	15	16	60	2	
United Kingdom	1 875	1 669	12	12	119	8	
Switzerland	1 230	1 029	20	11	57	1	
Germany	5 763	5 170	11	13	312	11	2
Netherlands	1 655	1 265	31	32	87	7	1
Belgium	703	697	1	2	51	2	1
Austria	1 160	1 073	8	9	57	3	
Luxembourg	87	79	10	14	8		
Finland	541	469	15	16	34	1	
France	1 738	1 444	20	22	88	3	
USA	1 521	1 284	18	30	129	11	
Spain	1 255	939	34	35	71	2	
Poland	439	302	45	45	39	4	
Czech Republic	157	137	15	15	13		
Portugal	169	102	66	67	14		
Italy	444	255	74	77	23	4	
Canada	350	245	43	56	29	3	
Slovenia	128	93	38	38	4	1	
Ireland	113	84	35	38	6		
Hungary	51	25	104	96	4		
Slovakia	24				1	1	
Greece	41				2	2	
China	150				3	3	
Franchise	54				9	5	
Total	23 554	19 969	18	20	1 420	74	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.

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- 31 May 2007	1 Dec. 2005- 31 May 2007	1 March 2007- 31 May 2007	1 March 2006- 31 May 2006	1 Dec. 2005- 30 Nov. 2006
Nordic Region					
Net sales	6 824	6 420	3 571	3 275	13 499
Operating profit	1 588	1 412	821	758	3 655
Operating margin, %	23.3	22.0	23.0	23.1	27.1
Eurozone excl. Finland					
Net sales	20 526	17 895	11 156	9 528	37 804
Operating profit	4 916	3 870	2 941	2 282	8 676
Operating margin, %	24.0	21.6	26.4	24.0	22.9
Rest of the World					
Net sales	9 472	7 819	5 323	4 260	17 097
Operating profit	1 654	1 090	1 173	758	2 967
Operating margin, %	17.5	13.9	22.0	17.8	17.4
Total					
Net sales	36 822	32 134	20 050	17 063	68 400
Operating profit	8 158	6 372	4 935	3 798	15 298
Operating margin, %	22.2	19.8	24.6	22.3	22.4