



H & M HENNES & MAURITZ AB

NINE MONTH REPORT

1 December 2006 – 31 August 2007

- **Sales for the H&M Group excluding VAT for the first nine months of the financial year amounted to SEK 55,529 m (48,888), an increase of 14 per cent. In local currencies, the increase was 16 per cent and in comparable stores 5 per cent.**
- **Profit after financial items for the first nine months was SEK 12,949 m (10,368), an increase of 25 per cent. Group profit after tax was SEK 8,935 m (6,998), corresponding to SEK 10.80 (8.46) per share.**
- **Sales for the third quarter excluding VAT amounted to SEK 18,707 m (16,754), an increase of 12 per cent compared with the previous year. In local currencies, the increase was 14 per cent and in comparable stores 2 per cent.**
- **Profit after financial items for the third quarter was SEK 4,404 m (3,768), an increase of 17 per cent.**
- **The operating margin of 22.6 per cent is the highest ever achieved by H&M in a third quarter.**
- **The number of store refurbishments has doubled during the first nine months.**
- **The autumn collections have been well received. After a weaker August, sales have been very satisfying so far in September.**

Sales

Sales excluding VAT for the H&M Group in the first nine months of the financial year amounted to SEK 55,529 m (48,888), an increase of 14 per cent. In local currencies the increase was 16 per cent and 5 per cent in comparable stores. Sales including VAT amounted to SEK 65,287 m (57,262).

Sales excluding VAT in the third quarter amounted to SEK 18,707 m (16,754), an increase of 12 per cent. In local currencies the increase was 14 per cent and 2 per cent in comparable stores. Sales including VAT amounted to SEK 22,032 m (19,607).

In local currencies, the sales in August increased by 11 per cent compared to the same month last year. Sales in comparable stores decreased by 1 per cent.

During the nine month period, the Group opened 99 stores (82) of which five stores were opened on franchise basis. 12 stores were closed (11). The total number of stores in the Group thus amounted to 1,432 (1,264).

Results for nine months

Gross profit for the first nine months amounted to SEK 33,673 m (28,605), which corresponds to 60.6 per cent (58.5) of sales.

The operating profit after deducting selling and administrative expenses was SEK 12,386 m (10,020). The result corresponds to an operating margin of 22.3 per cent (20.5).

Operating profit for the nine month period has been charged with depreciation amounting to SEK 1,450 m (1,233).

Consolidated net interest income was SEK 563 m (348).

Profit after financial items amounted to SEK 12,949 m (10,368), an increase of 25 per cent.

Estimated effective tax rate for the financial year amounts to 31.0 per cent compared to 32.5 per cent in the previous interim reports this year. The estimated lower tax rate is mainly due to lowered corporate tax rates in several EU countries and alignments of the transfer pricing model as of June 1, 2007 as a consequence of the overview and refinement of the Group structure. Group profit after an estimated effective tax rate of 31.0 per cent (32.5) for the nine month period was SEK 8,935 (6,998), corresponding to earnings per share of SEK 10.80 (8.46).

Return on shareholders' equity (rolling 12 months) was 48.8 per cent (43.7) and return on capital employed (rolling 12 months) was 70.3 per cent (62.7).

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

The result of the nine month period before tax was negatively affected by currency translation effects of about SEK 257 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 third quarter

Gross profit for the third quarter amounted to SEK 11,454 m (9,917) which corresponded to a gross margin of 61.2 per cent (59.2).

Operating profit was SEK 4,228 m (3,648) for the third quarter corresponding to an operating margin of 22.6 per cent (21.8).

Profit after financial items was SEK 4,404 m (3,768) an increase of 17 per cent.

Comments on the third quarter

Sales in the quarter started well during June and July. However, sales in August were lower than planned. It is important to emphasise that fluctuations between months are affected by external factors such as different weather conditions. Critical to profitability is nevertheless how sales develop during a whole season. The autumn collections are deemed to be well received as sales so far in September have been very satisfying.

The composition and size of the stock-in-trade are deemed to be very good for the autumn season.

The gross margin in the quarter increased by 2.0 percentage units compared to the same period last year and amounted to 61.2 per cent. As in the previous part of the nine month period, the increase is among other things due to a more efficient buying process, a favourable US dollar exchange rate and a lower proportion of price reductions.

The investments for the nine month period amounted to SEK 2,393 m (1,263). The increase is mainly explained by the group's increased focus on store design and that the number of refurbishments has doubled. Furthermore, the opening pace of new stores has been higher than during the same period last year.

During the quarter has SEK 60 m been allocated to H&M's anniversary foundation which was founded to mark H&M's 60th anniversary. The purpose of the foundation is to contribute to improving the quality of life for people in regions where H&M's products are manufactured.

Estimated effective tax rate for the financial year amounts to 31.0 per cent compared to 32.5 in the previous interim reports this year.

The tax expense for the third quarter amounts to SEK 1,237 m, which has been positively affected by SEK 128 m due to adjustments of the tax expense for previous interim periods in 2007.

Financial position and cash flow

Consolidated total assets as of 31 August 2007, increased by 14 per cent compared to the same time last year and amounted to SEK 36,297 m (31,756).

The Group's cash flow for the nine month period amounted to SEK 6,759 m (-2,520). The running operation generated a positive cash flow of SEK 9,958 m (7,251). Cash flow was among other things affected by dividends of SEK -9,516 m (-7,861), investments in fixed assets of SEK -2,393 m (-1,263), and by financial investments with a duration of three to twelve months of SEK 8,748 m (-662). Liquid funds and short-term investments amounted to SEK 16,846 m (14,696).

The stock-in-trade increased by 6 per cent compared to the same time last year and amounted to SEK 8,304 m (7,812). This corresponds to 11.1 per cent (11.7) of sales excluding VAT rolling twelve months. The stock-in-trade was 22.9 per cent (24.6) of total assets.

The equity/assets ratio was 76.5 per cent (76.8) and the share of risk-bearing capital was 78.1 per cent (79.0).

Shareholders' equity apportioned on the outstanding 827,536,000 shares on 31 August 2007 was SEK 33.57 (29.48).

Expansion and customer offerings

The expansion plan for the financial year remains with a net contribution of 170 stores. During the fourth quarter 83 stores net are planned to open mainly in USA, France, the UK, Germany, Spain and Italy.

The launch of the online and catalogue sales in Germany and Austria, which started in August, has begun very well.

The launch of H&M Home has been put forward to the autumn 2008. The reason is that more time is needed to develop the concept, which is deemed to have a great potential.

Taxes

The effective tax rate for the Group for the financial year 2008 is estimated to decline further compared to 2007 as the corporate tax rates in many countries will decline further and that the changed transfer pricing model will get full effect.

The Parent Company

The parent company achieved sales excluding VAT during the first nine months of the financial year of SEK 5,521m (5,642) with an estimated result before balance sheet appropriations of SEK 6,599 m (3,825), of which SEK 5,033 m (2,364) consisted of dividends from subsidiaries. Investments in fixed assets amounted to SEK 30 m (73).

Election Committee

According to the principles adopted for H&M's Election Committee at the Annual General Meeting held on 3 May 2007, the company shall have an Election Committee made up of the Chairman of the Board plus four other members representing each of the four largest shareholders in terms of the number of votes as at 31 August 2007, not including the shareholder that the Chairman of the Board represents.

H&M's Election Committee now comprises the following members:

Stefan Persson, Chairman of the Board of H&M
Lottie Tham, representing Lottie Tham
Tomas Nicolin, representing Alecta
Jan Andersson, representing Swedbank Robur fonder
Peter Lindell, representing AMF pension

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 Election 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

The Group is applying International Financial Reporting Standards (IFRS). This interim report for the Group has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

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

The parent company is applying the Annual Accounts Act and 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.

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 circumstances. These factors are principally fashion, the weather, textile quotas and exchange rate movements. 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 2005/2006. There were no significant changes in risks and uncertainties during the period.

Reporting dates

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, at 3 p.m, in Victoriahallen, Stockholm International Fairs in Stockholm.

Stockholm, 26 September 2007
The Board of Directors

Review report

We have reviewed the interim report for H&M Hennes & Mauritz AB (publ) for the period 1 December 2006 – 31 August 2007. 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, 26 September 2007

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CONSOLIDATED INCOME STATEMENT (SEK m)

	1 Dec.06- 31 Aug. 07	1 Dec. 05- 31 Aug. 06	1 June 07- 31 Aug. 07	1 June 06- 31 Aug. 06	1 Dec. 05- 30 Nov. 06
Sales including VAT	65 287	57 262	22 032	19 607	80 081
Sales excluding VAT	55 529	48 888	18 707	16 754	68 400
Cost of goods sold	-21 856	-20 283	-7 253	-6 837	-27 736
GROSS PROFIT	33 673	28 605	11 454	9 917	40 664
Selling expenses	-20 042	-17 558	-6 834	-5 943	-23 971
Administrative expenses	-1 245	-1 027	-392	-326	-1 395
OPERATING PROFIT	12 386	10 020	4 228	3 648	15 298
Interest income	565	351	176	121	515
Interest expense	-2	-3	0	-1	-5
PROFIT AFTER FINANCIAL ITEMS	12 949	10 368	4 404	3 768	15 808
Tax	-4 014	-3 370	-1 237	-1 225	-5 011
PROFIT FOR THE PERIOD	8 935	6 998	3 167	2 543	10 797
Earnings per share, SEK, (before and after dilution)	10.80	8.46	3.83	3.07	13.05
No. of shares (thousands) (before and after dilution)	827 536	827 536	827 536	827 536	827 536
Depreciation, total	1 450	1 233	492	411	1 624
of which cost of goods sold	151	129	51	42	172
of which selling expenses	1 229	1 045	417	349	1 374
of which administrative expenses	70	59	24	20	78

CONSOLIDATED BALANCE SHEET (SEK m)

	31 Aug. 2007	31 Aug. 2006	30 Nov. 2006
ASSETS			
Fixed assets			
Intangible fixed assets	243	270	222
Tangible fixed assets	8 686	7 316	7 554
Financial fixed assets	300	188	257
Total fixed assets	9 229	7 774	8 033
Current assets			
Stock-in-trade	8 304	7 812	7 220
Current Receivables	1 918	1 474	1 677
Short-term investments, 3-12 months	-	7 012	8 748
Liquid funds	16 846	7 684	9 877
Total current assets	27 068	23 982	27 522
TOTAL ASSETS	36 297	31 756	35 555
EQUITY AND LIABILITIES			
Equity	27 779	24 395	27 779
Long-term liabilities*	809	783	780
Short-term liabilities**	7 709	6 578	6 996
TOTAL EQUITY AND LIABILITIES	36 297	31 756	35 555

* Refers to deferred tax debts and allocation to pensions.

** No short-term liabilities are interest bearing.

CHANGE IN EQUITY (SEK m)

Equity, opening balance	27 779	25 924	25 924
Currency translation effects etc.	581	-666	-1 081
Income and expenses posted directly to equity	581	-666	-1 081
Profit for the period	8 935	6 998	10 797
Total income and expenses	9 516	6 332	9 716
Dividend	-9 516	-7 861	-7 861
Equity, closing balance	27 779	24 395	27 779

GROUP CASH FLOW ANALYSIS (SEK m)

	1 Dec. 06- 31 Aug. 07	1 Dec. 05- 31 Aug. 06
CURRENT OPERATIONS		
Profit after financial items*	12 949	10 368
Provisions for pensions	20	15
Depreciation	1 450	1 233
Tax paid	-3 898	-4 077
Cash flow from current operations before changes in working capital	10 521	7 539
Cash flow from changes in working capital		
Current receivables	-206	-48
Stock-in-trade	-897	-1 175
Current liabilities	540	935
CASH FLOW FROM CURRENT OPERATIONS	9 958	7 251
INVESTMENT ACTIVITIES		
Investments in intangible assets	-50	-61
Investments in tangible assets	-2 343	-1 202
Financial investments, 3-12 months	8 748	-662
Other investments	-38	15
CASH FLOW FROM INVESTMENT ACTIVITIES	6 317	-1 910
FINANCING ACTIVITIES		
Dividend	-9 516	-7 861
CASH FLOW FROM FINANCING ACTIVITIES	-9 516	-7 861
CASH FLOW FOR THE PERIOD	6 759	-2 520
Liquid funds, opening balance	9 877	10 496
Cash flow for the period	6 759	-2 520
Exchange rate effect	210	-292
Liquid funds, closing balance	16 846	7 684

* Interest paid amounts to SEK 2.0 m (3.0).

FIVE YEAR SUMMARY

Nine months	31 Aug. 07	31 Aug. 06	31 Aug. 05	31 Aug. 04	31 Aug. 03
Sales including VAT, SEK m	65 287	57 262	50 785	44 367	40 235
Sales excluding VAT, SEK m	55 529	48 888	43 253	37 821	34 315
Change from previous year, %	13.6	13.0	14.4	10.2	7.6
Operating profit, SEK m	12 386	10 020	8 968	6 701	6 029
Operating margin, %	22.3	20.5	20.7	17.7	17.6
Depreciation for the period, SEK m	1 450	1 233	1 059	947	850
Profit after financial items, SEK m	12 949	10 368	9 256	6 949	6 335
Profit after tax, SEK m	8 935	6 998	6 016	4 517	4 118
Liquid funds and short-term investments, SEK m	16 846	14 696	13 249	11 183	10 362
Stock-in-trade, SEK m	8 304	7 812	6 571	6 323	5 460
Equity, SEK m	27 779	24 395	22 367	19 887	18 247
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)	10.80	8.46	7.27	5.46	4.98
Shareholders' equity per share, SEK (before and after dilution)	33.57	29.48	27.03	24.03	22.05
Share of risk-bearing capital, %	78.1	79.0	81.5	80.8	81.5
Equity/assets ratio, %	76.5	76.8	78.0	77.2	78.0
Number of stores	1 432	1 264	1 134	1 006	901
Rolling, twelve months					
Earnings per share, SEK (before and after dilution)	15.39	12.36	10.60	8.20	7.74
Return on shareholders' equity, %	48.8	43.7	41.5	35.6	36.4
Return on capital employed, %	70.3	62.7	63.0	53.6	55.0

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
Nine months 1 December 2006 - 31 August 2007 (SEK m)

COUNTRY	Sales incl. VAT		Change in		No. of stores 2007-08-31	Openings during the period	Closings
	2007	2006	SEK	local currency			
Sweden	5 177	4 812	8%	8%	121		2
Norway	3 659	3 514	4%	8%	78		1
Denmark	2 656	2 365	12%	14%	61	3	
United Kingdom	5 182	4 771	9%	9%	120	9	1
Switzerland	3 122	2 929	7%	8%	57	1	
Germany	15 845	14 693	8%	10%	311	11	3
Netherlands	4 273	3 520	21%	23%	87	7	1
Belgium	2 040	2 031	0%	2%	52	3	1
Austria	3 220	3 085	4%	6%	55	3	2
Luxembourg	238	225	6%	8%	8	1	
Finland	1 648	1 463	13%	14%	34	1	
France	4 894	4 193	17%	19%	89	4	
USA	4 155	3 601	15%	27%	132	18	
Spain	3 628	2 691	35%	37%	73	5	
Poland	1 213	827	47%	46%	40	6	1
Czech Republic	428	362	18%	18%	13		
Portugal	490	298	64%	67%	14		
Italy	1 117	647	73%	75%	24	6	
Canada	975	662	47%	59%	32	6	
Slovenia	328	242	36%	37%	5	2	
Ireland	298	234	27%	29%	6	1	
Hungary	132	54	144%	139%	4		
Slovakia	45				2	2	
Greece	83				2	2	
China	279				3	3	
Franchise	162	43			9	5	
Total	65 287	57 262	14%	16%	1 432	99	12

SALES BY COUNTRY AND NUMBER OF STORES
Third quarter 1 June 2007 - 31 August 2007 (SEK m)

COUNTRY	Sales incl. VAT		Change in		No. of stores 31 Aug. 2007	Openings during the period	Closings
	2007	2006	SEK	local currency			
Sweden	1 783	1 630	9%	9%	121		1
Norway	1 321	1 215	9%	10%	78		
Denmark	919	788	17%	16%	61	1	
United Kingdom	1 658	1 614	3%	2%	120	1	
Switzerland	964	1 011	-5%	1%	57		
Germany	5 248	4 975	5%	6%	311		1
Netherlands	1 422	1 214	17%	18%	87		
Belgium	658	689	-4%	-4%	52	1	
Austria	1 055	1 043	1%	2%	55		2
Luxembourg	77	76	1%	1%	8		
Finland	621	528	18%	21%	34		
France	1 630	1 418	15%	16%	89	1	
USA	1 440	1 256	15%	24%	132	3	
Spain	1 235	933	32%	34%	73	2	
Poland	431	299	44%	38%	40	1	
Czech Republic	142	123	15%	15%	13		
Portugal	160	103	55%	56%	14		
Italy	381	207	84%	84%	24	1	
Canada	377	252	50%	54%	32	3	
Slovenia	115	89	29%	29%	5	1	
Ireland	98	78	26%	23%	6		
Hungary	41	23	78%	74%	4		
Slovakia	21				2	1	
Greece	42				2		
China	129				3		
Franchise	63	43			9		
Total	22 032	19 607	12%	14%	1 432	16	4

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' figures have been moved to Eurozone from Rest of the World.

	1 Dec. 06- 31 Aug. 07	1 Dec. 05- 31 Aug. 06	1 June 07- 31 Aug. 07	1 June 06- 31 Aug. 06	1 Dec. 05- 30 Nov. 06
Nordic Region					
Net sales	10 566	9 816	3 742	3 396	13 499
Operating profit	2 874	2 556	1 286	1 144	3 655
Operating margin, %	27.2	26.0	34.4	33.7	27.1
Eurozone excl. Finland					
Net sales	30 809	27 096	10 283	9 201	37 804
Operating profit	7 126	5 833	2 210	1 963	8 676
Operating margin, %	23.1	21.5	21.5	21.3	22.9
Rest of the World					
Net sales	14 154	11 976	4 682	4 157	17 097
Operating profit	2 386	1 631	732	541	2 967
Operating margin, %	16.9	13.6	15.6	13.0	17.4
Total					
Net sales	55 529	48 888	18 707	16 754	68 400
Operating profit	12 386	10 020	4 228	3 648	15 298
Operating margin, %	22.3	20.5	22.6	21.8	22.4

PARENT COMPANY INCOME STATEMENT (SEK m)

	1 Dec. 06- 31 Aug. 07	1 Dec. 05- 31 Aug. 06	1 Dec. 05- 30 Nov. 06
Sales including VAT	6 445	6 733	9 260
Sales excluding VAT	5 521	5 642	7 754
Cost of goods sold	-1 536	-1 968	-2 965
GROSS PROFIT	3 985	3 674	4 789
Selling expenses	-1 906	-1 824	-2 356
Administrative expenses	-831	-581	-663
OPERATING PROFIT	1 248	1 269	1 770
Dividens from subsidiaries	5 033	2 364	7 219
Interest income	318	192	247
PROFIT AFTER FINANCIAL ITEMS	6 599	3 825	9 236
Year-end appropriations	-	-	3
Tax	-439	-409	-572
PROFIT FOR THE PERIOD	6 160	3 416	8 667

Up to and including 31 May 2007 the Swedish stores were operated within the parent company. Since this date they have been operated by a separate subsidiary.

PARENT COMPANY BALANCE SHEET (SEK m)

	31 Aug. 07	31 Aug. 06	30 Nov. 06
ASSETS			
Fixed assets			
Tangible fixed assets	351	501	519
Financial fixed assets	40	50	73
Total fixed assets	391	551	592
Current assets			
Stock-in-trade	358	692	759
Current receivables	6 008	3 926	5 545
Short-term investments, 3-12 months	-	2 600	5 000
Liquid funds	4 275	1 323	2 154
Total current assets	10 641	8 541	13 458
TOTAL ASSETS	11 032	9 092	14 050
EQUITY AND LIABILITIES			
Equity	8 505	6 609	11 860
Untaxed reserves	249	252	249
Long-term liabilities*	100	71	99
Short-term liabilities**	2 178	2 160	1 842
TOTAL EQUITY AND LIABILITIES	11 032	9 092	14 050

* Refers to provisions for pensions.

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

CHANGE IN EQUITY

Shareholders' equity, beginning of the period	11 860	11 054	11 054
Profit for the period	6 161	3 416	8 667
Total income and expenses	6 161	3 416	8 667
Dividend	-9 516	-7 861	-7 861
Equity, end of the period.	8 505	6 609	11 860

Up to and including 31 May 2007 the Swedish stores were operated within the parent company. Since this date they have been operated by a separate subsidiary.