



INTERIM REPORT - NINE MONTHS

1 December 2004 - 31 August 2005

- **H&M's Group turnover excluding VAT amounted to SEK 43,253 M (37,821), an increase of 14 per cent.**
- **Profit after financial items for the first nine months was SEK 9,256 M (6,949), an increase of 33 per cent. Profit after tax for the Group amounted to SEK 6,016 M (4,517), corresponding to SEK 7.27 per share (5.46).**
- **Turnover excluding VAT for the third quarter amounted to SEK 15,158 M (12,840), an increase of 18 per cent, compared with last year. In comparable currency rates the increase was 16 per cent.**
- **Third quarter profit after financial items amounted to SEK 3,324 M (2,452), an increase of 36 per cent.**
- **Low price reduction level during the third quarter and a substantially improved gross profit.**
- **The increase in turnover for the month of August was 17 per cent in comparable currency rates.**

Turnover

Turnover excluding VAT for the H&M Group increased during the nine months period by 14 per cent (in comparable currency rates 14 per cent), compared with the same period last year and amounted to SEK 43,252.8 M (37,820.6). Turnover including VAT was SEK 50,784.6 M (44,366.5).

Turnover in the third quarter, excluding VAT, amounted to SEK 15,157.5 M (12,839.5), an increase of 18 per cent (in comparable currency rates 16 per cent). Turnover including VAT was SEK 17,804.7 M (15,062.3).

In the month of August turnover increase was 17 per cent in comparable currency rates.

In the nine months period, the Group opened 76 new stores; 14 in Germany, seven each in Spain and Poland, six each in the United Kingdom and Italy, five each in the Netherlands, France and the US, four in the Czech Republic, three each in Sweden, Norway and Belgium, two each in Denmark, Switzerland and Canada and finally one each in Portugal and Ireland. Ten stores have been closed down. The total number of stores at the end of the period was 1,134 (1,006) divided on 21 markets.

Results for the nine month period

Gross profit for the nine month period amounted to SEK 25,378.6 M (21,209.1), corresponding to 58.7 per cent (56.1) of the turnover.

After deduction for selling and administrative expenses, operating profit was SEK 8,967.5 M (6,701.4). This result corresponds to an operating margin of 20.7 per cent (17.7).

Operating profit for the period has been charged with depreciations according to plan amounting to SEK 1,058.5 M (947.3).

Group financial net interest income amounted to SEK 288.2 M (247.6).

Profit after financial items amounted to SEK 9,255.7 M (6,949.0), an increase of 33 per cent.

Group profit after comprehensive tax allocation (estimated average effective tax of 35 per cent) for the nine month period amounted to SEK 6,016.2 M (4,516.8), which corresponds to earnings per share of SEK 7.27 (5.46).

Return on shareholders' equity, revolving twelve months, was 41.5 per cent (35.6) and return on capital employed, revolving twelve months, was 63.0 per cent (53.6).

The result of the nine month period has been positively affected by currency translation effects of about SEK 63 M compared to the same period last year. Translation effects arise when the foreign subsidiaries results are converted into SEK in order to be consolidated in the Group accounts.

Results for the third quarter

Gross profit for the third quarter amounted to SEK 8,909.3 M (7,175.2) which corresponds to a gross margin of 58.8 per cent (55.9).

Operating profit was SEK 3,237.7 M (2,377.8), corresponding to an operating margin of 21.4 per cent (18.5).

Profit after financial items for the third quarter was SEK 3,324.4 M (2,452.2), an increase of 36 per cent.

Profit after comprehensive tax allocation for the third quarter amounted to SEK 2,160.9 M (1,593.9), corresponding to earnings per share of SEK 2.61 (1.93).

Comments on the third quarter

The turnover development was good during the quarter with a sales increase of 18 per cent. Due to a well-balanced stock-in-trade the spring/summer season has ended with a lower price reduction level compared to last year. The sales of autumn garments have started well during the quarter.

The gross margin of 58.8 per cent implies an increase with 2.9 percentage units, where barely half of the improvement is based on the lower price reduction level. Remaining part of the improvement has among others been achieved through a continued improved cost efficiency of the logistic and buying function and through lower quota costs.

During the quarter, limitations have been re-established on imports from China for some types of goods: The re-establishment of the quota regulations makes the buying process somewhat more difficult and can in a shorter perspective have a negative influence on the gross profit, but in the longer perspective it will have no effect on the Group's result.

Events after the quarter

All garments, mostly heavy knitted garments that were stopped in the EU customs because of the re-establishment of the import restrictions, have now been delivered to the stores.

Financial position

Group balance sheet total increased by 13 per cent and corresponded to SEK 28,672.9 M (25,295.9).

During the period, the Group generated a positive cash flow of SEK 948.2 M (-2,149.3). Cash flow has been affected by dividends of SEK -6,619.4 M (-4,965.2) and by change in lead time on investment of SEK 3,250.0 (-).

Financial assets amounted to SEK 13,248.5 M (11,182.6).

Stock-in-trade amounted to SEK 6,571.2 M (6,323.5), an increase of 4 per cent.

Net investments in fixed assets amounted to SEK 1,513.8 M (1,057.2).

Group solidity was 78 per cent (77 as of 31 August, 2004) and the share of risk-bearing capital was 82 per cent (81).

Net worth, apportioned on the outstanding 827,536,000 shares issued, corresponded on 31 August to SEK 27.03 (24.03).

Expansion

During the fourth quarter approximately 70 stores are planned to be opened and ten will be closed down. Most of the stores will be opened in North America (the US and Canada) with 14 stores and in Germany with nine planned stores. The Group is at the moment looking into the possibility to start mail order and on-line business in the Netherlands.

The Parent Company

The parent company's turnover (including internal sales) after financial items amounted to SEK 5,062.7 m (4,769.1), with an estimated result before balance-sheet allocations of SEK 6,809.8 (7,881.1) of which dividend revenue from subsidiaries, amounted to SEK 5,575.3 m (7,041.6).

Election committee

In accordance with a decision at the Annual General Meeting on 26 April 2005 an election committee should be established. The main shareholder and the thereafter five largest shareholders by the end of August will appoint the members to the committee.

The representatives are:

<u>Shareholder</u>	<u>Representative</u>
Stefan Persson with family	Stefan Persson
Lottie Tham	Lottie Tham
Robur fonder	Mats Lagerqvist
Alecta	Tomas Nicolin
AMF Pensionsförsäkrings AB	Magnus Wärn
Nordea fonder	Peter Rudman

Proposals of representatives of the Board of Directors can be sent either to the members of the election committee or directly to the company to be forwarded to the committee.

Managing Director's terms of employment

Rolf Eriksen waive his right to retire at the age of 62. New age of retirement is 65 years old.

Accounting principles

This interim report has been prepared in accordance with the recommendation issued by the Swedish Financial Accounting Standard Council regarding interim reporting (RR20). The same accounting principles have been used as in the latest annual report.

Auditor's report

We have audited this interim report according to the recommendations of FAR. An audit is substantially limited compared to a full review. There is nothing indicating that the interim report does not fulfil the demands according to the Swedish Financial Accounting Standard Council.

Erik Åström

Åsa Lundvall

The report for the fiscal year 2004/05 will be published at 8 a.m on 26 January 2006. Report of the first three months of the fiscal year 2005/06 will be published on 29 March 2006. Annual General Meeting will be held on Wednesday, 3 May 2006, at 3.00 p.m. in "Victorihallen", Stockholmsmässan in Stockholm.

Stockholm 28 September 2005

The Board of Directors

Contact persons:

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Rolf Eriksen, CEO	+46 8 796 5233

Background information about H&M and press pictures may be found on www.hm.com

GROUP INCOME STATEMENT
(SEK m)

	1 December 2004- 31 August 2005	1 December 2003- 31 August 2004	1 June 2005- 31 August 2005	1 June 2004- 31 August 2004	1 December 2003- 30 November 2004
Turnover, incl. value added tax	50,784.6	44,366.5	17,804.7	15,062.3	62,985.9
Turnover, excl. value added tax	43,252.8	37,820.6	15,157.5	12,839.5	53,695.0
Costs of goods sold	-17,874.2	-16,611.5	-6,248.2	-5,664.3	-22,977.0
GROSS PROFIT	25,378.6	21,209.1	8,909.3	7,175.2	30,718.0
Selling expenses	-15,527.6	-13,689.3	-5,390.0	-4,528.2	-18,927.7
Administrative expenses	-883.5	-818.4	-281.6	-269.2	-1,123.0
OPERATING PROFIT	8,967.5	6,701.4	3,237.7	2,377.8	10,667.3
Result from financial investments					
Interest income	290.8	249.6	87.8	75.5	341.2
Interest expense	-2.6	-2.0	-1.1	-1.1	-3.2
PROFIT AFTER FINANCIAL INVESTMENTS	9,255.7	6,949.0	3,324.4	2,452.2	11,005.3
Tax	-3,239.5	-2,432.2	-1,163.5	-858.3	-3,730.5
PROFIT FOR THE YEAR	6,016.2	4,516.8	2,160.9	1,593.9	7,274.8
Profit per share, SEK	7.27	5.46	2.61	1.93	8.79
Number of shares 827,536,000					
Depreciation, total	1,058.5	947.3	369.1	322.0	1,232.2
of which cost of goods sold	112.8	104.2	39.1	35.4	134.3
of which selling expenses	894.8	797.3	312.3	271.1	1,038.2
of which administration expenses	50.9	45.8	17.7	15.5	59.7

GROUP BALANCE SHEET SUMMARY

(SEK m)

31 August 2005 31 August 2004 30 november 2004

ASSETS

Fixed assets

Intangible assets	285.2	103.0	101.4
Tangible assets	7,088.7	6,323.3	6,429.2
Financial assets	168.1	233.3	181.0
Total fixed assets	7,542.0	6,659.6	6,711.6

Current assets

Stock-in-trade	6,571.2	6,323.5	5,141.6
Current receivables	1,311.2	1,130.2	1,222.8
Liquid funds	13,248.5	11,182.6	15,051.3
Total current assets	21,130.9	18,636.3	21,415.7

TOTAL ASSETS

28,672.9 25,295.9 28,127.3

EQUITY AND LIABILITIES

Equity	22,366.6	19,886.9	22,209.0
Provisions	1,094.6	959.3	1,033.2
Short-term liabilities	5,211.7	4,449.7	4,885.1

TOTAL EQUITY AND LIABILITIES

28,672.9 25,295.9 28,127.3

Change in equity

Equity, beginning of period	22,209.0	20,096.7	20,096.7
Effect of change in accounting principle*	-15.6		
Opening balance of shareholders' equity adjusted in accordance with new principle	22,193.4	20,096.7	20,096.7
Profit for the period	6,016.2	4,516.8	7,274.8
Dividend	-6,620.3	-4,965.2	-4,965.2
Return of dividend	0.9	-	-
Currency translation effects, etc	776.4	238.6	-197.3
Equity, end of period	22,366.6	19,886.9	22,209.0

* Non recurring effect on introduction of the new accounting recommendation RR29, Employee benefits. This has resulted in a non-recurring cost of SEK 15.6 after tax that has been reported as an adjustment to the opening balance of shareholders' equity for 2004/2005 (but has had no effect on earnings and cash flow)

CASH FLOW ANALYSES (MSEK)

	1 December 2004- 31 August 2005	1 December 2003- 31 August 2004
CURRENT OPERATIONS		
Profit after financial items *	9,255.7	6,949.0
Provisions for pensions	10.0	-
Depreciation	1,058.5	947.3
Tax paid	-2,767.0	-2,786.4
Cash flow generated by current operations before changes in working capital	7,557.2	5,109.9
Cash flow generated by changes in working capital		
Current receivables	-45.6	-41.0
Stock-in-trade	-1,249.6	-1,213.5
Current liabilities	-455.3	57.9
CASH FLOW GENERATED BY CURRENT OPERATIONS	5,806.7	3,913.3
Investment activities		
Investment in intangible assets	-208.7	-8.4
Investment in tangible assets	-1,305.1	-1,060.1
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,513.8	-1,068.5
Financial activities		
Financial investments, 3-6 months	3,250.0	-
Long-term receivables	24.7	-28.9
Dividend	-6,620.3	-4,965.2
Return on dividend	0.9	-
CASH FLOW FROM FINANCIAL ACTIVITIES	-3,344.7	-4,994.1
CASH FLOW FOR THE PERIOD	948.2	-2,149.3
Liquid funds, beginning of the period (incl. short-term investments, 0-3 months)	11,801.3	13,193.5
Cash flow for the period	948.2	-2,149.3
Changes in currency rates	499.0	138.4
Liquid funds (incl. short-term investments, 0-3 months)	13,248.5	11,182.6

* Paid interest amounts to SEK 2.4 m (1.9)

FIVE YEAR SUMMARY

(SEK M)

Nine months	2001-08-31	2002-08-31	2003-08-31	2004-08-31	2005-08-31
Turnover including VAT	32,356.2	37,369.1	40,234.5	44,366.5	50,784.6
Turnover excluding VAT	27,594.5	31,884.5	34,315.2	37,820.6	43,252.8
Change from previous year, %	28	16	8	10	14
Operating profit	3,184.3	4,968.5	6,028.8	6,701.4	8,967.5
Operating margin, %	11.5	15.6	17.6	17.7	20.7
Depreciation for the period	666.5	793.9	849.7	947.3	1,058.5
Profit after financial items	3,378.0	5,224.7	6,334.6	6,949.0	9,255.7
Profit after estimated tax	2,195.7	3,396.1	4,117.5	4,516.8	6,016.2
Number of shares	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	2.65	4.10	4.98	5.46	7.27
Liquid funds	5,236.2	9,910.3	10,362.0	11,182.6	13,248.5
Stock-in-trade	6,217.2	5,286.2	5,459.6	6,323.5	6,571.2
Equity	13,645.3	16,966.5	18,247.0	19,886.9	22,366.6
Revolving, twelve months					
Profit per share, SEK	3.69	6.18	7.74	8.20	10.60
Net worth per share, SEK	16.49	20.54	22.05	24.03	27.03
Return on shareholders' equity, %	24.9	33.4	36.4	35.6	41.5
Return on capital employed, %	38.6	49.0	55.0	53.6	63.0
Debt/equity ratio, %	1.5	1.1	0.0	0.2	0.0
Share of risk-bearing capital, %	78.6	78.5	81.5	80.8	81.5
Solidity, %	75.0	75.2	78.0	77.2	78.0
Interest cover, %	254.6	506.4	1,174.3	4,869.1	3,504.2
Number of stores	736	809	901	1,006	1,134

Definition on key figures see Annual Report

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 December 2004 – 31 August 2005 (SEK M)

	Turnover 2005 Incl VAT	Turnover 2004 Incl VAT	Change SEK %	Change local currency %	No. of stores 31 August 2005	Change since 1 Dec. 2004
Sweden	4,450	4,178	7	7	123	-1
Norway	3,321	2,927	13	9	76	1
Denmark	2,122	1,934	10	9	55	2
United Kingdom	4,225	3,996	6	7	96	5
Switzerland	2,765	2,600	6	6	49	2
Germany	14,083	12,488	13	12	282	13
Netherlands	3,022	2,748	10	10	70	4
Belgium	1,800	1,590	13	13	46	2
Austria	3,049	2,927	4	4	51	
Luxembourg	214	204	5	5	7	
Finland	1,297	1,086	19	19	24	
France	3,643	3,101	17	17	69	5
USA	2,774	2,432	14	19	80	5
Spain	2,003	1,360	47	47	47	7
Poland	526	298	77	54	22	7
Czech Republic	247	123	101	87	11	4
Portugal	211	161	31	31	6	1
Italy	371	144	158	157	9	6
Canada	415	65	538	516	8	2
Slovenia	176	4	4,300	4,389	2	
Ireland	71				1	1
Total	50,785	44,366	14	14	1,134	66

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 June 2005 - 31 August 2005 (SEK M)

	Turnover 2005 Incl VAT	Turnover 2004 Incl VAT	Change SEK %	Change local currency %	No. of stores 31 August 2005	Change since 1 June 2005
Sweden	1,528	1,391	10	10	123	
Norway	1,249	1,038	20	12	76	
Denmark	728	638	14	12	55	2
United Kingdom	1,467	1,349	9	8	96	1
Switzerland	938	879	7	5	49	
Germany	4,836	4,215	15	12	282	
Netherlands	1,052	907	16	14	70	1
Belgium	636	536	19	16	46	1
Austria	1,047	960	9	7	51	
Luxembourg	74	73	1		7	
Finland	489	397	23	21	24	
France	1,272	1,035	23	20	69	1
USA	1,023	853	20	19	80	2
Spain	722	484	49	46	47	3
Poland	189	125	51	32	22	
Czech Republic	89	47	89	75	11	
Portugal	77	56	38	36	6	
Italy	132	46	187	181	9	2
Canada	163	29	462	423	8	
Slovenia	65	4	1,525	1,515	2	
Ireland	29				1	
Total	17,805	15,062	18	16	1,134	13

REPORTING PER REGION (SEK M)

	1/12 2004- 31/8 2005	1/12 2003- 31/8 2004	1/6 2005- 31/8 2005	1/6 2004- 31/8 2004	1/12 2003- 30/11 2004
Nordic countries					
Net turnover	8,988	8,142	3,208	2,787	11,495
Operating profit	2,194	1,484	1,082	680	2,202
Operating margin, %	24.4	18.2	33.7	24.4	19.2
Euro zone countries excl Finland					
Net turnover	24,232	21,051	8,443	7,078	29,907
Operating profit	5,437	4,200	1,772	1,364	6,625
Operating margin, %	22.4	20.0	21.0	19.3	22.2
Rest of the world					
Net turnover	10,033	8,628	3,507	2,975	12,293
Operating profit	1,337	1,017	384	334	1,840
Operating margin, %	13.3	11.8	10.9	11.2	15.0
Total					
Net turnover	43,253	37,821	15,158	12,840	53,695
Operating profit	8,968	6,701	3,238	2,378	10,667
Operating margin, %	20.7	17.7	21.4	18.5	19.9

REPORTING PER SEGMENT

The internal follow-up is carried out by country. To present the information in a comprehensive way by segments these will be divided into three regions: the Nordic region, the Euro zone countries excluding Finland and the rest of the world. There is no internal dividing into different lines of business and hence reporting in secondary segments is not relevant.