



INTERIM REPORT - NINE MONTHS

1 December 2002 - 31 August 2003

- **H&M's Group turnover amounted to SEK 40,235 (37,369) M, an increase of 8 per cent. In comparable currency rates the increase was 10 per cent.**
- **Profit after financial items was SEK 6,335 (5,225) M, an increase of 21 per cent.**
- **Profit after tax for the group amounted to SEK 4,118 M (3,396), corresponding to SEK 4.98 per share (4.10).**
- **Turnover for the third quarter amounted to SEK 13,209 M, an increase of 4 per cent compared with last year. In comparable currency rates the increase was 7 per cent.**
- **Gross margin amounted to 55.6 per cent during the third quarter (54.0 per cent).**
- **The operating margin amounted to 17.8 per cent (16.7 per cent). This margin is the highest ever reached in the Group's third quarter.**
- **Third quarter profit after financial items amounted to SEK 2,079 M (1,906), an increase of 9 per cent.**
- **The autumn collections were well received.**

Turnover

Turnover including VAT for the H&M Group increased during the nine months period by 8 per cent (in comparable currency rates 10 per cent), compared with the same period last year and reached SEK 40,234.5 M (37,369.1).

Turnover in the third quarter, including VAT, amounted to SEK 13,209.3 M (12,663.6), an increase of 4 per cent (in comparable currency rates 7 per cent). The price-level has decreased by 2 per cent, as a consequence of the weakened US-dollar, compared with the same period last year.

Turnover increase in the month of August was 5 per cent in comparable currency rates.

In the nine months period, the Group has opened 63 new stores; 12 in the USA, 11 in Germany, nine in France, seven in Great Britain, five in Spain, four in Sweden, two each in Norway, Switzerland, Austria, The Czech Republic and Portugal and one each in Denmark, The Netherlands, Belgium, Finland and Polen. Six stores have been closed down. The total number of stores at the end of the period was 901 (809).

Result for the nine months period

Gross profit for the nine months period reached SEK 19,084.1 M (17,189.8), corresponding to 55.6 per cent (53.9) of the turnover.

After deduction for administrative and selling expenses, operating profit was SEK 6,028.8 M (4,968.5). This result corresponds to an operating margin of 17.6 per cent (15.6).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 849.7 M (793.9) and start-up costs, i.e. the part of investments in new stores charged directly to the income statement, of SEK 131.6 M (128.7). After depreciation but before start-up costs, operating margin reached 18.0 per cent (16.0).

Group financial net interest income amounted to SEK 305.8 M (256.2).

Profit after financial items corresponded to SEK 6,334.6 M (5,224.7), an increase of 21 per cent.

Group profit after comprehensive tax allocation (35 per cent) for the nine months period amounted to SEK 4,117.5 M (3,396.1), which corresponds to earnings per share of SEK 4.98 (4.10).

Return on shareholders equity, revolving twelve months, was 36.4 per cent (33.4) and return on capital employed, revolving twelve months, was 55.0 per cent (49.0).

Result for the third quarter

Gross margin for the third quarter was 55.6 per cent (54.0), corresponding to a gross profit of SEK 6,247.9 M (5,838.2).

Operating profit was SEK 2,000.7 M (1,809.1), corresponding to an operating margin of 17.8 per cent (16.7).

Profit after financial items for the third quarter was SEK 2,078.9 M (1,906.3), an increase of 9 per cent.

Profit after comprehensive tax allocation for the third quarter amounted to SEK 1,351.3 m (1,239.1), corresponding to a profit per share of SEK 1.63 (1.50).

Comments to the third quarter

Sales in the third quarter have been weak, mainly due to the unusually warm weather in Central Europe. Sales in August have been characterised by large fluctuations. A sharp sales decline in the first two weeks was followed by a strong increase in the last two weeks of the month. The autumn collections have been well received in all markets.

The stock-in-trade was on a low level in the opening of the quarter and increased only to a lesser extent by additional purchases of summer goods. This has led to substantially lower price reductions compared to the same period last year.

Group selling and administrative expenses have increased by slightly more than 7 per cent (excluding currency effects) compared to the same period last year. This in spite of the fact that the number of stores have increased by 11 per cent and that four new markets, Poland, The Czech Republic, Portugal and Italy, have been added. The operating margin amounted to 17.8 per cent (16.7 per cent). This margin is the highest ever reached in the Group's third quarter. In all markets the operating margin has been maintained or improved compared to the same period in 2002.

France and Spain show strong sales development and increased profitability. The operations in USA are on track with continued results improvement. In Poland, The Czech Republic and Portugal, sales have developed above expectations.

Currency translation effects have negatively impacted the results of the quarter by around SEK 36 M compared to the same period last year. Translation effects arise when the results of the foreign subsidiaries are translated into SEK in order to be consolidated into the H & M Group accounts.

Financial position

Group balance sheet total increased by 3 per cent and corresponded to SEK 23,386.6 M (22,612.2).

During the period, the Group generated a negative cash flow of SEK 3,029.6 M (+1,667.8). Cash flow has been affected by dividends of SEK 4,965.2 M (1,448.2).

Financial assets amounted to SEK 10,362.0 M (9,910.3).

Stock-in-trade amounted to SEK 5,459.6 M (5,286.2), an increase of 3 per cent.

Investments in fixed assets amounted to SEK 907.5 M (914.5).

The equity/assets ratio corresponded to 78 per cent (75) and the share of risk-bearing capital was 82 per cent (78).

Net worth, allocated to the 827,536,000 shares issued, corresponded on 31 August to SEK 22.05 (20.54).

Expansion

During the fourth quarter a further 51 stores are planned to open and five will be closed down. The largest number will open in Germany, where 10 stores are planned, in the USA, where nine stores are planned, and in Poland where five stores are planned to open.

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). Otherwise, the same accounting principles have been used as in the latest annual report.

This interim report has not been audited.

The report for the fiscal year 2002/03 will be published on 29 January 2004.
Report of the first three months of the fiscal year 2003/04 will be published on 25 March 2004.
General Annual Meeting will be held on Thursday, 29 April 2004, at 3.00 p.m. in "Victorihallen", Stockholmsmässan in Stockholm.

Stockholm 25 September 2003

The Board of Directors

Contact persons:

Carl-Henric Enhörning, IR	+46 8 796 5410
Leif Persson, CFO	+46 8 796 1300
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)

	1/12 2002- 31/8 2003	1/12 2001- 31/8 2002	1/6 2003- 31/8 2003	1/6 2002- 31/8 2002	1/12 2001- 30/11 2002
Turnover, including value added tax	40,234.5	37,369.1	13,209.3	12,663.6	53,331.7
Turnover, excluding value added tax	34,315.2	31,884.5	11,245.7	10,809.2	45,522.3
Costs of goods sold	-15,231.1	-14,694.7	- 4,997.8	- 4,971.0	-20,418.8
 Gross profit	 19,084.1	 17,189.8	 6,247.9	 5,838.2	 25,103.5
Selling expenses	-12,325.0	-11,440.2	- 4,024.4	- 3,789.7	- 15,821.5
Administrative expenses	- 730.3	- 781.1	- 222.8	- 239.4	- 1,022.9
 Operating profit	 6,028.8	 4,968.5	 2,000.7	 1,809.1	 8,259.1
Result from financial investments					
Interest income	308.5	263.8	78.6	99.9	383.0
Interest expense	- 2.7	- 7.6	- 0.4	- 2.7	- 13.2
 Profit after financial items	 6,334.6	 5,224.7	 2,078.9	 1,906.3	 8,628.9
Estimated tax	- 2,217.1	- 1,828.6	- 727.6	- 667.2	- 2,942.1
 Result of the period	 4,117.5	 3,396.1	 1,351.3	 1,239.1	 5,686.8
 Profit per share, SEK	 4.98	 4.10	 1.63	 1.50	 6.87
Number of shares 827,536,000					
Depreciation, total	849.7	793.9	279.6	262.0	1,050.6
of which selling expenses	712.0	663.7	234.3	219.1	881.3
of which administration expenses	40.8	38.1	13.4	12.6	50.8
of which cost of goods sold	96.9	92.1	31.9	30.3	118.5

SUMMARY OF GROUP BALANCE SHEET
(SEK m)

	31 Aug 2003	31 Aug 2002	30 Nov 2002
Assets			
Real estate, fixtures and fittings	6,185.7	6,102.5	6,236.5
Other fixed assets	298.7	413.5	301.0
Total fixed assets	6,484.4	6,516.0	6,537.5
Stock-in-trade	5,459.6	5,286.2	4,192.5
Other current assets	1,080.6	899.7	989.1
Cash and bank balances	10,362.0	9,910.3	13,479.6
Total current assets	16,902.2	16,096.2	18,661.2
Total assets	23,386.6	22,612.2	25,198.7
Equity and liabilities			
Equity	18,247.0	16,966.5	19,087.7
Long-term liabilities	820.2	942.3	823.8
Short-term liabilities	4,319.4	4,703.4	5,287.2
Total equity and liabilities	23,386.6	22,612.2	25,198.7
Change in equity			
Equity, beginning of period	19,087.7	15,431.6	15,431.6
Profit for the period	4,117.5	3,396.1	5,686.8
Dividend	-4,965.2	- 1,448.2	-1,448.2
Currency translation effects	7,0	- 413.0	-582.5
Equity, end of period	18,247.0	16,966.5	19,087.7

CASH FLOW ANALYSIS

(SEK M)

	December - August	
	2002/03	2001/02
Profit after financial items	6,334.6	5,224.7
Depreciation	849.7	793.9
Tax paid	-2,878.0	-1,190.8
Cash flow generated by current operations before changes in working capital	4,306.3	4,827.8
Changes in working capital		
Current receivables	-83.0	-48.2
Stock-in-trade	-1,257.1	-967.4
Current liabilities	-295.3	12.5
Cash flow generated by changes in working capital	-1,635.4	-1,003.1
Cash flow from current operations	2,670.9	3,824.7
Cash flow from investment activities	-734.9	-713.2
Cash flow from financing activity	-4,965.6	-1,443.7
<i>of which dividend</i>	<i>-4,965.2</i>	<i>-1,448.2</i>
Cash flow for the period	-3,029.6	1,667.8
Liquid funds, beginning of the period	13,479.6	8,530.9
Changes in currency rates	-88.0	-288.4
Liquid funds, end of the period	10,362.0	9,910.3

FIVE YEAR SUMMARY

(SEK m)

Nine months	31 August 1999	31 August 2000	31 August 2001	31 August 2002	31 August 2003
Turnover including VAT	23,548.5	25,428.1	32,356.2	37,369.1	40,234.5
Change from previous year, %	28	8	27	15	8
Sales outside Sweden, %	84	85	88	89	90
Operating profit	3,070.4	2,423.7	3,184.3	4,968.5	6,028.8
Operating margin, %	15.4	11.2	11.5	15.6	17.6
Depreciation for the period	348.9	454.8	666.5	793.9	849.7
Profit after estimated tax	2,085.7	1,698.3	2,195.7	3,396.1	4,117.5
Number of shares (adjusted for split)	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	2.52	2.05	2.65	4.10	4.98
Profit per share SEK *	3.62	3.25	3.69	6.18	7.74
Shareholders Equity per share, SEK	11.33	13.08	16.49	20.54	22.05
Return on shareholders' equity, % *	35.8	26.6	24.9	33.4	36.4
Return on capital employed, % *	53.8	40.9	38.6	49.0	55.0
Debt/equity ratio, %	1.2	1.4	1.5	1.1	0.0
Share of risk-bearing capital, %	76.4	76.2	78.6	78.5	81.5
Solidity, %	72.3	72.5	75.0	75.2	78.0
Interest cover *	365.4	218.9	254.6	506.4	1,174.3
Number of stores	583	636	736	809	901

* Revolving, 12 months

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, DECEMBER - AUGUST

1 December 2002 - 31 August 2003

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 31 August 2003	Change since 1 Dec. 2002
	Incl VAT	Incl VAT	%	%		
Sweden	4,090	4,066	1	1	121	1
Norway	2,889	2,931	-1	1	68	1
Denmark	1,811	1,716	6	6	51	1
United Kingdom	3,516	3,144	12	23	75	7
Switzerland	2,501	2,558	-2	1	45	1
Germany	11,806	11,330	4	5	230	10
Netherlands	2,578	2,438	6	6	60	1
Belgium	1,468	1,300	13	13	40	1
Austria	2,844	2,678	6	7	48	2
Luxembourg	196	148	32	33	6	
Finland	969	926	5	5	21	1
France	2,710	2,004	35	36	51	9
USA	1,901	1,659	15	38	57	12
Spain	820	471	74	75	23	5
Poland	23				1	1
Czech Republic	43				2	2
Portugal	70				2	2
Total	40,235	37,369	8	10	901	57

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, JUNE - AUGUST

1 June 2003 - 31 August 2003

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 31 August 2003	Change since 1 June 2003
	Incl VAT	Incl VAT	%	%		
Sweden	1,366	1,301	5	5	121	
Norway	955	1,047	-9	0	68	
Denmark	586	552	6	6	51	
United Kingdom	1,166	1,091	7	17	75	
Switzerland	770	844	-9	-2	45	1
Germany	3,823	3,809	0	0	230	2
Netherlands	835	801	4	4	60	
Belgium	483	453	7	6	40	
Austria	874	913	-4	-4	48	1
Luxembourg	65	56	16	15	6	
Finland	357	333	7	7	21	
France	894	736	21	21	51	2
USA	674	563	20	38	57	1
Spain	292	165	77	78	23	1
Poland	11				1	
Czech Republic	22				2	
Portugal	36				2	
Total	13,209	12,664	4	7	901	8