



INTERIM REPORT

1 December 2004 - 28 February 2005

- **Group turnover for the period excluding VAT amounted to SEK 12,610 m (11,756), an increase of 7 per cent. With comparable exchange rates, the increase was 8 per cent. Turnover including VAT was SEK 14,820 m (13,807).**
- **Profit after financial items amounted to SEK 2,309 m (1,788), an increase of 29 per cent. Group profit after estimated tax was SEK 1,501 m (1,162), corresponding to earnings per share of SEK 1.81 (1.40).**
- **Gross profit amounted to SEK 7,167 m (6,311), which corresponded to a margin of 56.8 per cent (53.7 per cent).**
- **Operating profit amounted to 2,204 m (1,701), an increase of 30 per cent. Operating margin was 17.5 per cent (14.5).**
- **The second quarter has started well. Sales in March increased by 20 per cent in comparable exchange rates.**

Turnover

Turnover excluding VAT for the H&M Group increased by 7 per cent during the first quarter (8 per cent with comparable exchange rates) and amounted to SEK 12,609.7 m (11,756.1). Turnover including VAT was SEK 14,819.9 m (13,807.0).

Turnover increase in the month of February was 6 per cent excluding exchange rate fluctuations.

H&M opened five stores during the first quarter, of which one each in Germany, the UK, France, the USA and Poland. Four stores were closed, bringing the total number of stores to 1,069. During the same period last year seven stores were opened and four were closed.

Profit

Gross profit amounted to SEK 7,166.7 m (6,311.4), which corresponds to a gross margin of 56.8 per cent (53.7).

After deduction of administrative and selling expenses, operating profit amounted to SEK 2,204.2 m (1,700.6), an increase of 30 per cent. This corresponds to an operating margin of 17.5 per cent (14.5).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 336.0 m (307.7).

Group financial net interest income was SEK 104.5 m (87.2).

Profit after financial items amounted to SEK 2,308.7 m (1,787.8) an increase of 29 per cent.

Profit after estimated tax was SEK 1,500.7 m (1,162.1), corresponding to earnings per share of SEK 1.81 (1.40).

Return on shareholders equity (revolving 12 months) was 33.6 per cent (31.1) and return on capital employed (revolving 12 months) was 50.7 per cent (46.8).

Comments on the Results

The strengthening of the gross margin to 56.8 per cent (53.7) depends mainly on a lower dollar rate, lower price reductions and lower quota costs.

The level and the composition of the stock-in-trade at the beginning of the quarter were good with fewer older products than compared to the same time last year. This has meant that the need for reductions during the quarter has been lower than at the same period last year, this has had a positive effect on the gross margin. The lower share of reduced garments has had some dampening effect on the sales development, mainly in January and February.

The sales- and administration costs have grown considerably slower than the share of new stores.

Compared to the same period last year the operating margin has been, strengthened by 3 percentage units to 17.5 percent.

Financial Position

Group balance sheet total increased by 11 per cent and was SEK 29,502.5 m (26,510.0).

During the period, the Group generated a positive cash flow of SEK 4,080.7 m (417.2) of which SEK 3,250 m (-) is a reclassification of short-term investments.

The financial assets amounted to SEK 15,965.6 m (13,783.9).

Stock-in-trade increased by 5 per cent and amounted to SEK 5,394.5 m (5,129.8).

During the period SEK 344.9 m (254.5) were invested in fixed assets.

Group solidity was 81 per cent (81) and the share of risk-bearing capital was 84 per cent (85).

Net worth apportioned on the outstanding 827,536,000 shares on 28 February 2005, corresponded to SEK 28.82 (26.00) per share.

Expansion

The Group plans to open 61 stores during the second quarter; the biggest part of the expansion takes place in Germany with twelve openings, Spain and Poland with six each and the UK with five openings. The Group's first store has opened Dublin, Ireland during the second quarter. Five shops will close during the quarter. In the corresponding period last year, 50 new stores were opened and four were closed.

During the financial year 2004/2005, approximately 145-155 new stores will be opened and twelve will close.

The start of the season

The second quarter has started well. The sales in March increased by 20 per cent with comparable exchange rates.

Taxes

The group's tax rate for the financial year is estimated to be 35 per cent. In conjunction to the Full Year Results on November 30, 2005 a final validation will be made.

Accounting Principles

The interim report is established in correspondence with The Swedish Financial Accounting Standards Council recommendation of interim report (RR20). The principles of accounting have been described in the last year's annual report.

The interim report has not been audited.

The Half-Year results will be published on 22 June 2005.

The Nine Months results will be published on 28 September 2005.

Stockholm 5 April, 2005

The Board of Directors

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GROUP INCOME STATEMENT

SEK m

	1/12 2004 - 28/2 2005	1/12 2003 - 29/2 2004	1/12 2003- 30/11 2004
Turnover, including VAT	14,819.9	13,807.0	62,985.9
Turnover, excluding VAT	12,609.7	11,756.1	53,695.0
Cost of goods sold	-5,443.0	-5,444.7	-22,977.0
GROSS PROFIT	7,166.7	6,311.4	30,718.0
Selling expenses	-4,680.6	-4,353.3	-18,927.7
Administrative expenses	-281.9	-257.5	-1,123.0
OPERATING PROFIT	2,204.2	1,700.6	10,667.3
Result from financial investments			
Interest income	105.4	87.7	341.2
Interest expense	-0.9	-0.5	-3.2
RESULTS AFTER FINANCIAL ITEMS	2,308.7	1,787.8	11,005.3
Taxes	-808.0	-625.7	-3,730.5
PROFIT FOR THE YEAR	1,500.7	1,162.1	7,274.8
Profit per share, SEK	1.81	1.40	8.79
Number of shares 827,536,000			
Depreciation, total	336.0	307.7	1,125.6
of which cost of goods sold	35.8	33.8	123.8
of which selling expenses	284.1	259.0	947.4
of which administration expenses	16.1	14.9	54.4

GROUP BALANCE SHEET
SEK m

	28 Feb 2005	29 Feb 2004	30 Nov 2004
ASSETS			
Fixed assets			
Intangible Assets	169.8	110.5	101.4
Tangible Assets	6,451.7	6,143.3	6,429.2
Financial Assets	175.8	216.3	181.0
Total fixed assets	6,797.3	6,470.1	6,711.6
Current assets			
Stock-in-trade	5,394.5	5,129.8	5,141.6
Current receivables	1,345.1	1,126.2	1,222.8
Liquid funds	15,965.6	13,783.9	15,051.3
Total current assets	22,705.2	20,039.9	21,415.7
Total assets	29,502.5	26,510.0	28,127.3
Equity and liabilities			
Equity	23,849.7	21,519.7	22,209.0
Provisions	1,079.5	957.9	1,033.2
Short-term liabilities	4,573.3	4,032.4	4,885.1
Total equity and liabilities	29,502.5	26,510.0	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	1,500.7	1,162.1	7,274.8
Dividend			-4,965.2
Currency translation effects, etc	155.6	260.9	-197.3
Equity, end of period	23,849.7	21,519.7	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 m 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

SEK m

	1/12 2004- 28/2 2005	1/12 2003 29/2 2004
CURRENT OPERATIONS		
Profit after financial items*	2,308.7	1,787.8
Provisions for pensions	3.3	
Depreciation	336.0	307.7
Tax paid	-928.5	-1,199.5
Cash flow generated by current operations Before changes in working capital	1,719.5	896.0
Cash flow generated by changes in working capital		
Current receivables	-113.7	-35.8
Stock-in-trade	-216.9	-14.0
Current liabilities	-211.7	-168.0
CASH FLOW GENERATED BY CURRENT OPERATIONS	1,177.2	678.2
Investment activities		
Investment in intangible assets	-76.3	-4.7
Investment in tangible assets	-283.1	-242.2
CASH FLOW FROM INVESTMENT ACTIVITIES	-359.4	-246.9
Financial activities		
Financial investments, 3-6 months	3,250.0	
Long-term receivables	12.9	-14.1
CASH FLOW FROM FINANCIAL ACTIVITIES	3,262.9	-14.1
CASH FLOW FOR THE PERIOD	4,080.7	417.2
Liquid funds, beginning of the period (incl. short-term investments, 0-3 months)	11,801.3	13,193.5
Cash flow for the period	4,080.7	417.2
Changes in currency rates	83.6	173.2
Liquid funds, end of the period (incl. short-term investments, 0-3 months)	15,965.6	13,783.9

* Paid interest amounts to SEK 1.1 m (0.6).

FIVE YEARS SUMMARY

SEK m

Three months	28 Feb 2001	28 Feb 2002	28 Feb 2003	29 Feb 2004	28 Feb 2005
Turnover including VAT	9,633.6	11,245.8	12,635.7	13,807.0	14,819.9
Turnover excluding VAT	8,202.1	9,583.4	10,770.6	11,756.1	12,609.7
Change from previous year, %	16.6	16.7	12.4	9.3	7.3
Operating profit	500.9	1,101.4	1,558.3	1,700.6	2,204.2
Operating margin, %	6.1	11.5	14.5	14.5	17.5
Depreciation for the period	211.4	271.0	284.1	307.7	336.0
Profit after financial items	570.7	1,180.3	1,689.4	1,787.8	2,308.7
Profit after estimated tax	371.0	767.2	1,098.1	1,162.1	1,500.7
Number of shares	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	0.45	0.93	1.33	1.40	1.81
Liquid funds (including short-term investments)	5,663.0	8,759.8	13,492.3	13,783.9	15,965.6
Stock-in-trade	4,855.4	4,587.4	4,368.0	5,129.8	5,394.5
Equity	12,494.4	15,800.7	19,998.8	21,519.7	23,849.7
Revolving, twelve months					
Profit per share, SEK	3.01	5.09	7.27	7.79	9.20
Net worth per share, SEK	15.10	19.09	24.17	26.00	28.82
Return on shareholders' equity, %	21.5	29.8	33.6	31.1	33.6
Return on capital employed, %	33.4	44.3	50.8	46.8	50.7
Debt/equity ratio, %	1.7	1.2	0	0	0.4
Share of risk-bearing capital, %	79.6	77.9	82.6	84.7	84.2
Solidity, %	75.8	75.9	79.4	81.2	80.8
Interest cover	204.3	367.7	720.5	6,934.6	3,202.7
Number of stores	687	776	849	948	1,069

Definition of business ratios is shown in the Annual Report

TURNOVER PER COUNTRY
1 December, 2004 – 28 February, 2005

	Turnover 2005	Turnover 2004	Change SEK	Change local currency	No of stores 28 Feb 2005	Change since 1 Dec 2004
	Incl VAT	Incl VAT	%	%		
Sweden	1,387	1,375	1	1	122	-2
Norway	1,047	957	9	10	75	
Denmark	660	632	4	6	53	
United Kingdom	1,241	1,210	3	5	92	1
Switzerland	824	794	4	3	47	
Germany	4,080	3,909	4	6	270	1
Netherlands	845	820	3	4	65	-1
Belgium	539	514	5	6	43	-1
Austria	907	921	-2	0	51	
Luxembourg	64	62	3	6	7	
Finland	382	331	15	17	24	
France	1,061	1,005	6	7	65	1
USA	741	686	8	18	76	1
Spain	565	408	38	40	40	
Poland	142	60	137	105	16	1
Czech Republic	59	27	119	108	7	
Portugal	59	49	20	24	5	
Italy	75	47	60	62	3	
Canada	97				6	
Slovenia	45				2	
Total	14,820	13,807	7	8	1,069	1

REPORTING PER REGION (SEK m)

	1/12 2004- 28/2 2005	1/12 2003- 29/2 2004	1/12 2003- 30/11 2004
Nordic countries			
Net turnover	2,791	2,650	11,495
Operating profit	470	324	2,202
Operating margin, %	16.8	12.2	19.2
Euro zone countries excl Finland			
Net turnover	6,977	6,586	29,907
Operating profit	1,448	1,197	6,625
Operating margin, %	20.8	18.2	22.2
Rest of the world			
Net turnover	2,842	2,520	12,293
Operating profit	286	180	1,840
Operating margin, %	10.1	7.1	15.0
Total			
Net turnover	12,610	11,756	53,695
Operating profit	2,204	1,701	10,667
Operating margin, %	17.5	14.5	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 world. There is no internal division into different lines of business and hence reporting in secondary segments is not relevant.