



INTERIM REPORT

1 December 2003 - 29 February 2004

- **Group turnover for the period excluding VAT amounted to SEK 11,756 m (10,771), an increase of 9 per cent. With comparable exchange rates, the increase was 12 per cent. Turnover including VAT was SEK 13,807 m (12,636).**
- **Profit after financial items amounted to SEK 1,788 m (1,689). Profit after estimated tax was SEK 1,162 m (1,098), corresponding to earnings per share of SEK 1.40 (1.33).**
- **Gross profit amounted to SEK 6,311 m (5,858), which corresponded to a margin of 53,7 per cent (54,4).**
- **Operating profit amounted to 1,701 (1,558), an increase of 9 per cent. Operating margin was 14.5 per cent (14.5).**

Turnover

Total turnover excluding VAT for the H&M Group increased by 9 per cent during the first quarter (12 per cent with comparable exchange rates) and amounted to SEK 11,756.1 m (10,770.6). Turnover including VAT was SEK 13,807.0 m (12,635.7).

Turnover increase in the month of February was 13 per cent excluding exchange rate fluctuations.

H&M opened seven stores during the first quarter, of which three were in Germany, one each in UK, Belgium, France and the USA. Four stores were closed, bringing the total number of stores to 948. During the same period last year six stores were opened and one was closed.

Profits

Gross profit amounted to SEK 6,311.4 m (5,858.2), which corresponds to a gross margin of 53.7 per cent (54.4).

After deduction of administrative and selling expenses, operating profit for the first quarter amounted to SEK 1,700.6 m (1,558.3), an increase of 9 per cent. This corresponds to an operating margin of 14.5 per cent (14.5).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 307.7 m (284.1) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 49.2 m (33.8).

Group financial net interest income was SEK 87.2 m (131.1).

Profit after financial items was SEK 1,787.8 m (1,689.4).

Profit after estimated tax was SEK 1,162.1 m (1,098.1), corresponding to earnings per share of SEK 1.40 (1.33).

Return on shareholders equity (revolving 12 months) was 31.1 per cent (33.6) and return on capital employed (revolving 12 months) was 46.8 per cent (50.8).

Comments on the Results

The group has, during the first quarter, increased turnover by 12 per cent with comparable exchange rates. Sales price to customer on new items, has as a result of the weakening of the US-dollar during the same period decreased by approximately 5 per cent, all in all the number of sold items has increased by approximately 20 per cent. The increase in selling and administration expenses has been kept at a low level during the quarter.

Gross margin for the period was 53.7 per cent (54.4). The somewhat higher reduction level was, compared to last year, partly counteracted by an underlying strengthened margin due to the weakening of the US-dollar and somewhat lowered logistic cost. Price reductions were on a historically low level.

The result of the quarter has been negatively affected by currency translation effects by SEK 36 M, compared to the same period last year. The currency translation effects arise when the results of 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 5 per cent and was SEK 26,510.0 m (25,195.7).

During the period, the Group generated a positive cash flow of SEK 417.2 m (74.3).

The financial assets amounted to SEK 13,783.9 m (13,492.3).

Stock-in-trade was SEK 5,129.8 m (4,368.0), an increase of 17 per cent (-5).

SEK 254.5 m (263.0) were invested in the operations through acquisitions of fixed assets.

Group solidity was 81 per cent (79) and the share of risk-bearing capital was 85 per cent (83).

Net worth apportioned on the outstanding 827,536,000 shares on 29 February 2004, corresponded to SEK 26.00 (24.17) per share.

Expansion

The Group plans to open 51 shops during the second quarter, the biggest part of the expansion takes place in Germany with eight openings, the UK and Poland with six each, Spain with five openings and Norway with 4 openings. Three shops will close during the quarter. In the corresponding period last year, 47 new stores were opened and three were closed.

The H&M Group has acquired the american clothing chain GAP's german subsidiary. H&M Group takes over all of GAP's 10 stores in Germany including employees. Take-over date is August 1, 2004. The store will be converted into H&M-stores with expected opening under H&M management during the autumn.

During 2004, approximately 140 new stores will be opened and ten will close.

Taxes

During the three first quarters a historical tax rate of 35 per cent is used, final taxes are estimated during fourth quarter.

Accounting Principles

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

The interim report has not been audited.

The Half-Year results will be published on 23 June 2004

The Nine Months results will be published on 30 September 2004

Stockholm 25 March 2004

The Board of Directors

Contact persons:

Carl-Henric Enhörning, IR	+46 8 795 54 10
Leif Persson, CFO	+46 8 796 13 00
Rolf Eriksen, CEO	+46 8 796 52 33
Switchboard	+46 8 796 55 00

Information about H&M and press photographs are available at www.hm.com

GROUP INCOME STATEMENT

SEK m

	1/12 2003 - 29/2 2004	1/12 2002 - 28/2 2003	1/12 2002 - 30/11 2003
Turnover, including value added tax	13,807.0	12,635.7	56,550.0
Turnover, excluding value added tax	11,756.1	10,770.6	48,237.7
Cost of goods sold	-5,444.7	-4,912.4	-21,145.1
Gross profit	6,311.4	5,858.2	27,092.6
Selling expenses	-4,353.3	-4,057.4	-16,827.3
Administrative expenses	-257.5	-242.5	-1,042.3
Operating profit	1,700.6	1,558.3	9,223.0
Result from financial investments			
Interest income	87.7	133.0	388.5
Interest expense	-0.5	-1.9	-2.8
Result after financial items	1,787.8	1,689.4	9,608.7
Estimated tax/Tax for 2003	-625.7	-591.3	-3,222.8
Estimated profit/Profit for 2003	1,162.1	1,098.1	6,385.9
Profit per share, SEK	1.40	1.33	7.72
Number of shares 827,536,000			
Depreciation, total	307.7	284.1	1,125.6
of which selling expenses	259.0	238.1	947.4
of which administration expenses	14.9	13.6	54.4
of which cost of goods sold	33.8	32.4	123.8

GROUP BALANCE SHEET
SEK m

	29 Feb 2004	28 Feb 2003	30 Nov 2003
ASSETS			
Fixed assets			
Intangible Assets	110.5	113.1	111.7
Tangible Assets	6,143.3	5,971.1	6,124.0
Financial Assets	216.3	294.0	206.0
Total fixed assets	6,470.1	6,378.2	6,441.7
Current assets			
Stock-in-trade	5,129.8	4,368.0	5,050.1
Current receivables	1,126.2	957.2	1,076.4
Liquid funds	13,783.9	13,492.3	13,193.5
Total current assets	20,039.9	18,817.5	19,320.0
Total assets	26,510.0	25,195.7	25,761.7
Equity and liabilities			
Equity	21,519.7	19,998.8	20,096.7
Provisions	957.9	824.4	961.2
Short-term liabilities	4,032.4	4,372.5	4,703.8
Total equity and liabilities	26,510.0	25,195.7	25,761.7
Change in equity			
Equity, beginning of period	20,096.7	19,087.7	19,087.7
Profit for the period	1,162.1	1,098.1	6,385.9
Dividend			-4,965.2
Currency translation effects, etc	260.9	-187.0	-411.7
Equity, end of period	21,519.7	19,998.8	20,096.7

CASH FLOW ANALYSES

SEK m

	2003/04	2002/03
Profit after financial items	1,787.8	1,689.4
Depreciation	307.7	284.1
Tax paid	-1,199.5	-1,226.8
Cash flow generated by current operations before changes in working capital	896.0	746.7
Changes in working capital		
Current receivables	-35.8	20.7
Stock-in-trade	-14.0	-189.2
Current liabilities	-168.0	-294.2
Cash flow generated by changes in working capital	-217.8	-462.7
Cash flow from current operations	678.2	284.0
Cash flow from investment activities	-246.9	-216.4
Cash flow from financing activity	-14.1	6.7
Cash flow for the period	417.2	74.3
Liquid funds, beginning of the period	13,193.5	13,479.6
Changes in currency rates	173.2	-61.6
Liquid funds, end of the period	13,783.9	13,492.3

FIVE YEARS SUMMARY

SEK m

Three months	29 Feb 2000	28 Feb 2001	28 Feb 2002	28 Feb 2003	29 Feb 2004
Turnover including VAT	8,265.0	9,633.6	11,245.8	12,635.7	13,807.0
Turnover excluding VAT	6,974.1	8,202.1	9,583.4	10,770.6	11,756.1
Change from previous year, %	13.6	16.6	16.7	12.4	9.3
Operating profit	610.8	500.9	1,101.4	1,558.3	1,700.6
Operating margin, %	8.8	6.1	11.5	14.5	14.5
Depreciation for the period	147.6	211.4	271.0	284.1	307.7
Profit after financial items	670.5	570.7	1,180.3	1,689.4	1,787.8
Profit after estimated tax	435.8	371.0	767.2	1,098.1	1,162.1
Number of shares	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	0.53	0.45	0.93	1.33	1.40
Liquid funds (including short-term investments)	6,548.0	5,663.0	8,759.8	13,492.3	13,783.9
Stock-in-trade	3,778.1	4,855.4	4,587.4	4,368.0	5,129.8
Equity	10,631.7	12,494.4	15,800.7	19,998.8	21,519.7
Revolving, twelve months					
Profit per share, SEK	3.65	3.01	5.09	7.27	7.79
Net worth per share, SEK	12.85	15.10	10.09	24.17	26.00
Return on shareholders' equity, %	31.2	21.5	29.8	33.6	31.1
Return on capital employed, %	47.8	33.4	44.3	50.8	46.8
Debt/equity ratio, %	1.3	1.7	1.2	0	0
Share of risk-bearing capital, %	77.5	79.6	77.9	82.6	84.7
Solidity, %	73.7	75.8	75.9	79.4	81.2
Interest cover	298.5	204.3	367.7	720.5	6,934.6
Number of stores	602	687	776	849	948

Definition of business ratios is viewed in the Annual Report

TURNOVER PER COUNTRY, December - February

December 1, 2003 – February 29, 2004

	Turnover 2004	Turnover 2003	Change SEK	Change local currency	No of stores 29 Feb 2004	Change since 1 Dec 2003
	Incl VAT	Incl VAT	%	%		
Sweden	1,375	1,316	4	4	123	
Norway	957	1,009	-5	9	69	
Denmark	632	587	8	8	53	
U.K.	1,210	1,100	10	15	80	+1
Switzerland	794	799	-1	6	46	
Germany	3,909	3,712	5	6	240	+1
Netherlands	820	760	8	8	61	
Belgium	514	471	9	9	41	-1
Austria	921	898	3	3	48	
Luxembourg	62	61	2	2	6	
Finland	331	299	11	11	21	
France	1,005	859	17	17	54	+1
USA	686	528	30	53	67	+1
Spain	408	237	72	73	27	
Poland	60				6	
Czech Republic	27				2	
Portugal	49				3	
Italy	47				1	

Total	13,807	12,636	9	12	948	+3
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REPORTING PER REGION (SEK m)

	1/12 2003- 29/2 2004	1/12 2002- 28/2 2003	1/12 2002- 30/11 2003
<i>Nordic countries</i>			
Net turnover	2,650	2,580	10,815
Operating profit	324	299	2,015
Operating margin, %	12.2	11.6	18.6
<i>Euro zone countries excl Finland</i>			
Net turnover	6,586	5,960	26,994
Operating profit	1,197	1,122	5,859
Operating margin, %	18.2	18.8	21.7
<i>Rest of the world</i>			
Net turnover	2,520	2,231	10,429
Operating profit	180	137	1,349
Operating margin, %	7.1	6.1	12.9
<i>Total</i>			
Net turnover	11,756	10,771	48,238
Operating profit	1,701	1,558	9,223
Operating margin, %	14.5	14.5	19.1

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, Euro zone countries excluding Finland and the rest of world. There is no internal dividing into different lines of business and hence reporting in secondary segments is not relevant.

