

HALF-YEAR REPORT

1 December 1998 - 31 May 1999

- **Group turnover amounted to SEK 15,683 M (SEK 12,065 M), an increase of 30 per cent. The sales development has been most satisfactory in all markets.**
- **Profit before tax was SEK 2,049 M (SEK 1,356 M), an increase of 51 per cent.**
- **Profit per share after comprehensive tax allocation was SEK 1.61 (SEK 1.06).**
- **Investments and start-up costs amounted to SEK 515 M (SEK 374 M). A total of 30 new shops were opened during the six month period.**
- **The negotiations for the first shop lease in the US has been finalised and the lease will be signed in June. In Spain, negotiations for several stores are in progress.**

Total turnover of the H&M Group rose by 30 per cent in the first six months of the fiscal year and reached SEK 15,682.7 M including VAT (SEK 12,064.9 M). Turnover in the second quarter amounted to SEK 8,406.2 (SEK 6,259.8), an increase of 34 per cent. Same store sales were positive in all markets.

The strong sales growth meant that the H&M Group increased its market shares in all countries.

Sales outside Sweden accounted for 84 per cent (81 per cent) of Group turnover.

Gross operating profit reached SEK 6,852.3 M (SEK 5,162.6 M), which corresponds to 51.7 per cent (50.5 per cent) of the turnover. The increase of the gross margin is in all attributable to the first quarter. After deduction for administrative and selling expenses of SEK 4,897.1 M (SEK 3,870.4 M), operating profit was SEK 1,955.2 M (SEK 1,292.2 M). The result reached corresponded to an operating margin of 14.8 per cent (12.7 per cent). Operating profit has been charged with depreciation according to plan amounting to SEK 234.1 M (SEK 172.3 M) and start-up costs, e.g. the part of investments in new stores charged directly to the income statement, of SEK 97.3 M (SEK 77.6 M). After depreciation but before start-up costs, operating margin thus reached 15.5 per cent (13.4 per cent). Group financial net interest income of SEK 93.5 M (SEK 63.3 M) added, profit after financial items increased by 51 per cent and was SEK 2,048.7 M (SEK 1,355.5 M).

Profit after comprehensive tax allocation was SEK 1,331.7 M (SEK 881.1 M), corresponding to earnings per share of SEK 1.61 (SEK 1.06).

Group balance sheet total increased by 27 per cent and corresponded to SEK 11,868.9 M (SEK 9,348.8 M). Financial assets amounted to SEK 6,024.5 M (SEK 4,381.4 M). Stock-in-trade increased by 10 per cent and was SEK 2,556.3 M (SEK 2,332.7 M).

The equity/assets ratio corresponded to 73 per cent (71 per cent) and the share of risk-bearing capital was 78 per cent (76 per cent).

	Turnover	Number of stores	Change since 1/12 1998
Sweden	2,581.4	119	- 1
Norway	1,322.2	53	+ 2
Denmark	926.1	43	+ 2
Great Britain	592.9	30	+ 5
Switzerland	1,218.5	41	- 1
Germany	5,069.5	156	+ 7
The Netherlands	1,041.2	49	+ 5
Belgium	690.3	31	+ 1
Austria	1,426.4	32	+ 1
Luxembourg	64.0	4	+ 1
Finland	392.0	10	+ 2
France	358.2	8	+ 2
Total	15,682.7	576	+ 26

During the rest of the fiscal year, a net increase of approximately 35 new stores has been planned.

In the beginning of June a decision was made to gradually restructure the 17 "Galne Gunnar" stores in Sweden. It is at present not quite clear, to what extent this will affect the total number of stores within the Group.

In the US, the first H&M store is planned to open in Fifth Avenue in New York in March 2000. Negotiations are in progress for a further number of stores in Manhattan and also in commercial centres outside the city of New York.

In Spain, negotiations are progressing for five shop leases. On condition that these are being signed, the stores will be opened in 2000.

The parent company, which is not the same as the Swedish operations, reached a turnover (including inter-company sales) during the period of SEK 2,763.2 M (SEK 2,349.8 M) and estimated taxable profit of SEK 1,027.3 M (SEK 625.3 M), of which SEK 911.5 M (SEK 573.8 M) was dividend from subsidiaries.

This half-year report has not been audited.

A report for the first nine months of the financial year will be published on 21 September 1999. A report for the fiscal year 1998/99 will be published on 27 January 2000.

Stockholm 22 June 1999

The Board of Directors

GROUP INCOME STATEMENT

(SEK M)

	1/12 1998- 31/5 1999	1/12 1997- 31/5 1998	1/3 1999- 31/5 1999	1/3 1998- 31/5 1998	1/12 1997- 30/11 1998
<i>Turnover, including value added tax</i>	15,682.7	12,064.9	8,406.2	6,259.8	26,649.8
<i>Turnover, excluding value added tax</i>	13,250.1	10,213.9	7,108.0	5,297.0	22,540.8
<i>Costs of goods sold</i>	- 6,397.8	- 5,051.3	- 3,252.4	- 2,429.5	-11,057.0
<i>Gross operating profit</i>	6,852.3	5,162.6	3,855.6	2,867.5	11,483.8
<i>Selling expenses</i>	- 4,617.0	- 3,655.3	- 2,459.1	- 1,884.8	- 7,710.4
<i>Administrative expenses</i>	- 280.1	- 215.1	- 153.8	- 106.6	- 446.7
<i>Operating profit</i>	1,955.2	1,292.2	1,242.7	876.1	3,326.7
<i>Result from financial investments</i>					
<i>Interest income</i>	96.9	67.4	49.1	29.9	155.3
<i>Interest expense</i>	- 3.4	- 4.1	- 1.8	- 2.4	- 13.8
<i>Profit after financial items</i>	2,048.7	1,355.5	1,290.0	903.6	3,468.2
<i>Estimated full tax</i>	- 717.0	- 474.4	- 451.5	- 316.2	- 1,181.3
<i>Estimated profit/Profit for 1997/98</i>	1,331.7	881.1	838.5	587.4	2,286.9
<i>Profit per share, SEK</i>	1.61	1.06	1.01	0.71	2.76

SUMMARY OF GROUP BALANCE SHEET

(SEK M)

	31 May -99	31 May -98	30 Nov -98
Assets			
<i>Real estate, fixtures and fittings</i>	2,631.2	2,035.3	2,447.3
<i>Other fixed assets</i>	66.7	21.9	60.4
<i>Total fixed assets</i>	2,697.9	2,057.2	2,507.7
<i>Stock-in-trade</i>	2,556.3	2,332.7	3,237.9
<i>Other current assets</i>	590.2	577.5	547.4
<i>Liquid funds</i>	6,024.5	4,381.4	5,159.9
<i>Total current assets</i>	9,171.0	7,291.6	8,945.2
Total assets	11,868.9	9,348.8	11,452.9
Equity and liabilities			
<i>Equity</i>	8,696.0	6,676.5	8,405.9
<i>Long-term liabilities</i>	685.6	590.3	652.9
<i>Short-term liabilities</i>	2,487.3	2,082.0	2,394.1
Total equity and liabilities	11,868.9	9,348.8	11,452.9

HALF-YEAR RESULTS, FIVE YEAR SUMMARY

(SEK M)

	31 May-95	31 May-96	31 May-97	31 May-98	31 May-99
<i>Turnover including VAT</i>	7,244.0	7,771.1	10,178.7	12,064.9	15,682.7
<i>Change from previous year, %</i>	12.6	7.3	31.0	18.5	30.0
<i>Sales outside Sweden, %</i>	73.0	74.0	78.0	81.0	84.0
<i>Operating profit</i>	437.3	576.0	965.6	1,292.2	1,955.2
<i>Operating margin, %</i>	7.1	8.8	11.2	12.7	14.8
<i>Profit after estimated full tax</i>	324.0	401.4	653.8	881.1	1,331.7
<i>Profit per share, SEK</i>	0.39	0.49	0.79	1.06	1.61
<i>Total number of shops</i>	375	418	461	517	576

CONSOLIDATED CASH FLOW STATEMENT
(SEK M)

	1998/99	1997/98
<i>Operating profit</i>	1,955.2	1,292.2
<i>Depreciation and start-up costs</i>	331.4	249.9
<i>Operating profit before depreciation and start-up costs</i>	2,286.6	1,542.1
<i>Changes in</i>		
<i>Operating receivables</i>	- 42.8	- 97.4
<i>Stock-in-trade</i>	681.6	375.7
<i>Current liabilities</i>	<u>93.2</u>	<u>197.7</u>
	<u>732.0</u>	<u>476.0</u>
<i>Cash flow from operations before financial income and expense</i>	3,018.6	2,018.1
<i>Net interest income/expense</i>	93.5	63.3
<i>Tax expense</i>	- 717.0	- 474.4
<i>Dividend to shareholders</i>	- 827.5	- 620.7
<i>Exchange rate difference etc.</i>	<u>- 214.1</u>	<u>- 57.3</u>
	<u>-1,665.1</u>	<u>-1,089.1</u>
<i>Cash flow before external financing</i>	1,353.5	929.0
<i>Changes in</i>		
<i>Long-term liabilities</i>	32.7	10.7
<i>Long-term receivables</i>	<u>- 6.3</u>	<u>18.6</u>
	<u>26.4</u>	<u>29.3</u>
<i>Cash flow before investments</i>	1,379.9	958.3
<i>Investments and start-up costs</i>	<u>- 515.3</u>	<u>- 373.9</u>
<i>Changes in financial current assets</i>	864.6	584.4