

HALF-YEAR REPORT

1 December 1999 - 31 May 2000

- ***Group turnover amounted to SEK 17,242 M (SEK 15,683 M), an increase of 10 per cent. Adjusted for exchange rate fluctuations, the increase was 16 per cent.***
- ***Profit after financial items was SEK 1,813 M (SEK 2,049 M).***
- ***Adjusted for negative effects of currency rate fluctuations of SEK 163 M and costs for the start-up of two new markets, the USA and Spain, of SEK 140 M, profit before tax amounted to SEK 2,116 M (SEK 2,049 M), an increase of 3 per cent.***
- ***The start-up of three stores on the American market has by far exceeded expectations. Decision has therefore been made to double the planned number of stores in the USA, from five to ten stores, this financial year.***
- ***Approximately 75 stores are planned to open in the USA in the next three year period.***

Total turnover of the H&M Group rose by 10 per cent in the first six months of the fiscal year (in comparable currencies, turnover increased by 16 per cent) and reached SEK 17,242.0 M including VAT (SEK 15,682.7 M).

A relatively inferior assortment mix during the spring has led to the turnover increase not developing at the same pace as in the previous year and with larger inventory and price reductions as a result.

Sales outside Sweden accounted for 85 per cent (84 per cent).

Gross operating profit reached SEK 7,438.8 M (SEK 6,852.3 M), which corresponds to 51.0 per cent (51.7 per cent) of the turnover. Price reductions during the first six months in relation to turnover was approximately SEK 170 M larger than in the first six months last year, corresponding to 1.2 percentage units in margin.

After deduction for selling and administrative expenses, operating profit was SEK 1,683.3 M (SEK 1,955.2 M). The result reached corresponded to an operating margin of 11.5 per cent (14.8 per cent). Operating profit has been charged with depreciation according to plan amounting to SEK 302.6 M (SEK 234.1 M) and start-up costs (the part of the investment in new premises which is treated as a cost item) of SEK 213.5 M (SEK 97.3 M). After depreciation but before start-up costs, operating margin reached 13.0 per cent (15.5 per cent).

Group financial net interest income of SEK 129.4 M (SEK 93.5 M) added, profit after financial items was SEK 1,812.7 M (SEK 2,048.7 M).

Compared with last year, the result as been affected negatively by exchange rate fluctuations of SEK 163 M. These arise when results of foreign subsidiaries are translated into Swedish Kronor to be consolidated into the group accounts and have been affected by the Swedish Krona having been strengthened in relation to the European currencies.

Profit after comprehensive tax allocation was SEK 1,178.3 M (SEK 1,331.7 M), corresponding to earnings per share of SEK 1.42 (SEK 1.61).

Return on shareholders' equity (revolving 12 months) was 31.0 per cent (35.6 per cent) and return on capital employed (revolving 12 months) was 47.3 per cent (53.3 per cent).

When judging the result, it should be taken into consideration that the result for the first six months last year increased by 51 per cent and that establishment on two new markets is a considerable investment. This investment is in level with the budget and will, according to the judgement of the Group, yield a very good return.

As has been reported earlier, operating expenses have been allowed to rise unacceptably. Measures, which have been taken to improve the cost level, have given effect in the later part of

the second quarter. Full effect will be obtained during the second half of the financial year.

Group balance sheet total increased by 17 per cent and corresponded to SEK 13,913.4 M (SEK 11,868.9 M). Financial assets amounted to SEK 6,157.3 M (SEK 6,024.5 M). Stock-in-trade increased by 25 per cent and was SEK 3,191.2 M (SEK 2,556.3 M). Adjusted for exchange rate fluctuations, stock-in-trade was 29 per cent larger than last year. The increase is to approximately 50 per cent attributable to new stores.

The equity/assets ratio corresponded to 73 per cent (73 per cent) and the share of risk-bearing capital was 77 per cent (78 per cent).

Net worth apportioned on the outstanding 827,536,000 shares on 31 May corresponded to SEK 12.30.

	Turnover	Number of stores	Change since 1/12 1999
Sweden	2,634.4	117	- 7
Norway	1,397.1	59	+ 4
Denmark	947.0	45	-
Great Britain	964.9	40	+ 6
Switzerland	1,203.8	41	-
Germany	5,451.9	177	+10
The Netherlands	1,157.2	54	-
Belgium	739.1	33	-
Austria	1,458.5	33	-
Luxembourg	70.8	4	-
Finland	456.5	12	-
France	531.8	12	+ 1
USA	195.4	3	+ 3
Spain	33.6	3	+ 3
Total	17,242.0	633	+ 20

A total of 34 new stores were opened during the six-month period and 14 were closed (10 of which were Galne Gunnar).

On 30 March, the first H&M store was opened on the American market. Thereafter, two stores have been opened in shopping centres outside the city of New York. As sales per square metre for H&M in the USA by far exceed square metre sales in the European countries and the gross margin is at the same level as the on rest of the markets, the Group has decided to heavily increase the expansion pace in the US. In the next three-year period, approximately 75 store are planned to open in north-eastern USA.

Also the establishment in Spain has been successful. Three stores, one in Barcelona and two in Zaragoza, were opened in the later part of the period. In the rest of the financial year, a further five stores are planned to open, two in Madrid and three in Barcelona.

During the rest of the fiscal year, a total of 58 new stores are planned to open and five to close.

The parent company, which is not the same as the Swedish operations, reached a turnover (including inter-company sales) during the period of SEK 2,797.4 M (SEK 2,763.2 M) and estimated taxable profit of SEK 956.7 M (SEK 1,027.3 M), of which SEK 835.2 M (SEK 911.5 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 19 September 2000. A report for the fiscal year 1999/2000 will be published on 25 January 2001.

Stockholm 20 June 2000

The Board of Directors

GROUP INCOME STATEMENT

(SEK M)

	1/12 1999- 31/5 2000	1/12 1998- 31/5 1999	1/3 2000- 31/5 2000	1/3 1999- 31/5 1999	1/12 1998- 30/11 1999
<i>Turnover, including value added tax</i>	17,242.0	15,682.7	8,977.0	8,406.2	32,976.5
<i>Turnover, excluding value added tax</i>	14,598.1	13,250.1	7,624.0	7,108.0	27,888.1
<i>Costs of goods sold</i>	- 7,159.3	- 6,397.8	- 3,542.2	- 3,252.4	- 13,152.3
<i>Gross profit</i>	7,438.8	6,852.3	4,081.8	3,855.6	14,735.8
<i>Selling expenses</i>	- 5,419.9	- 4,617.0	- 2,823.4	- 2,459.1	- 9,596.7
<i>Administrative expenses</i>	- 335.6	- 280.1	- 185.9	- 153.8	- 559.1
<i>Operating profit</i>	1,683.3	1,955.2	1,072.5	1,242.7	4,580.0
<i>Result from financial investments</i>					
<i>Interest income</i>	133.2	96.9	70.9	49.1	193.3
<i>Interest expense</i>	- 3.8	- 3.4	- 1.2	- 1.8	- 14.7
<i>Profit after financial items</i>	1,812.7	2,048.7	1,142.2	1,290.0	4,758.6
<i>Estimated full tax</i>	- 634.4	- 717.0	- 399.7	- 451.5	- 1,683.2
<i>Estimated profit/Profit for 1997/98</i>	1,178.3	1,331.7	742.5	838.5	3,075.4
<i>Profit per share, SEK</i>	1.42	1.61	0.90	1.01	3.72

SUMMARY OF GROUP BALANCE SHEET

(SEK M)

	31 May -00	31 May -99	30 Nov -99
Assets			
<i>Real estate, fixtures and fittings</i>	3,767.5	2,631.2	3,090.8
<i>Other fixed assets</i>	86.9	66.7	75.7
 <i>Total fixed assets</i>	 3,854.4	 2,697.9	 3,166.5
 <i>Stock-in-trade</i>	 3,191.2	 2,556.3	 3,609.3
<i>Other current assets</i>	710.5	590.2	590.0
<i>Liquid funds</i>	6,157.3	6,024.5	6,832.4
 <i>Total current assets</i>	 10,059.0	 9,171.0	 11,031.7
 Total assets	 13,913.4	 11,868.9	 14,198.2
 Equity and liabilities			
<i>Equity</i>	10,180.6	8,696.0	10,293.8
<i>Long-term liabilities</i>	701.5	685.6	687.4
<i>Short-term liabilities</i>	3,031.3	2,487.3	3,217.0
 Total equity and liabilities	 13,913.4	 11,868.9	 14,198.2

CASH FLOW ANALYSES
(SEK M)

	1999/2000	1998/1999
<i>Profit after financial items</i>	1,812.7	2,048.7
<i>Adjustment for items not affecting cash flow</i>	- 152.8	- 427.1
<i>Cash flow generated by current operations</i>	1,659.9	1,621.6
<i>Cash flow generated by changes in working capital</i>	108.7	770.2
<i>Cash flow from investment activities</i>	-1,230.4	- 575.8
<i>Cash flow from financing activity</i>	-1,114.8	- 797.7
<i>Cash flow for the period</i>	- 576.6	1,018.3
<i>Liquid funds 1 December 1999 (1 December 1998)</i>	6,832.4	5,159.9
<i>Cash flow for the period</i>	- 576.6	1,018.3
<i>Changes in currency rates</i>	- 98.5	- 153.7
<i>Liquid funds 31 May 2000 (31 May 1999)</i>	6,157.3	6,024.5

HALF-YEAR RESULTS, FIVE YEAR SUMMARY

(SEK M)

	31 May-96	31 May-97	31 May-98	31 May-99	31 May-00
<i>Turnover including VAT</i>	7,771.1	10,178.7	12,064.9	15,682.7	17,242.0
<i>Change from previous year, %</i>	7.3	31.0	18.5	30.0	9.9
<i>Sales outside Sweden, %</i>	74.0	78.0	81.0	84.0	85.0
<i>Operating profit</i>	576.0	965.6	1,292.2	1,955.2	1,683.3
<i>Operating margin, %</i>	8.8	11.2	12.7	14.8	11.5
<i>Profit after estimated full tax</i>	401.4	653.8	881.1	1,331.7	1,178.3
<i>Profit per share, SEK</i>	0.49	0.79	1.06	1.61	1.42
<i>Total number of shops</i>	418	461	517	576	633