

INTERIM REPORT

1 December 1999 - 29 February 2000

- ***Group turnover amounted to SEK 8,265 M (SEK 7,277 M), an increase of 14 per cent. Adjusted for exchange rate fluctuations, the increase was 19%.***
- ***Profit after financial items amounted to SEK 671 M (SEK 759 M).***
- ***Compared with last year, the profit has been affected negatively by changes in exchange rates by SEK 62 M.***
- ***During the first quarter, the result has been charged with start-up costs of SEK 56 M and depreciation of SEK 7 M for the operations in the USA and Spain, which had not yet started.***
- ***Adjusted for effects of currency rate fluctuations and the start-up of the two new markets, profit before tax amounted to SEK 796 M (SEK 759 M), an increase of 5 per cent.***

Total turnover for the H&M Group rose by 14 per cent during the first three months of the financial year (in comparable currencies, sales increased by 19 per cent) and reached SEK 8,265.0 M including VAT (SEK 7,276.5).

Sales outside Sweden accounted for 84 per cent (83 per cent) of Group turnover.

Gross profit reached SEK 3,357.0 M (SEK 2,996.7 M). The result achieved corresponded to 48.1 per cent (48.8 per cent) of the turnover. Compared with the first quarter last year, gross profit has been affected negatively by higher price reductions of the stock-in-trade. In relation to the turnover, these were approximately SEK 100 M larger than during the first three months last year, which has affected gross profit by 1.4 percentage units.

After deduction for administrative and selling expenses, operating profit was SEK 610.8 M (SEK 712.5 M). The result achieved meant an operating margin of 8.8 per cent (11.6 per cent).

Operating profit has been charged with depreciation according to plan amounting to SEK 147.6 M (SEK 115.6 M) and start-up costs of SEK 95.7 M (SEK 37.4 M). After depreciation for comparable markets but before start-up costs, operating margin reached 10.2 per cent (12.2 per cent).

Group financial net interest income of SEK 59.7 M (SEK 46.2 M) added, profit after financial items was SEK 670.5 M (SEK 758.7 M).

Compared with last year, the result has been negatively affected by exchange rate fluctuations. 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 estimated comprehensive tax allocation was SEK 435.8 M (SEK 493.2 M), corresponding to a profit per share of SEK 0.53 (SEK 0.60).

Return on shareholders equity (revolving 12 months) was 31.2 per cent (32.1 per cent) and return on capital employed (revolving 12 months) was 47.8 per cent (48.0 per cent).

When judging the result, it should be taken into consideration that this may vary relatively much between different quarters of the same year, but also between the corresponding quarters different years. Judging the result for the period, consideration should thus be taken, not only to the above mentioned investments in new markets and effects of currency translations, but also to the fact that the result development during the first three months last year was very strong, with a profit increase of 66 per cent.

Nevertheless, the result for the period is not entirely satisfactory. Too large price reductions and an unfavourable cost development demand improved control and focus on these areas. Measures have been taken which will give full effect during the last six months of 2000.

Establishment in new markets is very expensive. To start operations in two new countries at the same time naturally affects the costs of the group to an even higher extent. During the first quarter, these costs amounted to SEK 63 M. All these expenses must, however,

be seen as investments for future return.

Group balance sheet total increased by 22 per cent and corresponded to SEK 14,434.2 M (SEK 11,826.3 M). The financial assets amounted to SEK 6,548.0 M (SEK 5,574.8 M). Stock-in-trade increased by 20 per cent and was SEK 3,778.1 M (SEK 3,140.5 M). Adjusted for changes in currency rates, stock-in-trade was 24 per cent larger than last year. Fifty per cent of this increase is attributable to new stores and markets.

Investments including start-up costs amounted to SEK 494.9 M (SEK 242.1 M).

Group solidity corresponded to 74 per cent (74 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 29 February 2000, corresponded to SEK 12.85.

No new stores have been opened during the period. However, nine Galne Gunnar and two H&M stores have been closed.

	Turnover	Number of stores	Change since 1 Dec. 1999
Sweden	1,336.2	114	- 10
Norway	748.4	55	-
Denmark	480.3	45	-
Great Britain	423.6	34	-
Switzerland	579.8	41	-
Germany	2,590.5	167	-
The Netherlands	509.6	53	- 1
Belgium	363.8	33	-
Austria	706.1	33	-
Luxembourg	33.4	4	-
Finland	234.1	12	-
France	259.2	11	-
	8,265.0	602	- 11

The H&M group opened its first store in the USA on 31 March and in Spain in the beginning of April. Sales in these new markets have up to now exceeded expectations. The positive reception of the H&M concept in these countries mean, that the Group sees great opportunities of a successful expansion also in these markets.

The managing director Fabian Månsson resigned on 23 March. Rolf Eriksen has been appointed new managing director, previously during 15 years managing director of H&M's Danish subsidiary.

During the remaining part of the financial year, some 90 new stores are planned to open and five to close down.

The interim report has not been audited.

A report for the first six months will be published on 20 June 2000

A report for the first nine months will be published on 19 September 2000

Stockholm 13 April 2000

The Board of Directors

GROUP INCOME STATEMENT
(SEK M)

	1/12 1999 - 29/2 2000	1/12 1998 - 28/2 1999	1/12 1998 - 30/11 1999
<i>Turnover, including value added tax</i>	8,265.0	7,276.5	32,976.5
<i>Turnover, excluding value added tax</i>	6,974.1	6,142.1	27,888.1
<i>Cost of goods sold</i>	- 3,617.1	- 3,145.4	- 13,152.3
<i>Gross profit</i>	3,357.0	2,996.7	14,735.8
<i>Selling expenses</i>	- 2,596.5	- 2,157.9	- 9,596.7
<i>Administrative expenses</i>	- 149.7	- 126.3	- 559.1
<i>Operating profit</i>	610.8	712.5	4,580.0
<i>Result from financial investments</i>			
<i>Interest income</i>	62.3	47.8	193.3
<i>Interest expense</i>	- 2.6	- 1.6	- 14.7
<i>Result after financial items</i>	670.5	758.7	4,758.6
<i>Estimated full tax</i>	- 234.7	- 265.5	- 1,683.2
<i>Estimated profit/Profit for 1999</i>	435.8	493.2	3,075.4
<i>Profit per share, SEK</i>	0.53	0.60	3.72

SUMMARY OF GROUP BALANCE SHEET

SEK M

	29 Feb -00	28 Feb -99	30 Nov -99
Assets			
<i>Real estate, fixtures and fittings</i>	3,319.0	2,479.3	3,090.8
<i>Other fixed assets</i>	80.1	62.6	75.7
<i>Total fixed assets</i>	3,399.1	2,541.9	3,166.5
<i>Stock-in-trade</i>	3,778.1	3,140.5	3,609.3
<i>Other current assets</i>	709.0	569.1	590.0
<i>Liquid funds</i>	6,548.0	5,574.8	6,832.4
<i>Total current assets</i>	11,035.1	9,284.4	11,031.7
Total assets	14,434.2	11,826.3	14,198.2
Equity and liabilities			
<i>Equity</i>	10,631.7	8,717.8	10,293.8
<i>Long-term liabilities</i>	686.0	673.1	687.4
<i>Short-term liabilities</i>	3,116.5	2,435.4	3,217.0
Total equity and liabilities	14,434.2	11,826.3	14,198.2

CASH FLOW ANALYSES

(MSEK)

	1999/2000	1998/1999
<i>Profit after financial items</i>	670.5	758.7
<i>Adjustment for items not affecting cash flow</i>	8.6	- 112.5
<i>Cash flow generated by current operations</i>	679.1	646.2
<i>Cash flow generated by changes in working capital</i>	- 374.7	151.1
<i>Cash flow from investment activities</i>	- 496.3	- 221.9
<i>Cash flow from financing activity</i>	- 5.7	- 3.8
<i>Cash flow for the period</i>	- 197.6	571.6
<i>Liquid funds 1 December 1999</i>	6,832.4	5,159.9
<i>Cash flow for the period</i>	- 197.6	571.6
<i>Changes in currency rates</i>	- 86.8	- 156.7
<i>Liquid funds 29 February 2000</i>	6,548.0	5,574.8

THREE-MONTHS RESULTS, FOUR YEARS SUMMARY

SEK M

	28 Feb -97	28 Feb -98	28 Feb -99	29 Feb -00
<i>Turnover including VAT</i>	4,781.9	5,805.1	7,276.5	8,265.0
<i>Change from previous year, %</i>	30.5	21.4	25.3	13.6
<i>Sales outside Sweden, %</i>	77.1	80.2	82.8	83.8
<i>Operating profit</i>	290.6	416.1	712.5	610.8
<i>Operating margin, %</i>	7.2	8.5	11.6	8.8
<i>Profit after estimated full tax</i>	204.4	293.7	493.2	435.8
<i>Profit per share</i>	0.25	0.35	0.60	0.53