

# **H & M HENNES & MAURITZ AB**

## **FULL YEAR RESULTS**

1 December 1999 to 30 November 2000

- **Turnover for the year amounted to SEK 35,876 M including VAT (SEK 32,977 M), an increase of 9 per cent compared to last year. With comparable exchange rates, the increase was 12 per cent.**
- **Profit after financial items was SEK 4,003 M (SEK 4,759 M), a decrease of 16 per cent compared to last year, mainly due to price reductions, currency translation effects and investments in two new markets, the USA and Spain.**
- **Turnover for the fourth quarter amounted to SEK 10,448 M (SEK 9,428 M), an increase of 11 per cent compared to the fourth quarter 1999.**
- **90 new stores were opened during the year and 21 stores were closed.**
- **The reception in the USA and Spain was far beyond expectation. All stores opened in these markets will generate a positive result during 2001.**
- **The Group's expansion runs according to plan. Approximately 100 new stores will be opened during 2001.**
- **The cost reduction programme - in total SEK 500 M - runs according to plan.**
- **The Board of Directors proposes a dividend of SEK 1.35 (SEK 1.35) per share.**

## **Turnover - Reception exceeding Expectations in the US and Spain**

Turnover for the H&M Group increased 9 per cent during the year (12 per cent after adjustments for exchange rate fluctuations) and amounted to SEK 35,876.1 M (SEK 32,976.5 M), including VAT.

Turnover during the fourth quarter increased 11 per cent and amounted to SEK 10,448.0 M (SEK 9,428.0 M).

The development of sales has been weak during the year, especially in comparison to a strong year 1999. During the spring and the summer, sales were affected negatively by an imbalance in the assortment mix between high fashion garments and garments of basic fashion. This was followed by an unusually warm autumn that resulted in reduced sales of primarily outdoor garments. Also, expected sales increase of, among other things, leather garments and wool sweaters was affected negatively by the warm weather.

During 2000, 90 new stores were opened and 21 stores were closed. 14 of the stores closed were the remaining stores of the Swedish "Galne Gunnar" chain. The net increase of stores was 69, of which 46 occurred during the fourth quarter. The total number of stores is now 682 (613).

H&M entered two completely new markets during the year, the USA and Spain. To begin with, five new stores were planned for each of these two countries during the year. Since sales significantly exceeded expectations during the spring, the number of stores was expanded to ten in THE USA and seven in Spain.

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

H&M plans to open approximately 100 new stores and to close six stores during 2001. The main part of this planned expansion will take place in Germany, Great Britain, France, the USA and Spain. Approximately 20 new stores will be opened in the USA.

## **Profits**

Gross profit for the year amounted to SEK 15,396.8 M (SEK 14,735.8 M), which corresponds to 50.6 per cent (52.8) of sales.

After deduction of administrative and selling expenses, the operating profit for the year amounted to SEK 3,766.6 M (SEK 4,580.0 M). This corresponds to an operating margin of 12.4 per cent (16.4).

Operating profit for the year has been charged with depreciation according to plan, amounting to SEK 629.1 M (SEK 457.0 M) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 315.7 M (SEK 195.3 M). Operating margin, after depreciation but before start-up costs, amounted to 13.4 per cent (17.1).

Group financial net interest income was SEK 236.6 M (SEK 178.6 M).

Profit after financial items was SEK 4,003.2 M (SEK 4,758.6 M), a reduction by 16 per cent.

Profit after tax was SEK 2,552.7 M (SEK 3,075.4 M), corresponding to earnings per share of SEK 3.08 (SEK 3.72).

Return on shareholders' equity was 23.0 per cent (32.9) and return on capital employed was 35.8 per cent (50.3).

During the fourth quarter, gross profit was SEK 4,540.6 M (SEK 4,393.2 M) and profit after financial items was SEK 1,390.4 M (SEK 1,549.8 M).

### **Comments on the Results**

The H&M Group performs healthy profits despite the effects of large price reductions and start-up costs in completely new markets.

This year's result, in comparison to 1999 which was a very good year with a low level of price reductions, is affected by the following factors:

- increased price reductions as a result of imbalance in the assortment mix during the spring and summer, and unusually warm weather during the autumn, SEK -600 M
- negative currency translation effects, SEK -240 M. These effects arise when results of foreign subsidiaries are translated into SEK in order to be consolidated into the H&M Group accounts. The difference this year is a result of the SEK having been strengthened against the European currencies and weakened against the US dollar.
- in addition to representing a part of the above mentioned items, operations in the US and Spain show a negative result of approximately SEK -360 M (where SEK 110 M constitute start-up costs).
- the cost reduction programme has generated a positive effect of approximately SEK + 210 M

H&M has built a strong platform for further expansion in the USA and Spain during the year. However, it is costly to enter two new markets, as this requires initial investments in infrastructure such as distribution centres, training, administration, branding etc. The Group's assessment is that H&M's potential in the new markets is very good. By 2003, 85 stores are expected to have been opened in the north-eastern part of the USA.

### **Strong Financial Position**

The Group balance sheet increased by 11 per cent and was on 30 November 2000 SEK 15,700.4 M (SEK 14,198.2 M). During the year, the Group generated a positive cash flow from current operations of SEK 1,941.2 M (SEK 3,925.1 M). SEK 2,525.0 M (SEK 1,132.5 M) were invested in the operations through acquisitions of fixed assets. The financial assets amounted to SEK 5,403.2 M (SEK 6,832.4 M), a reduction with SEK 1,429.2 M.

Stock-in-trade was SEK 4,448.7 M (SEK 3,609.3 M), an increase of 23 per cent (11). Stock-in-trade equals 14.6 per cent (12.9) of the turnover and 28.3 per cent (25.4) of total assets.

The Group's debt ratio was 1.2 per cent (1.3). The share of risk-bearing capital was 79.8 per cent (76.4).

The Group's equity was on 30 November 2000 SEK 11,889.8 M (SEK 10,293.8 M), which equals SEK 14.37 (SEK 12.44) per share.

## **Employees**

The average number of employees in the Group was 20.680 (17.652), of which 3.556 (3.388) worked in Sweden.

## **The Parent Company**

The parent company's profit after financial items, which is not equivalent to results from total operations in Sweden, amounted to SEK 2,034.7 M (SEK 1,611.4 M). Adjusted for dividend revenue from subsidiaries, the results were SEK 359.4 M (SEK 240.8 M). This year's profit after dispositions and tax amounted to SEK 1,933.7 M (SEK 1,516.5 M).

## **December 2000**

Despite that the warm weather in December 2000 had a negative effect on sales, the Group results were in line with December 1999.

## **Dividend**

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 1.35 (SEK 1.35) per share.

## **Annual General Meeting of Shareholders**

The shareholders' meeting will be held on Monday, 23 April 2001, at 3 p.m. at Stockholmsmässan in Stockholm (Victorihallen).

The Annual Report is estimated to be published and distributed to shareholders during week 12, 2001. The annual report will be accessible at the head office of H&M, Norrlandsgatan 15, Stockholm, telephone: +46-8-796 55 00 and on [www.hm.com](http://www.hm.com)

The H&M Group will produce the following financial reports during 2001:

First Quarter results, 1 December 2000 - 28 February 2001	29 March 2001
Half Year results, 1 December 2000 - 31 May 2001	21 June 2001
Nine Months results, 1 December 2000 - 31 August 2001	28 September 2001

Stockholm, 25 January 2001

The Board of Directors

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Information about H&M and press pictures are available on [www.hm.com](http://www.hm.com)

*H&M - in short*

*H&M was founded in 1947 and sells clothes and cosmetics in 682 stores in 14 countries. The business idea is fashion and quality at the best price. H&M sells approximately 400 million articles per year. H&M's designers and purchasing personnel create clothes for women, men, children and youth. The group has approximately 30,000 employees.*

**GROUP INCOME STATEMENT**  
(SEK M)

	1/12 1999- 30/11 2000	1/12 1998- 30/11 1999	1/9 2000- 30/11 2000	1/9 1999- 30/11 1999
Turnover, including VAT	35,876.1	32,976.5	10,448.0	9,428.0
Turnover, excluding VAT	30,453.7	27,888.1	8,904.6	7,995.4
Costs of goods sold	-15,056.9	-13,152.3	- 4,364.0	- 3,602.2
Gross profit	15,396.8	14,735.8	4,540.6	4,393.2
Selling expenses	-10,962.5	- 9,596.7	- 3,017.9	- 2,729.8
Administrative expenses	- 667.7	- 559.1	- 179.8	- 153.8
Operating profit	3,766.6	4,580.0	1,342.9	1,509.6
Result from financial investments				
Interest income	254.4	193.3	54.8	48.8
Interest expense	- 17.8	- 14.7	- 7.3	- 8.6
Profit after financial items	4,003.2	4,758.6	1,390.4	1,549.8
Tax	- 1,450.5	- 1,683.2	- 536.0	- 560.1
Profit for the year	2,552.7	3,075.4	854.4	989.7
Profit per share, SEK	3.08	3.72	1.03	1.20

**GROUP BALANCE SHEET**  
(SEK M)

ASSETS	2000	1999
<b>Fixed Assets</b>		
<u>Intangible Assets</u>		
Renting rights	104.3	94.5
<u>Tangible Assets</u>		
Land and buildings	516.9	281.0
Equipment, tools, fixtures and fittings	<u>4,337.4</u>	<u>2,715.3</u>
	4,854.3	2,996.3
<u>Financial Assets</u>		
Other long-term receivables	96.6	75.7
Total Fixed Assets	5,055.2	3,166.5
<b>Current Assets</b>		
Stock-in-trade	4,448.7	3,609.3
<u>Current receivables</u>		
Accounts receivable, trade	420.5	385.1
Other receivables	134.9	34.4
Prepaid expenses and accrued income	<u>237.9</u>	<u>170.5</u>
	793.3	590.0
Short-term investments	3,813.8	4,829.8
Cash and bank balances	1,589.4	2,002.6
Total Current Assets	10,645.2	11,031.7
Total Assets	15,700.4	14,198.2

**GROUP BALANCE SHEET**  
(SEK M)

EQUITY AND LIABILITIES	2000	1999
<b>Equity</b>		
<u>Restricted Equity</u>		
Share capital	206.9	206.9
Restricted reserves	<u>1,673.8</u>	<u>1,444.3</u>
	1,880.7	1,651.2
<u>Non-restricted Equity</u>		
Profit brought forward	7,456.4	5,567.2
Profit for the year	<u>2,552.7</u>	<u>3,075.4</u>
	10,009.1	8,642.6
Total Equity	11,889.8	10,293.8
<u>Provisions</u>		
Provisions for pensions	96.1	92.2
Provisions for taxation	<u>639.4</u>	<u>552.0</u>
	735.5	644.2
<u>Long-term Liabilities</u>		
Liabilities to credit institutions	41.9	43.2
<u>Current Liabilities</u>		
Accounts payable, trade	925.3	891.0
Income tax liabilities	363.7	718.0
Other liabilities	431.9	497.1
Accrued expenses and deferred income	<u>1,312.3</u>	<u>1,110.9</u>
	3,033.2	3,217.0
Total Equity and Liabilities	15,700.4	14,198.2
Pledged assets		
Real estate mortgages	32.5	56.6
Contingent liabilities	21.0	38.9

## CASH FLOW ANALYSES

(SEK M)

	1999/2000	1998/1999
Profit after financial items	4,003.2	4,758.6
Adjustment for items not affecting cash flow	- 821.4	-1,226.2
Cash flow generated by current operations before changes in working capital	3,181.8	3,532.4
Cash flow generated by changes in working capital		
Changes in		
Current receivables	- 208.0	- 48.0
Stock-in-trade	- 844.1	- 376.8
Current liabilities	<u>- 188.5</u>	<u>817.5</u>
	- 1,240.6	392.7
Cash flow generated by current operations	1,941.2	3,925.1
Cash flow from investment activities		
Investments in fixed assets	- 2,525.0	- 1,132.5
Cash flow from financing activities	- 1,049.0	- 809.2
of which dividend	- 1,117.2	- 827.5
Cash flow for the year	- 1,632.8	1,983.4
Liquid funds 1 December 1999	6,832.4	5,159.9
Cash flow for the year	- 1,632.8	1,983.4
Changes in currency rates	203.6	- 310.9
Liquid funds 30 November 2000	5,403.2	6,832.4

## FIVE-YEAR SUMMARY

		1995/1996	1996/1997	1997/1998	1998/1999	1999/2000
Turnover, including VAT	SEK M	17,212.1	21,279.4	26,649.8	32,976.5	35,876.1
Change from previous year	%	+ 18	+ 24	+ 25	+ 24	+ 9
Sales outside Sweden	SEK M	13,085.4	16,853.1	21,730.1	27,667.4	30,621.0
Sales outside Sweden as a percentage of total sales	%	76	79	82	84	85
Operating margin	%	12.6	13.5	14.8	16.4	12.4
Profit after financial items	SEK M	1,905.0	2,511.9	3,468.2	4,758.6	4,003.2
Net profit for the year	SEK M	1,331.0	1,690.9	2,286.9	3,075.4	2,552.7
Cash and Bank balances including short-term investments	SEK M	2,937.5	3,797.0	5,159.9	6,832.4	5,403.2
Stock-in-trade	SEK M	2,235.6	2,708.4	3,237.9	3,609.3	4,488.7
Restricted equity	SEK M	1,194.8	1,392.0	1,626.5	1,651.2	1,880.7
Non-restricted equity	SEK M	3,960.0	5,081.4	6,779.4	8,642.6	10,009.1
Return on shareholders' equity	%	28.3	29.1	30.7	32.9	23.0
Return on capital employed	%	39.8	42.5	46.3	50.3	35.8
Debt/equity ratio	%	2.5	2.1	1.6	1.3	1.2
Share of risk-bearing capital	%	76.9	77.4	77.9	76.4	79.8
Solidity	%	71.9	72.4	73.4	72.5	75.7
Interest cover		106.2	198.8	252.3	324.7	225.9
Number of stores in Sweden		117	117	120	124	115
Number of stores outside Sweden		326	373	430	489	567
Total number of stores		443	490	550	613	682
Average number of employees		10,469	12,096	14,101	17,652	20,680

## SALES PER COUNTRY AND NUMBER OF STORES

	Sales, SEK M		Number of stores	Change in 2000
	2000	1999		
Sweden	5,255	5,309	115	- 9
Norway	2,911	2,789	64	+ 9
Denmark	1,885	1,852	47	+ 2
Great Britain	2,201	1,443	47	+ 13
Switzerland	2,480	2,475	41	-
Germany	11,169	10,659	188	+ 21
The Netherlands	2,405	2,215	54	-
Belgium	1,447	1,444	34	+ 1
Austria	2,891	2,977	34	+ 1
Luxembourg	144	137	4	-
Finland	932	848	14	+ 2
France	1,165	829	23	+ 12
USA	804		10	+ 10
Spain	187		7	+ 7
	35,876	32,977	682	+ 69