



INTERIM REPORT - NINE MONTHS

1 December 2003 - 31 August 2004

- **H&M's Group turnover excluding VAT amounted to SEK 37,821 M (34,315), an increase of 10 per cent. In comparable currency rates the increase was 12 per cent.**
- **Profit after financial items for the first nine months was SEK 6,949 M (6,335), an increase of 10 per cent. Profit after VAT for the group amounted to SEK 4,517 M (4,118), corresponding to SEK 5.46 per share (4.98).**
- **Turnover excluding VAT for the third quarter amounted to SEK 12,840 M (11,246), an increase of 14 per cent, compared with last year. In comparable currency rates the increase was 15 per cent.**
- **Third quarter profit after financial items amounted to SEK 2,452 M (2,079), an increase of 18 per cent.**
- **Establishing two new markets during 2005, Ireland and Hungary.**
- **Continued very positive development in the USA.**

Turnover

Turnover excluding VAT for the H&M Group increased during the nine months period by 10 per cent (in comparable currency rates 12 per cent), compared with the same period last year and reached SEK 37,820.6 M (34,315.2). Turnover including VAT was SEK 44,366.5 M (40,234.5).

Turnover in the third quarter, excluding VAT, amounted to SEK 12,839.5 M (11,245.7), an increase of 14 per cent (in comparable currency rates 15 per cent). Turnover including VAT was SEK 15,062.3 M (13,209.3).

In the month of August turnover increase was 15 per cent in comparable currency rates.

In the nine months period, the Group opened 70 new stores; 14 in Germany, seven in Great Britain and Poland, five each in Norway and Spain, four each in the US, Netherlands, France, Sweden and the Czech Republic, two each in Belgium, Austria, Finland and Canada, finally one each in Denmark, Luxemburg, Portugal and Slovenia. Nine stores have been closed down. The total number of stores at the end of the period was 1,006 (901) on 20 markets.

Results for the nine months period

Gross profit for the nine months period reached SEK 21,209.1 M (19,084.1), corresponding to 56.1 per cent (55.6) of the turnover.

After deduction for selling and administrative expenses, operating profit was SEK 6,701.4 M (6,028.8). This result corresponds to an operating margin of 17.7 per cent (17.6).

Operating profit for the period has been charged with depreciations according to plan amounting to SEK 947.3 M (849.7) and start-up costs, i.e. the part of investments in new stores charged directly to the income statement, of SEK 193.7 M (131.6).

Group financial net interest income amounted to SEK 247.6 M (305.8).

Profit after financial items amounted to SEK 6,949.0 M (6,334.6), an increase of 10 per cent.

Group profit after comprehensive tax allocation (35 per cent) for the nine months period amounted to SEK 4,516.8 M (4,117.5), which corresponds to earnings per share of SEK 5.46 (4.98).

Return on shareholders equity, revolving twelve months, was 35.6 per cent (36.4) and return on capital employed, revolving twelve months, was 53.6 per cent (55.0).

Results for the third quarter

Gross margin for the third quarter was 55.9 per cent (55.6), corresponding to a gross profit of SEK 7,175.2 M (6,247.9).

Operating profit was SEK 2,377.8 M (2,000.7), corresponding to an operating margin of 18.5 per cent (17.8).

Profit after financial items for the third quarter was SEK 2,452.2 M (2,078.9), an increase of 18 per cent.

Profit after comprehensive tax allocation for the third quarter amounted to SEK 1,593.9 M (1,351.3), corresponding to earnings per share of SEK 1.93 (1.63).

Comments on the third quarter

During the quarter the group opened its 1.000th store in Boulogne-sur-Mer in France, which was celebrated with special offers in all H&M's markets. In the end of August H&M's first store in Slovenia opened - the group's 20th market.

Group profitability continued to be very good. H&M recorded its highest gross margin ever in a third quarter, despite a higher level of price-reductions than in the corresponding period last year. The level of stock-in-trade at the opening of the fourth quarter is viewed as good.

The operating expenses were on a satisfactory level, despite intensive preparations ahead of the many store openings this autumn. During the fourth quarter approximately 65 stores are planned to open.

The positive turnover development and continued cost control have led to strongly improved result in the US, compared to the same period last year.

The result of the quarter has been negatively affected by currency translation effects of approximately SEK 9 M compared to the third quarter last year. Translation effects arise when the results of the 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 8 per cent and corresponded to SEK 25,295.9 M (23,386.6).

During the period, the Group generated a negative cash flow of SEK 2,149.3 M (-3,029.6). Cash flow has been affected by dividends of SEK 4,965.2 M (4,965.2).

Financial assets amounted to SEK 11,182.6 M (10,362.0).

Stock-in-trade amounted to SEK 6,323.5 M (5,459.6), an increase of 16 per cent.

Investments in fixed assets amounted to SEK 1,057.2 M (907.5).

The equity/assets ratio corresponded to 77 per cent (78) and the share of risk-bearing capital was 81 per cent (82).

Net worth, allocated to the 827,536,000 shares issued, corresponded on 31 August to SEK 24.03 (22.05).

Expansion

During the fourth quarter a further 65 stores are planned to be opened, most of the stores will be opened in Germany, where 20 stores are planned, in Spain eight stores, and in France seven stores. Three stores will be closed down.

During the month of August lease contracts were signed for openings in two new markets. During spring 2005, the first store is planned to open in Ireland, outside Dublin. In the autumn 2005, the first store is planned to open in Hungary, in the centre of Budapest.

Taxes

A tax rate of 35 per cent is used, as before, during the first three quarters, and the final tax is calculated in the fourth quarter.

Nomination committee

In accordance with a decision at the Annual General Meeting on 29 April 2004 a nomination committee should be established. The main shareholder and the thereafter five largest shareholders by the end of August should appoint the members to the committee. The representatives are:

<u>Shareholder</u>	<u>Representative</u>
Stefan Persson with family	Stefan Persson
Lottie Tham	Lottie Tham
Robur fonder	Marianne Nilsson
Alecta	Tomas Nicolin
AMF Pensionsförsäkrings AB	Thor Martin
Nordea fonder	Peter Rudman

Proposals of representatives of the board of directors can be sent either to the members of the nomination committee or directly to the company to be forwarded to the committee.

Accounting principles

This interim report has been prepared in accordance with the recommendation issued by the Swedish Financial Accounting Standard Council regarding interim reporting (RR20). Otherwise, the same accounting principles have been used as in the latest annual report.

This interim report has not been audited.

The report for the fiscal year 2003/04 will be published on 28 January 2005.
Report of the first three months of the fiscal year 2004/05 will be published on 8 April 2005.
Annual General Meeting will be held on Tuesday, 26 April 2005, at 3.00 p.m. in "Victorihallen", Stockholmsmässan in Stockholm.

Stockholm 30 September 2004

The Board of Directors

Contact persons:

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Background information about H&M and press pictures may be found on www.hm.com

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GROUP INCOME STATEMENT

(SEK M)

	1/12 2003- 31/8 2004	1/12 2002- 31/8 2003	1/6 2004- 31/8 2004	1/6 2003- 31/8 2003	1/12 2002- 30/11 2003
Turnover, including value added tax	44,366.5	40,234.5	15,062.3	13,209.3	56,550.0
Turnover, excluding value added tax	37,820.6	34,315.2	12,839.5	11,245.7	48,237.7
Costs of goods sold	-16,611.5	-15,231.1	-5,664.3	-4,997.8	-21,145.1
Gross profit	21,209.1	19,084.1	7,175.2	6,247.9	27,092.6
Selling expenses	-13,689.3	-12,325.0	-4,528.2	-4,024.4	-16,827.3
Administrative expenses	-818.4	-730.3	-269.2	-222.8	-1,042.3
Operating profit	6,701.4	6,028.8	2,377.8	2,000.7	9,223.0
Result from financial investments					
Interest income	249.6	308.5	75.5	78.6	388.5
Interest expense	-2.0	-2.7	-1.1	-0.4	-2.8
Profit after financial items	6,949.0	6,334.6	2,452.2	2,078.9	9,608.7
Estimated tax	-2,432.2	-2,217.1	-858.3	-727.6	-3,222.8
Result of the period	4,516.8	4,117.5	1,593.9	1,351.3	6,385.9
Profit per share, SEK	5.46	4.98	1.93	1.63	7.72
Number of shares 827,536,000					
Depreciation, total	947.3	849.7	322.0	279.6	1,125.6
<i>of which selling expenses</i>	797.3	712.0	271.1	234.3	947.4
<i>of which administration expenses</i>	45.8	40.8	15.5	13.4	54.4
<i>of which cost of goods sold</i>	104.2	96.9	35.4	31.9	123.8

SUMMARY OF GROUP BALANCE SHEET
(SEK M)

	31 Aug 2004	31 Aug 2003	30 Nov 2003
ASSETS			
Fixed Assets			
Intangible Assets	103.0	112.1	111.7
Tangible Assets	6,323.3	6,073.6	6,124.0
Financial assets	233.3	298.7	206.0
Total fixed assets	6,659.6	6,484.4	6,441.7
Current Assets			
Stock-in-trade	6,323.5	5,459.6	5,050.1
Other current assets	1,130.2	1,080.6	1,076.4
Cash and bank balances	11,182.6	10,362.0	13,193.5
Total current assets	18,636.3	16,902.2	19,320.0
Total assets	25,295.9	23,386.6	25,761.7
Equity and liabilities			
Equity	19,886.9	18,247.0	20,096.7
Provisions	959.3	820.2	961.2
Short-term liabilities	4,449.7	4,319.4	4,703.8
Total equity and liabilities	25,295.9	23,386.6	25,761.7
Change in equity			
Equity, beginning of period	20,096.7	19,087.7	19,087.7
Profit for the period	4,516.8	4,117.5	6,385.9
Dividend	-4,965.2	-4,965.2	-4,965.2
Currency translation effects	238.6	7.0	-411.7
Equity, end of period	19,886.9	18,247.0	20,096.7

CASH FLOW ANALYSIS

(SEK M)

	December - August	
	2003/04	2002/03
Profit after financial items	6,949.0	6,334.6
Depreciation	947.3	849.7
Tax paid	-2,786.4	-2,878.0
Cash flow generated by current operations before changes in working capital	5,109.9	4,306.3
Changes in working capital		
Current receivables	-41.0	-83.0
Stock-in-trade	-1,213.5	-1,257.1
Current liabilities	57.9	-295.3
Cash flow generated by changes in working capital	-1,196.6	-1,635.4
Cash flow from current operations	3,913.3	2,670.9
Cash flow from investment activities	-1,068.5	-734.9
Cash flow from financing activity	-4,994.1	-4,965.6
<i>of which dividend</i>	-4,965.2	-4,965.2
Cash flow for the period	-2,149.3	-3,029.6
Liquid funds, beginning of the period	13,193.5	13,479.6
Changes in currency rates	138.4	-88.0
Liquid funds, end of the period	11,182.6	10,362.0

FIVE YEAR SUMMARY

(SEK M)

Nine months	31 August 2000	31 August 2001	31 August 2002	31 August 2003	31 August 2004
Turnover including VAT	25,428.1	32,356.2	37,369.1	40,234.5	44,366.5
Turnover excluding VAT	21,549.1	27,594.5	31,884.5	34,315.2	37,820.6
Change from previous year, %	8	28	16	8	10
Operating profit	2,423.7	3,184.3	4,968.5	6,028.8	6,701.4
Operating margin, %	11.2	11.5	15.6	17.6	17.7
Depreciation for the period	454.8	666.5	793.9	849.7	947.3
Profit after financial items	2,612.8	3,378.0	5,224.7	6,334.6	6,949.0
Profit after estimated tax	1,698.3	2,195.7	3,396.1	4,117.5	4,516.8
Number of shares (adjusted for split)	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	2.05	2.65	4.10	4.98	5.46
Liquid funds	5,046.4	5,236.2	9,910.3	10,362.0	11,182.6
Stock-in-trade	5,091.3	6,217.2	5,286.2	5,459.6	6,323.5
Equity and liabilities	10,823.6	13,645.3	16,966.5	18,247.0	19,886.9
Revolving, 12 months					
Profit per share SEK	3.25	3.69	6.18	7.74	8.20
Shareholders Equity per share, SEK	13.08	16.49	20.54	22.05	24.03
Return on shareholders' equity, %	26.6	24.9	33.4	36.4	35.6
Return on capital employed, %	40.9	38.6	49.0	55.0	53.6
Debt/equity ratio, %	1.4	1.5	1.1	0.0	0.2
Share of risk-bearing capital, %	76.2	78.6	78.5	81.5	80.8
Solidity, %	72.5	75.0	75.2	78.0	77.2
Interest cover	218.9	254.6	506.4	1,174.3	4,869.1
Number of stores	636	736	809	901	1,006

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, DECEMBER – AUGUST

1 December 2003 – 31 August 2004 (SEK M)

	Turnover 2004 Incl VAT	Turnover 2003 Incl VAT	Change SEK %	Change local currency %	No. of stores 31 August 2004	Change since 1 Dec. 2003
Sweden	4,178	4,090	2	2	125	2
Norway	2,927	2,889	1	9	74	5
Denmark	1,934	1,811	7	7	53	
United Kingdom	3,996	3,516	14	13	86	7
Switzerland	2,600	2,501	4	7	46	
Germany	12,488	11,806	6	6	250	11
Netherlands	2,748	2,578	7	7	64	3
Belgium	1,590	1,468	8	8	42	
Austria	2,927	2,844	3	3	50	2
Luxembourg	204	196	4	4	7	1
Finland	1,086	969	12	12	23	2
France	3,101	2,710	14	15	57	4
USA	2,432	1,901	28	43	70	4
Spain	1,360	820	66	66	32	5
Poland	298	23	1,196	1,297	13	7
Czech Republic	123	43	186	192	6	4
Portugal	161	70	130	132	4	1
Italy	144				1	
Canada	65				2	2
Slovenia	4				1	1
Total	44,366	40,235	10	12	1,006	61

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, JUNE - AUGUST

1 June 2004 - 31 August 2004 (SEK M)

	Turnover 2004 Incl VAT	Turnover 2003 Incl VAT	Change SEK %	Change local currency %	No. of stores 31 August 2004	Change since 1 June 2004
Sweden	1,391	1,366	2	2	125	1
Norway	1,038	955	9	12	74	1
Denmark	638	586	9	9	53	
United Kingdom	1,349	1,166	16	12	86	
Switzerland	879	770	14	14	46	
Germany	4,215	3,823	10	10	250	3
Netherlands	907	835	9	9	64	1
Belgium	536	483	1	11	42	
Austria	960	874	10	10	50	1
Luxembourg	73	65	12	12	7	
Finland	397	357	11	11	23	
France	1,035	894	16	16	57	1
USA	853	674	27	38	70	
Spain	484	292	66	65	32	
Poland	125	11	1,036	1,071	13	1
Czech Republic	47	22	114	113	6	2
Portugal	56	36	56	60	4	
Italy	46				1	
Canada	29				2	
Slovenia	4				1	1
Total	15,062	13,209	14	15	1,006	12

REPORTING PER REGION (SEK M)

	1/12 2003- 31/8 2004	1/12 2002- 31/8 2003	1/6 2004- 31/8 2004	1/6 2003- 31/8 2003	1/12 2002- 30/11 2003
Nordic countries					
Net turnover	8,142	7,847	2,787	2,627	10,815
Operating profit	1,484	1,467	680	665	2,015
Operating margin, %	18.2	18.7	24.4	25.3	18.6
Euro zone countries excl Finland					
Net turnover	21,051	19,152	7,078	6,217	26,994
Operating profit	4,200	3,777	1,364	1,124	5,859
Operating margin, %	20.0	19.7	19.3	18.1	21.7
Rest of the world					
Net turnover	8,628	7,316	2,975	2,402	10,429
Operating profit	1,017	785	334	212	1,349
Operating margin, %	11.8	10.7	11.2	8.8	12.9
Total					
Net turnover	37,821	34,315	12,840	11,246	48,238
Operating profit	6,701	6,029	2,378	2,001	9,223
Operating margin, %	17.7	17.6	18.5	17.8	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, the 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.