



H & M HENNES & MAURITZ AB

FULL YEAR RESULTS

1 December 2003 to 30 November 2004

- **Group turnover excluding VAT for the year amounted to SEK 53,695 m (48,238), an increase of 11 per cent compared to last year. With comparable exchange rates, the increase was 12 per cent.**
- **Profit after financial items was SEK 11,005 m (9,609) an increase of 15 per cent. Group profit after tax amounted to SEK 7,275 m (6,386) corresponding to SEK 8.79 (7.72) per share.**
- **Turnover excluding VAT for the fourth quarter increased by 14 per cent (with comparable exchange rates 14 per cent) and amounted to SEK 15,874 m (13,923) excluding VAT.**
- **Operating margin for the fourth quarter amounted to a very satisfactory 25.0 per cent (22.9).**
- **Profit after financial items for the fourth quarter was SEK 4,056 m (3,274), an increase by 24 per cent.**
- **In 2005, 145-155 stores are planned to open, among those three stores in Ireland and one store in Hungary. Both countries are new markets for the group.**
- **The Board of Directors proposes a dividend of SEK 8.00 (6.00) per share.**

Turnover

Turnover excluding VAT for the H&M Group increased during the year by 11 per cent (with comparable exchange rates, the increase was 12 per cent) compared with last year and amounted to SEK 53,695.0 m (48,237.7). Turnover including VAT was SEK 62,985.9 m (56,550.0).

Turnover excluding VAT in the fourth quarter was SEK 15,874.4 m (13,922.5), an increase of 14 per cent (with comparable exchange rates 14 per cent). Sales including VAT in the fourth quarter was SEK 18,619.4 m (16,315.5).

136 stores were opened during the year; 34 in Germany, 13 in Spain, 12 in the United Kingdom, 11 in France, nine each in Poland and the USA, six each in Norway, the Netherlands and Canada, five in the Czech Republic, four each in Sweden and Belgium, three each in Austria and Finland, two stores each in Denmark, Switzerland, Portugal, Italy and Slovenia, and one in Luxembourg. 13 stores were closed. Of the net increase of 123 stores, 66 opened and four closed during the fourth quarter. The total number of H&M stores thereby amounted to 1,068 (945) as of 30 November 2004.

Profits for the full year

Gross profit amounted to SEK 30,718.0 m (27,092.6), which corresponds to 57.2 per cent (56.2) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 10,667.3 m (9,223.0). This corresponds to an operating margin of 19.9 per cent (19.1).

Operating profit has been charged with depreciations according to plan of SEK 1,232.2 m (1,125.6).

Group financial net interest income amounted to SEK 338.0 m (385.7).

Profit after financial items was SEK 11,005.3m (9,608.7), an increase of 15 per cent.

After deduction of taxes of SEK 3,730.5 m (3,222.8), profit for the year amounted to SEK 7,274.8 m (6,385.9). The result achieved corresponds to earnings per share of SEK 8.79 (7.72).

Return on shareholders' equity was 34.4 per cent (32.6) and return on capital employed was 51.9 per cent (48.9).

Results for the fourth quarter

Gross profit amounted to SEK 9,508.9 (8,008.5) corresponding to a gross margin of 59.9 per cent (57.5).

In the fourth quarter, operating profit was SEK 3,965.9 m (3,194.2), corresponding to an operating margin of 25.0 per cent (22.9).

Profit after financial items for the fourth quarter amounted to SEK 4,056.3 m (3,274.1), an increase by 24 per cent.

Comments on the full year results

The full year results further strengthened the operating margin to 19.9 per cent (19.1).

A weaker dollar and an improved production control have led to lower prices to customers and to an increased gross profit. The average selling price per article has during the year been about four percent lower than last year. This means that the sales increase in comparable rates by 12 percent corresponds to a volume growth of 16 per cent. The decrease in the average selling price was largest during the first part of the fiscal year.

During the year, H&M has opened stores in two new markets; Canada and Slovenia. The reception in both markets was very good. The simplified store opening procedure, where neighbouring countries handle administration and supply of goods, has now been practised successfully in six new markets. This has led to a faster establishment and considerably lower costs than what otherwise would have been possible. The new markets previous effect on the result has now been substantially reduced. This regional mindset is an important factor for future establishments.

The expansion of the new markets Poland, the Czech Republic, Portugal and Italy has continued during the year. In Poland nine stores were opened during the year, the total number of stores in the country thereby amounted to 15 stores. By the end of the year, seven stores were established in the Czech Republic, of which five were opened during the year. Two stores each were opened in Portugal and Italy and the amount of stores thereby amounted to five respectively three stores.

Group results have been negatively affected by currency translation effects of SEK 87 m compared to 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.

Comments on the fourth quarter

Sales was weak at the beginning of the fourth quarter, but ended, after a strong sales in November, on 14 per cent.

The operating margin of the fourth quarter of 25.0 per cent (22.9) was very satisfactory.

H&M's buying department was during the year divided into a production and a buying division, in order to meet future demands but also to focus more clearly on customer groups and range composition. During the end of the quarter, the positive effects of this, were noted in the stores through a more clear display of items for the customer and it has also been easier for the store personnel to carry out.

The American operations show a strong increase also during the fourth quarter.

Liquidity and financing

The Group balance sheet increased by 9 per cent and was on 30 November 2004 SEK 28,127.3 m (25,761.7).

During the year, the H&M Group generated a positive cash flow from running operations of SEK 8,562.7 m (6,205.1). SEK 1,588.5 m (1,274.0) was invested through net acquisitions of fixed assets.

Cash flow for the year amounted to SEK -1,262.2 m (-9.9). Cash flow has been affected by dividends of SEK 4,965.2 (4,965.2) and by financial investments of 3,250.0 (-).

The financial assets amounted to SEK 15,051.3 m (13,193.5).

Stock-in-trade increased by two per cent and amounted to SEK 5,141.6 m (5,050.1). Stock-in-trade equals 9.6 per cent (10.5) of turnover and 18.3 per cent (19.6) of total assets.

The Group's debt ratio was 0.2 per cent (0.2). The share of risk-bearing capital was 82.5 per cent (81.6).

The Group's equity was on 30 November 2004 SEK 22,209.0 m (20,096.7), which apportioned on the 827,536,000 outstanding shares equals SEK 26.84 (SEK 24.28) per share.

Expansion

During the fiscal year of 2004/2005, a total of 145-155 stores are planned to open and 12 will close. The main part of the expansion will take place in Germany, the United Kingdom, France, Spain, the USA, Poland and Italy. Two new markets will be added during 2005, Ireland and Hungary.

During spring 2005, the first store of the Group will open in Dublin, Ireland and two additional stores will follow, in the autumn. Supply and administration will be handled by the H&M 's organisation in the United Kingdom.

H&M will open its first store in Hungary during autumn 2005. The establishment will be handled by the Austrian H&M organisation.

Employees

The average number of employees in the Group was 31,701 (28,409), of which 3,731 (3,709) in Sweden.

The Parent Company

The parent company's profit after financial items amounted to SEK 8,692.8 m(5,065.0). Adjusted for dividend revenue from subsidiaries, the result was SEK 1,287.0 m (1,141.9). This year's profit after dispositions and tax amounted to SEK 8,119.9 m (4,540.6).

December 2004

H&M Group turnover (with comparable exchange rates) increased in December 2004 by 13 per cent compared with the corresponding period last year.

Dividend

The improvement of the results during the last years has given the Group a liquidity, which is at the present judged to be larger than what will be needed for H&M's continued strong expansion. For this reason, the Board of Directors has found that H&M's dividend policy should be changed.

H&M financial goal is for the company to continue to enjoy healthy growth and to be well prepared in order to meet future business opportunities. It is essential that expansion as in the past continues with the same high degree of financial strength and continued freedom of action.

The dividend should correspond to about half of the profit after tax. In addition to this the Board of Directors could also propose that the estimated surplus liquidity should be distributed.

For this reason, the Board of Directors will propose to the Annual General Meeting a regular dividend of SEK 8.00 per share (last years ordinary dividend of SEK 2.90 and extra ordinary dividend of SEK 3.10, in total SEK 6.00 per share).

Annual General Meeting of Shareholders

The shareholders' meeting will be held on Tuesday 26 April 2005, at 3 pm at Stockholmsmässan in Stockholm (Victorihallen).

The Annual Report is estimated to be published and distributed to shareholders during week 12, 2005. The annual report will be accessible by downloading and order at www.hm.com

Reports

The H&M Group will publish the following financial reports during 2005:

Sales development – January	15 February
Three Months results, 1 December 2004 - 28 February 2005	6 April
Sales development – March	15 April
Sales development – April	16 May
Half Year results, 1 December 2004 - 31 May 2005	22 June
Sales development – June	15 July
Sales development – July	15 August
Nine Months results, 1 December 2004 - 31 August 2005	28 September
Sales development – September	17 October
Sales development – October	15 November
Sales development – November	15 December

Stockholm, 28 January 2005

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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- 30/11 2004	1/12 2002- 30/11 2002	1/9 2004- 30/11 2004	1/9 2003- 30/11 2003
Turnover, including VAT	62,985.9	56,550.0	18,619.4	16,315.5
Turnover, excluding VAT	53,695.0	48,237.7	15,874.4	13,922.5
Costs of goods sold	-22,977.0	-21,145.1	-6,365.5	-5,914.0
GROSS PROFIT	30,718.0	27,092.6	9,508.9	8,008.5
Selling expenses	-18,927.7	-16,827.3	- 5,238.4	-4,502.3
Administrative expenses	-1,123.0	-1,042.3	-304.6	-312.0
OPERATING PROFIT	10,667.3	9,223.0	3,965.9	3,194.2
Result from financial investments				
Interest income	341.2	388.5	91.6	80.0
Interest expense	-3.2	-2.8	-1.2	-0.1
PROFIT AFTER FINANCIAL ITEMS	11,005.3	9,608.7	4,056.3	3,274.1
Taxes	-3,730.5	-3,222.8	-1,298.3	-1,005.7
PROFIT FOR THE YEAR	7,274.8	6,385.9	2,758.0	2,268.4
Profit per share, SEK	8.79	7.72	3.33	2.74
Number of shares: 827,536,000				
Depreciation, total	1,232.2	1,125.6	284.9	275.9
of which cost of goods sold	134.3	123.8	30.1	26.9
of which selling expenses	1,038.2	947.4	240.9	235.4
of which administration expenses	59.7	54.4	13.9	13.6

GROUP BALANCE SHEET

30 November (SEK m)

ASSETS	2004	2003
FIXED ASSETS		
Intangible Assets		
Renting rights	101.4	111.7
Tangible Assets		
Buildings and land	437.2	460.1
Equipment, tools, fixtures and fittings	<u>5,992.0</u>	<u>5,663.9</u>
	6,429.2	6,124.0
Financial Assets		
Other long-term receivables	146.0	119.7
Deferred tax receivables	<u>35.0</u>	<u>86.3</u>
	181.0	206.0
TOTAL FIXED ASSETS	6,711.6	6,441.7
CURRENT ASSETS		
Stock-in-trade	5,141.6	5,050.1
Current receivables		
Accounts receivable, trade	712.9	617.0
Other receivables	98.9	81.4
Prepaid expenses and accrued income	<u>411.0</u>	<u>378.0</u>
	1,222.8	1,076.4
Short-term investments	12,566.9	7,267.3
Cash and bank balances	<u>2,484.4</u>	<u>5,926.2</u>
TOTAL CURRENT ASSETS	21,415.7	19,320.0
TOTAL ASSETS	28,127.3	25,761.7

GROUP BALANCE SHEET

30 November (SEK m)

EQUITY AND LIABILITIES	2004	2003
EQUITY		
Restricted Equity		
Share capital	206.9	206.9
Restricted reserves	<u>2,538.5</u>	<u>2,411.3</u>
	2,745.4	2,618.2
Non-restricted Equity		
Profit brought forward	12,188.8	11,092.6
Profit for the year	<u>7,274.8</u>	<u>6,385.9</u>
	19,463.6	17,478.5
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TOTAL EQUITY	22,209.0	20,096.7
Provisions		
Provisions for pensions	41.2	36.0
Provisions for deferred tax liabilities	<u>992.0</u>	<u>925.2</u>
	1,033.2	961.2
Current Liabilities		
Accounts payable, trade	1,092.3	1,154.7
Income tax liabilities	778.2	1,084.3
Other liabilities	1,246.1	862.2
Accrued expenses and deferred income	<u>1,768.5</u>	<u>1,602.6</u>
	4,885.1	4,703.8
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TOTAL EQUITY AND LIABILITIES	28,127.3	25,761.7
Contingent liabilities	8,939.1	8,939.4
Change in equity		
Equity beginning of the year	20,096.7	19,087.7
Profit for the year	7,274.8	6,385.9
Dividend	-4,965.2	-4,965.2
Currency translation effects	-197.3	-411.7
Equity at the end of the year	22,209.0	20,096.7

CASH FLOW ANALYSES

1 December - 30 November
(SEK m)

	2003/04	2002/03
CURRENT OPERATIONS		
Profit after financial items*	11,005.3	9,608.7
Provisions for pensions	5.6	30.8
Depreciation	1,232.2	1,125.6
Tax paid	-3,899.6	-3,564.4
Cash flow generated by current operations before changes in working capital	8,343.5	7,200.7
Cash flow generated by changes in working capital		
Changes in		
Current receivables	-157.0	-108.3
Stock-in-trade	-141.2	-948.6
Current liabilities	523.0	92.1
CASH FLOW GENERATED BY CURRENT OPERATIONS	8,568.3	6,235.9
Investment activities		
Investments in renting rights	-14.1	-18.0
Sales of/investments in buildings and land	3.5	11.9
Investments in fixed asset	-1,577.9	-1,267.9
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,588.5	-1,274.0
Financial activities		
Financial investments, 3-6 months	-3,250.0	
Long-term receivables	-27.5	-7.3
Dividend for the year	-4,965.2	-4,965.2
Return on dividend	0.7	0.7
CASH FLOW FROM FINANCIAL ACTIVITIES	-8,242.0	-4,971.8
CASH FLOW FOR THE YEAR	-1,262.2	-9.9
Liquid funds, beginning of the period (including short term investments, 0-3 months)	13,193.5	13,479.6
Cash flow for the year	-1,262.2	-9.9
Changes in currency rates	-130.0	-276.2
Liquid funds, end of the period (including short term investments, 0-3 months)	11,801.3	13,193.5

* Interest paid amounts to SEK 3.7 m (3.8).

FIVE-YEAR SUMMARY

(SEK m)

	1999/2000	2000/2001	2001/2002	2002/2003	2003/2004
Turnover, including VAT	35,876.1	46,528.2	53,331.7	56,550.0	62,985.9
Turnover, excluding VAT	30,453.7	39,698.8	45,522.3	48,237.7	53,695.0
Change from previous year %	+9	+30	+15	+6	+11
Foreign share of turnover %	85	88	89	90	91
Operating result	3,766.6	5,477.8	8,259.1	9,223.0	10,667.3
Operating margin	12.4	13.8	18.1	19.1	19.9
Depreciation for the year	629.1	900.1	1,050.6	1,125.6	1,232.2
Profit after financial items	4,003.2	5,734.0	8,628.9	9,608.7	11,005.3
Net profit for the year	2,552.7	3,816.4	5,686.8	6,385.9	7,274.8
Number of shares	827,536.000	827,536.000	827,536.000	827,536.000	827,536.000
Profit per share, SEK	3.08	4.61	6.87	7.72	8.79
Cash and Bank balances including short-term investments	5,403.2	8,530.9	13,479.6	13,193.5	15,051.3
Stock-in-trade	4,448.7	4,332.4	4,192.5	5,050.1	5,141.6
Restricted equity	1,880.7	2,475.4	2,463.3	2,618.2	2,745.4
Non-restricted equity	10,009.1	12,956.2	16,624.4	17,478.5	19,463.6
Shareholders equity per share, SEK	14.37	18.65	23.07	24.28	26.84
Return on shareholders' equity	23.0	27.9	32.9	32.6	34.4
Return on capital employed	35.8	41.6	49.7	48.9	51.9
Debt/equity ratio	1.2	1.2	0.4	0.2	0.2
Share of risk-bearing capital	79.8	77.8	79.0	81.6	82.5
Solidity	75.7	75.6	75.7	78.0	79.0
Interest cover	225.9	304.4	654.7	3,432.7	3,440.2
Total number of stores	682	771	844	945	1,068
Average number of employees	20,680	22,944	25,674	28,409	31,701

Definition of business ratios is shown in the Annual Report

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, DECEMBER - NOVEMBER

1 December 2003 - 30 November 2004

	Turnover 2004	Turnover 2003	Change SEK	Change local currency	No of stores 30 Nov. 2004	Change since 1 Dec. 2003
	Incl VAT	Incl VAT	%	%		
Sweden	5,883	5,608	5	5	124	1
Norway	4,124	3,986	3	10	75	6
Denmark	2,726	2,517	8	9	53	
United Kingdom	5,602	4,957	13	13	91	12
Switzerland	3,644	3,509	4	6	47	1
Germany	17,693	16,467	7	7	269	30
Netherlands	3,939	3,657	8	8	66	5
Belgium	2,201	2,028	9	9	44	2
Austria	4,159	4,072	2	2	51	3
Luxembourg	282	269	5	5	7	1
Finland	1,548	1,328	17	17	24	3
France	4,436	3,835	16	16	64	11
USA	3,423	2,782	23	37	75	9
Spain	1,954	1,202	63	63	40	13
Poland	462	86	437	469	15	9
Czech Republic	196	74	165	168	7	5
Portugal	225	118	91	91	5	2
Italy	237	55	331	331	3	2
Canada	192				6	6
Slovenia	60				2	2
Total	62,986	56,550	11	12	1,068	123

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, SEPTEMBER - NOVEMBER

1 September 2004 - 30 November 2004

	Turnover 2004	Turnover 2003	Change SEK	Change local currency	No of stores 30 Nov. 2004	Change since 1 Sep. 2004
	Incl VAT	Incl VAT	%	%		
Sweden	1,705	1,518	12	12	124	-1
Norway	1,197	1,097	9	11	75	1
Denmark	792	706	12	12	53	
United Kingdom	1,606	1,441	11	11	91	5
Switzerland	1,044	1,008	4	3	47	1
Germany	5,205	4,661	12	11	269	19
Netherlands	1,191	1,079	10	10	66	2
Belgium	611	560	9	9	44	2
Austria	1,232	1,228			51	1
Luxembourg	78	73	7	7	7	
Finland	462	360	28	29	24	1
France	1,335	1,125	19	18	64	7
USA	991	881	12	24	75	5
Spain	594	382	55	56	40	8
Poland	164	63	160	167	15	2
Czech Republic	73	31	135	135	7	1
Portugal	64	48	33	34	5	1
Italy	93	55	69	70	3	2
Canada	127				6	4
Slovenia	56				2	1
Total	18,620	16,316	14	14	1,068	62

REPORTING PER REGION (SEK M)

	1/12 2003- 30/11 2004	1/12 2002- 30/11 2003	1/9 2004- 30/11 2004	1/9 2004- 30/11 2004
Nordic countries				
Net turnover	11,495	10,815	3,352	2,968
Operating profit	2,202	2,015	718	548
Operating margin, %	19.2	18.6	21.4	18.5
Assets	10,382	7,012		
Liabilities	1,384	1,366		
Investments	225	142		
Depreciation	187	180		
Euro zone countries excl. Finland				
Net turnover	29,907	26,994	8,856	7,842
Operating profit	6,625	5,859	2,425	2,082
Operating margin, %	22.2	21.7	27.4	26.5
Assets	11,450	12,984		
Liabilities	1,831	1,482		
Investments	857	768		
Depreciation	608	553		
Rest of the world				
Net turnover	12,293	10,429	3,666	3,113
Operating profit	1,840	1,349	823	564
Operating margin, %	15.0	12.9	22.4	18.1
Assets	6,260	5,679		
Liabilities	933	808		
Investments	507	364		
Depreciation	437	393		
Total				
Net turnover	53,695	48,238	15,874	13,923
Operating profit	10,667	9,223	3,966	3,194
Operating margin, %	19.9	19.1	25.0	22.9
Assets	28,092	25,675		
Liabilities	4,148	3,656		
Investments	1,589	1,274		
Depreciation	1,232	1,126		

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.