



INTERIM REPORT

1 December 2002 - 28 February 2003

- **Group turnover for the period amounted to SEK 12,636 m (11,246), an increase of 12 per cent. With comparable exchange rates, the increase was 15 per cent.**
- **Gross profit amounted to SEK 5,858 m (5,072), which corresponds to a gross margin of 54.4 per cent (52.9).**
- **Operating margin was 14.5 per cent (11.5) and has improved on all market.**
- **Profit after financial items amounted to SEK 1,689 m (1,180), an increase of 43 per cent.**
- **Lease contract has been signed on a first shop in Milan, Italy. Opening fall 2003. H&M will thereby this year open shops on four new markets.**
- **Profit per share after estimated tax was SEK 1.33 (-.93).**

Turnover

Total turnover including VAT for the H&M Group increased by 12 per cent during the first quarter (15 per cent with comparable exchange rates) and amounted to SEK 12,635.7 m (11,245.8).

Turnover increase in the month of February was 10 per cent excluding exchange rate fluctuations.

H&M opened six stores during the first quarter, of which two were in the USA, one each in the UK, France, Sweden and Germany. One store was closed, bringing the total number of stores to 849. During the same period last year seven stores were opened and two were closed.

Profits

Gross profit amounted to SEK 5,858.2 m (5,071.9), which corresponds to a gross margin of 54.4 per cent (52.9).

After deduction of administrative and selling expenses, operating profit for the first quarter amounted to SEK 1,558.3 m (1,101.4). This corresponds to an operating margin of 14.5 per cent (11.5).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 284.1 m (271.0) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 33.8 m (25.0). After depreciation but before start-up costs, operating margin amounted to 14.8 per cent (11.8).

Group financial net interest income was SEK 131.1 m (78.9).

Profit after financial items was SEK 1,689.4 m (1,180.3), an increase of 43 per cent.

Profit after estimated tax was SEK 1,098.1 m (767.2), corresponding to earnings per share of SEK 1.33 (0.93).

Return on shareholders equity (revolving 12 months) was 33.6 per cent (29.8) and return on capital employed (revolving 12 months) was 50.8 per cent (44.3).

Comments on the Results

The improved stock-in-trade management, has also during the last quarter led to a more even flow of goods and a lower level of stock in comparable shops. This has led to lower price reductions and a gross margin increase of 1.5 per centage points, from 52.9 per cent to 54.4 per cent.

The group has during the first quarter increased turnover and improved operating margin on all markets, compared with the corresponding period last year.

Financial Position

Group balance sheet total increased by 21 per cent and was SEK 25,195.7 m (20,827.3).

During the period, the Group generated a positive cash flow of SEK 74.3 m (491.7).

The financial assets amounted to SEK 13,492.3 m (8,759.8).

Stock-in-trade was SEK 4,368.0 m (4,587.4), a decrease of 5 per cent.

SEK 263.0 m (340.3) were invested in the operations through acquisitions of fixed assets.

Group solidity was 79 per cent (76) and the share of risk-bearing capital was 83 per cent (78).

Net worth apportioned on the outstanding 827,536,000 shares on 28 February 2003, corresponded to SEK 24.17 (19.09) per share.

Expansion

The Group plans to open 47 shops during the second quarter, out of these openings, nine will be in the USA, seven in Germany, six each in France and UK, four in Spain, three in Sweden and two each in Norway, the Czech Republic and Portugal. Finally Finland, Austria, the Netherlands, Poland, Denmark and Belgium will each open one new store. Three shops will close during the quarter. In the corresponding period last year, 27 new stores were opened and two were closed.

The Group has in the beginning of March signed a lease contract on a shop in Milan, Italy. The shop is planned to open in September 2003. This means that H&M moves into four new markets during 2003, the Czech Republic, Poland, Portugal and Italy. In all cases administration and stock-supply will be handled from subsidiaries in neighbouring countries.

During 2003, approximately 110 new stores will be opened.

Accounting Principles

The interim report is established in correspondence with The Swedish Financial Accounting Standards Council recommendation of interim report (RR20). The same principles of accounting has been used as in the last year's annual report.

The interim report has not been audited.

The Half-Year results will be published on 18 June 2003
The Nine Months results will be published on 25 September 2003

Stockholm 26 March 2003

The Board of Directors

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Information about H&M and press photographs are available at www.hm.com

GROUP INCOME STATEMENT

SEK m

	1/12 2002 - 28/2 2003	1/12 2001 - 28/2 2002	1/12 2001 - 30/11 2002
Turnover, including value added tax	12,635.7	11,245.8	53,331.7
Turnover, excluding value added tax	10,770.6	9,583.4	45,522.3
Cost of goods sold	-4,912.4	- 4,511.5	- 20,418.8
Gross profit	5,858.2	5,071.9	25,103.5
Selling expenses	-4,057.4	- 3,718.0	- 15,821.5
Administrative expenses	-242.5	- 252.5	- 1,022.9
Operating profit	1,558.3	1,101.4	8,259.1
Result from financial investments			
Interest income	133.0	81.3	383.0
Interest expense	-1.9	- 2.4	- 13.2
Result after financial items	1,689.4	1,180.3	8,628.9
Estimated tax/Tax for 2002	-591.3	- 413.1	- 2,942.1
Estimated profit/Profit for 2002	1,098.1	767.2	5,686.8
Profit per share, SEK	1.33	0.93	6.87
Number of shares 827,536,000			
Depreciation, total	284.1	271.0	1,050.6
of which selling expenses	238.1	226.5	881,3
of which administration expenses	13.6	13.0	50,8
of which cost of goods sold	32.4	31.5	118,5

SUMMARY OF GROUP BALANCE SHEET
SEK m

28 Feb 2003 28 Feb 2002 30 Nov 2002

Assets

Real estate, fixtures and fittings	6,084.2	6,146.0	6,236.5
Other fixed assets	294.0	424.8	301.0
Total fixed assets	6,378.2	6,570.8	6,537.5
Stock-in-trade	4,368.0	4,587.4	4,192.5
Other current assets	957.2	909.3	989.1
Liquid funds	13,492.3	8,759.8	13,479.6
Total current assets	18,817.5	14,256.5	18,661.2
Total assets	25,195.7	20,827.3	25,198.7

Equity and liabilities

Equity	19,998.8	15,800.7	19,087.7
Long-term liabilities	824.4	939.5	823.8
Short-term liabilities	4,372.5	4,087.1	5,287.2
Total equity and liabilities	25,195.7	20,827.3	25,198.7

Change in equity

Equity, beginning of period	19,087.7	15,431.6
Profit for the period	1,098.1	767.2
Currency translation effects	-187.0	- 398.1
Equity, end of period	19,998.8	15,800.7

CASH FLOW ANALYSES

SEK m

	2002/03	2001/02
Profit after financial items	1,689.4	1,180.3
Adjustment for items not affecting cash flow	284.1	271.0
Tax paid	-1,226.8	-182.9
Cash flow generated by current operations before changes in working capital	746.7	1,268.4
Changes in working capital		
Current receivables	20.7	-58.8
Stock-in-trade	-189.2	-269.8
Current liabilities	-294.2	-199.2
Cash flow generated by changes in working capital	-462.7	-527.8
Cash flow from current operations	284.0	740.6
Cash flow from investment activities	-216.4	-241.1
Cash flow from financing activity	6.7	-7.8
Cash flow for the period	74.3	491.7
Liquid funds, beginning of the period	13,479.6	8,530.9
Changes in currency rates	-61.6	-262.8
Liquid funds, end of the period	13,492.3	8,759.8

FIVE YEARS SUMMARY

SEK m

Three months	28 Feb 1999	29 Feb 2000	28 Feb 2001	28 Feb 2002	28 Feb 2003
Turnover including VAT	7,276.5	8,265.0	9,633.6	11,245.8	12,635.7
Change from previous year, %	25.3	13.6	16.6	16.7	12.4
Operating profit	712.5	610.8	500.9	1,101.4	1,558.3
Operating margin, %	11.6	8.8	6.1	11.5	14.5
Depreciation for the period	115.6	147.6	211.4	271.0	284.1
Profit after estimated tax	493.2	435.8	371.0	767.2	1,098.1
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	0.60	0.53	0.45	0.93	1.33
Shareholders' equity	8,717.8	10,631.7	12,494.4	15,800.7	19,998.8
Shareholders' equity per share, SEK	10.53	12.85	15.10	19.09	24.17
Revolving, twelve months					
Profit per share, SEK	3.00	3.65	3.01	5.09	7.27
Return on shareholders' equity, %	32.1	31.2	21.5	29.8	33.6
Return on capital employed, %	48.0	47.8	33.4	44.3	50.8
Debt/equity ratio, %	1.6	1.3	1.7	1.2	-----
Share of risk-bearing capital, %	78.3	77.5	79.6	77.9	82.6
Solidity, %	73.7	73.7	75.8	75.9	79.4
Interest cover	276.5	298.5	204.3	367.7	720.5
Number of stores	550	602	687	776	849

TURNOVER PER COUNTRY, December - February
SEK m

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 28 Feb 2003	Change since 1 Dec 2002
	Incl VAT	Incl VAT	%	%		
Sweden	1,316	1,272	3	3	120	
Norway	1,009	935	8	4	67	
Denmark	587	564	4	6	50	
U.K.	1,100	877	25	37	69	+ 1
Switzerland	799	785	2	3	44	
Germany	3,712	3,389	10	11	221	+ 1
Netherlands	760	688	10	12	59	
Belgium	471	401	17	19	39	
Austria	898	800	12	14	46	
Luxembourg	61	41	49	50	6	
Finland	299	280	7	8	20	
France	859	584	47	49	43	+ 1
USA	528	487	8	32	47	+ 2
Spain	237	143	66	68	18	
Total	12,636	11,246	12	15	849	+ 5