

## **INTERIM REPORT**

*1 December 1998 - 31 August 1999*

- ***Group turnover amounted to SEK 23,549 M (SEK 18,342 M), an increase of 28 per cent compared with the same period last year.***
- ***Sales development has been very satisfactory in all markets.***
- ***Profit before taxes was SEK 3,209 M (SEK 2,122 M), an improvement of 51 per cent.***
- ***Profit per share after estimated comprehensive tax allocation corresponded to SEK 2.52 (SEK 1.67).***
- ***41 new shops were opened in the nine month period, of which 10 in the later part of August.***

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*Total turnover for the H&M Group rose by 28 per cent during the first nine months of the financial year and reached SEK 23,548.5 M including VAT (SEK 18,341.5 M). Turnover during the third quarter amounted to SEK 7,865.8 M (SEK 6,276.6 M), an increase of 25 per cent. Same store sales was positive in all markets. Sales outside Sweden accounted for 84 per cent (81 per cent) of Group turnover.*

*The continued strong sales increase resulted in H&M gaining market shares in all countries.*

*Gross operating profit reached SEK 10,342.6 M (SEK 7,775.0 M). After deduction for administrative and selling expenses, operating profit was SEK 3,070.4 M (SEK 2,016.8 M), an improvement of 52 per cent. The result reached corresponded to an operating margin of 15.4 per cent (13.0 per cent). Operating profit has been charged with depreciation according to plan*

amounting to SEK 348.9 M (SEK 261.7 M) and start-up costs, e.g. the part of investments in new stores charged directly to the income statement, of SEK 147.6 M (SEK 106.5 M).

After depreciation but before start-up costs, operating margin thus reached 16.2 per cent (13.7 per cent). Group financial net interest income of SEK 138.4 M (SEK 104.7 M) added, profit after financial items was SEK 3,208.8 M (SEK 2,121.5 M).

Profit after estimated comprehensive tax allocation was SEK 2,085.7 M (SEK 1,379.0 M), which corresponds to a profit per share of SEK 2.52 (SEK 1.67).

Return on shareholders' equity (for the twelve months period ending 31 August) was 35.8 per cent (32.6 per cent) and return on capital employed (for the twelve months period ending 31 August) was 53.8 per cent (47.8 per cent).

Group balance sheet total increased by 26 per cent and corresponded to SEK 12,969.8 M (SEK 10,311.5 M). The financial assets amounted to SEK 5,829.8 M (SEK 4,190.2 M). Stock-in-trade increased by 14 per cent and was SEK 3,811.7 M (SEK 3,353.1).

The equity/assets ratio corresponded to 72 per cent (71 per cent).

Net worth, allocated to the 827,536,000 shares issued, corresponded on 31 August to SEK 11.32 (SEK 8.89).

	Turnover	Number of stores	Change since 1 December 1999
Sweden	3,842.2	121	+ 1
Norway	2,037.8	53	+ 2
Denmark	1,342.7	43	+ 2
England	946.5	30	+ 5
Switzerland	1,788.1	39	- 3
Germany	7,622.8	159	+ 10
The Netherlands	1,557.4	53	+ 9
Belgium	1,046.3	31	+ 1
Austria	2,104.5	32	+ 1
Luxembourg	99.1	4	+ 1
Finland	614.3	10	+ 2
France	546.8	8	+ 2
	23,548.5	583	+ 33

During the rest of the financial year, 30 new stores net are planned to be opened.

Leases have been signed for two stores in New York. Negotiations are in progress for a further

*three leases in the New York area. It is at present estimated that three to four stores will be opened in the US during 2000.*

*In Spain, negotiations are in progress for five leases. On condition that the leases are signed, also these stores will open during 2000.*

*This interim report has not been audited.*

*The 1998/99 result report of the H&M Group will be published on 27 January 2000.*

*London 21 September 1999*

*The Board of Directors*

*Further information regarding the interim report will be given today by:*

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## H&M GROUP EARNINGS

(SEK M)

	1/12 1998- 31/8 1999	1/12 1997- 31/8 1998	1/6 1999- 31/8 1999	1/6 1998- 31/8 1998	1/12 1997- 30/11 1998
<i>Turnover, including value added tax</i>	23,548.5	18,341.5	7,865.8	6,276.6	26,649.8
<i>Turnover, excluding value added tax</i>	19,892.7	15,514.1	6,642.6	5,300.2	22,540.8
<i>Costs of goods sold</i>	- 9,550.1	- 7,739.1	- 3,152.3	-2,687.8	-11,057.0
<i>Gross operating profit</i>	10,342.6	7,775.0	3,490.3	2,612.4	11,483.8
<i>Selling expenses</i>	- 6,866.9	-5,443.6	- 2,249.9	-1,788.3	- 7,710.4
<i>Administrative expenses</i>	- 405.3	- 314.6	- 125.2	- 99.5	- 446.7
<i>Operating profit</i>	3,070.4	2,016.8	1,115.2	724.6	3,326.7
<i>Result from financial investments</i>					
<i>Interest income</i>	144.5	112.1	47.6	44.7	155.3
<i>Interest expense</i>	- 6.1	- 7.4	- 2.7	- 3.3	- 13.8
<i>Profit after financial items</i>	3,208.8	2,121.5	1,160.1	766.0	3,468.2
<i>Estimated full tax</i>	- 1,123.1	- 742.5	- 406.1	- 268.1	- 1,181.3
<i>Estimated profit/Profit for 1998</i>	2,085.7	1,379.0	754.0	497.9	2,286.9
<i>Profit per share, SEK</i>	2.52	1.67	-.91	-.60	2.76

**CONSOLIDATED CASH FLOW STATEMENT**  
(SEK M)

	1998/99	1996/97
<i>Operating profit</i>	3,070.4	2,016.8
<i>Depreciation and start-up costs</i>	496.5	368.2
<i>Operating profit before depreciation and start-up costs</i>	3,566.9	2,385.0
<i>Changes in</i>		
<i>Operating receivables</i>	12.9	- 54.0
<i>Stock-in-trade</i>	- 573.8	- 644.7
<i>Current liabilities</i>	555.1	489.5
	- 5.8	- 209.2
<i>Cash flow from operations before financial income and expense</i>	3,561.1	2,175.8
<i>Net interest income/expense</i>	138.4	104.7
<i>Tax expense</i>	-1,123.1	- 742.5
<i>Dividend to shareholders</i>	- 827.5	- 620.7
<i>Exchange rate difference etc.</i>	- 290.2	122.2
	-2,102.4	-1,136.3
<i>Cash flow before external financing</i>	1,458.7	1,039.5
<i>Changes in</i>		
<i>Long-term liabilities</i>	- 6.2	4.2
<i>Long-term receivables</i>	- 7.9	- 3.3
	- 14.1	0.9
<i>Cash flow before investments</i>	1,444.6	1,040.4
<i>Investments and start-up costs</i>	- 774.7	- 647.2
<i>Changes in financial current assets</i>	669.9	393.2

## SUMMARY OF GROUP BALANCE SHEET

(SEK M)

	31 August -99	31 August -98	30 Nov -98
<b>Assets</b>			
<i>Real estate, fixtures and fittings</i>	2,725.5	2,190.3	2,447.3
<i>Other fixed assets</i>	68.3	43.8	60.4
<i>Total fixed assets</i>	2,793.8	2,234.1	2,507.7
<i>Stock-in-trade</i>	3,811.7	3,353.1	3,237.9
<i>Other current assets</i>	534.5	534.1	547.4
<i>Liquid funds</i>	5,829.8	4,190.2	5,159.9
<i>Total current assets</i>	10,176.0	8,077.4	8,945.2
<b>Total assets</b>	12,969.8	10,311.5	11,452.9
<b>Equity and liabilities</b>			
<i>Equity</i>	9,373.9	7,353.9	8,405.9
<i>Long-term liabilities</i>	646.7	583.8	652.9
<i>Short-term liabilities</i>	2,949.2	2,373.8	2,394.1
<b>Total equity and liabilities</b>	12,969.8	10,311.5	11,452.9

## **NINE-MONTHS RESULTS, FIVE YEAR SUMMARY**

(SEK M)

	<i>31 August-95</i>	<i>31 August-96</i>	<i>31 August-97</i>	<i>31 August-98</i>	<i>31 August-99</i>
<i>Turnover including VAT</i>	10,465.6	11,747.6	14,864.6	18,341.5	23,548.5
<i>Change from previous year, %</i>	7.4	12.2	26.5	23.4	28.4
<i>Sales outside Sweden, %</i>	73.0	75.0	79.0	81.0	84.0
<i>Operating profit</i>	589.1	956.3	1,394.0	2,016.8	3,070.4
<i>Operating margin, %</i>	6.7	9.6	11.1	13.0	15.4
<i>Profit after estimated full tax</i>	434.4	660.0	945.6	1,379.0	2,085.7
<i>Profit per share</i>	-.52	-.80	1.14	1.67	2.52
<i>Total number of stores</i>	379	421	468	518	583