

INTERIM REPORT

1 December 1999 - 31 August 2000

The period in brief:

- ***Group turnover for the nine months period amounted to SEK 25,428 M (SEK 23,549 M), an increase of 8 per cent compared with the same period last year. In comparable currencies 13 per cent.***
- ***Profit after financial items was SEK 2,613 M (SEK 3,209 M), a decrease of 19 per cent compared with the same period last year, mainly due to price reductions, larger than usual, of SEK 375 M.***
- ***Turnover for the third quarter amounted to SEK 8,186 M (SEK 7,866 M), an increase of 4 per cent (in comparable currencies 7 per cent) compared with the third quarter 1999. Profit after financial items was SEK 800 M (SEK 1,160 M).***
- ***Measures to reduce costs have had an effect during the third quarter. Operating expenditures will be reduced by SEK 500 M on an annual basis.***
- ***The balance of the assortment mix - the relation between very high and basic fashion - has been corrected.***
- ***Customer response in the USA continues to exceeded expectation.***
- ***The autumn collection has been well received. Q4 sales has started well.***

Turnover - increases both in mature and new markets

Total turnover for the H&M Group increased during the nine months period by 8 per cent (in comparable currencies 13 per cent) compared with the same period last year and reached SEK 25,428.1 M including VAT (SEK 23,548.5 M).

Turnover during the third quarter increased by 4 per cent (in comparable currencies 7 per cent) and amounted to SEK 8,186.1 M (SEK 7,865.8 M) compared with the third quarter last year.

As reported earlier, the imbalance in the assortment mix between basic and very high degree of fashion has resulted in a lower sales growth than earlier years.

Sales outside Sweden accounted for 85 per cent (84 per cent). During the period, 42 new stores have been opened and 19 stores have been closed of which 14 Galne Gunnar. Approximately 50 new stores will be opened during the fourth quarter.

The Group development in the new markets Spain and the USA has exceeded expectations. H&M's stores in the USA (at present six stores) have developed very positively, and on a yearly basis, sales are on the same level as turnover in for example Denmark, where H&M operates 46 stores. Gross margin in the USA and Spain at the same level as on the rest of the markets.

Result - large impact by price reductions

Gross profit for the nine months period reached SEK 10,856.2 M (SEK 10,342.6 M), corresponding to 50.4 per cent (52.0 per cent) of the turnover. Price reductions during the period were approximately SEK 375 M larger than in the corresponding period last year, answering to 1.7 per cent of the turnover. The margin for the third quarter was affected negatively by 2.9 percentage units and gross profit was SEK 3,417.4 M (SEK 3,490.3 M).

After deduction for administrative and selling expenses, operating profit for the nine months period was SEK 2,423.7 M (SEK 3,070.4 M). This result corresponds to an operating margin of 11.2 per cent (15.4 per cent).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 454.8 M (SEK 348.9 M) and start-up costs, e.g. the part of investments in new stores charged directly to the income statement, of SEK 247.8 M (SEK 147.6 M). After depreciation but before start-up costs, operating margin reached 12.4 per cent (16.2 per cent).

Group financial net interest income of SEK 189.1 M (SEK 138.4 M) added, profit after financial items was SEK 2,612.8 M (SEK 3,208.8 M).

Profit after financial items for the third quarter was SEK 800.1 M (SEK 1,160.1 M).

Compared with the same period last year, the nine months result has been affected negatively

by exchange rate fluctuations of SEK 195 M. These arise when results of foreign subsidiaries

are translated into SEK to be consolidated into the group accounts and have been affected by the Swedish Krona having strengthened in relation to the European currencies.

The result contains a pension insurance repayment of SEK 34 M.

Profit after comprehensive tax allocation was SEK 1,698.3 M (SEK 2,085.7 M), corresponding to earnings per share of SEK 2.05 (SEK 2.52).

Return on shareholders' equity (revolving twelve months) was 26.6 per cent (35.8 per cent) and return on capital employed (revolving twelve months) was 40.8 per cent (53.8 per cent).

Comments to the result

In spite of the effects of the imbalance in the assortment mix, the H&M Group shows a strong, but still not satisfactory result.

Reasons for the lower profit this year compared with the same period last year are explained by:

- *larger price reductions than normal as a consequence of imbalance in the assortment mix, where the part of garments with a very high fashion degree has been high in relation to demand, SEK 375 M. The major part of these garments has now been sold and only a minor part still remains in stock.*
- *negative currency translation effects, SEK 195 M*
- *increased start-up costs, SEK 100 M*

It is important to emphasise that capital and operating expenditures concerning establishments of new stores in new as well as in earlier markets are on level with budget and will, according the Group's opinion, yield a very good return in the future.

Continued strong financial position

Group balance sheet total increased by 15 per cent and corresponded to SEK 14,931.9 M (SEK 12,969.8 M). Financial assets amounted to SEK 5,046.4 M (SEK 5,829.8 M).

Stock-in-trade was SEK 5,091.3 M (SEK 3,811.7), an increase of 34 per cent. The increase is to more than 50 per cent attributable to new stores. The remaining part is mainly attributable to deliveries received earlier this year compared with the same period last year

The equity/assets ratio corresponded to 72 per cent (72 per cent) and the share of risk-bearing capital was 76 per cent (76 per cent).

Net worth, allocated to the 827,536,000 shares issued, corresponded on 31 August to SEK 13.08 (SEK 11.32).

Turnover and number of stores per country during the nine months period

	Turnover	Number of stores	Change since 1 December 1999
Sweden	3,834.1	113	- 11
Norway	2,102.7	59	4
Denmark	1,368.2	46	1
England	1,468.7	40	6
Switzerland	1,755.7	41	
Germany	8,009.6	178	11
The Netherlands	1,695.1	55	1
Belgium	1,073.6	33	
Austria	2,078.5	33	
Luxembourg	103.5	4	
Finland	682.7	12	
France	764.5	14	3
USA	401.7	4	4
Spain	89.5	4	4
Total	25,428.1	636	23

Important measures during the third quarter

A program has been implemented to stop the cost development for the running operations. The measures have had an effect during the third quarter. Increased cost consciousness today permeates the total organisation. In the next six months, efficiency-increasing measures are expected to reduce the cost level in the present operations by approximately SEK 500 M on a yearly basis.

The assortment mix has been corrected for the autumn collection, which has been well received. Sales in the first weeks of the season have been good.

This interim report has not been audited.

The report for the fiscal year 1999/2000 will be published on 25 January 2001.

Stockholm 19 September 2000
The Board of Directors

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H&M in brief

H&M sells fashion and cosmetics in 636 stores in 14 countries. The business concept is "Fashion and quality at the best price". H&M has 70 designers who together with H&M's buyers create garment collections for women, men, children and teenagers. The Group has approximately 26,500 employees.

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

H&M GROUP EARNINGS
(SEK M)

	1/12 1999- 31/8 2000	1/12 1998- 31/8 1999	1/6 2000- 31/8 2000	1/6 1999- 31/8 1999	1/12 1998- 30/11 1999
<i>Turnover, including value added tax</i>	25,428.1	23,548.5	8,186.1	7,865.8	32,976.6
<i>Turnover, excluding value added tax</i>	21,549.1	19,892.7	6,951.0	6,642.6	27,888.1
<i>Costs of goods sold</i>	- 10,692.9	- 9,550.1	- 3,533.6	- 3,152.3	- 13,152.3
<i>Gross profit</i>	10,856.2	10,342.6	3,417.4	3,490.3	14,735.8
<i>Selling expenses</i>	- 7,944.6	- 6,866.9	- 2,524.7	- 2,249.9	- 9,596.7
<i>Administrative expenses</i>	- 487.9	- 405.3	- 152.3	- 125.2	- 559.1
<i>Operating profit</i>	2,423.7	3,070.4	740.4	1,115.2	4,580.0
<i>Result from financial investments</i>					
<i>Interest income</i>	199.6	144.5	66.4	47.6	193.3
<i>Interest expense</i>	- 10.5	- 6.1	- 6.7	- 2.7	- 14.7
<i>Profit after financial items</i>	2,612.8	3,208.8	800.1	1,160.1	4,758.6
<i>Estimated full tax</i>	- 914.5	- 1,123.1	- 280.1	- 406.1	- 1,683.2
<i>Estimated profit/Profit for 1999</i>	1,698.3	2,085.7	520.0	754.0	3,075.4

Profit per share, SEK

2.05

2.52

0.61

-.91

3.72

SUMMARY OF GROUP BALANCE SHEET

(SEK M)

	31 August -00	31 August -99	30 Nov -99
Assets			
<i>Real estate, fixtures and fittings</i>	4,116.8	2,725.5	3,090.8
<i>Other fixed assets</i>	90.2	68.3	75.7
 <i>Total fixed assets</i>	 4,207.0	 2,793.8	 3,166.5
 <i>Stock-in-trade</i>	 5,091.3	 3,811.7	 3,609.3
<i>Other current assets</i>	587.2	534.5	590.0
<i>Liquid funds</i>	5,046.4	5,829.8	6,832.4
 <i>Total current assets</i>	 10,724.9	 10,176.0	 11,031.7
 Total assets	 14,931.9	 12,969.8	 14,198.2
 Equity and liabilities			
<i>Equity</i>	10,823.6	9,373.9	10,293.8
<i>Long-term liabilities</i>	703.8	646.7	687.4
<i>Short-term liabilities</i>	3,404.5	2,949.2	3,217.0
 Total equity and liabilities	 14,931.9	 12,969.8	 14,198.2

CASH FLOW ANALYSES

(SEK M)

	1999/2000	1998/1999
<i>Profit after financial items</i>	2,612.8	3,208.8
<i>Adjustment for items not affecting cash flow</i>	- 196.6	- 531.8
<i>Cash flow generated by current operations</i>	2,416.2	2,677.0
<i>Cash flow generated by changes in working capital</i>	- 1,371.5	57.3
<i>Cash flow from investment activities</i>	- 1,709.2	- 900.5
<i>Cash flow from financial activity</i>	- 1,115.8	- 838.9
<i>Cash flow for the period</i>	- 1,780.3	994.9
 <i>Liquid funds 1 December 1999 (1 December 1998)</i>	 6,832.4	 5,159.9
<i>Cash flow for the period</i>	- 1,780.3	994.9
<i>Changes in currency rates</i>	- 5.7	- 325.0
<i>Liquid funds 31 August 2000 (31 August 1999)</i>	5,046.4	5,829.8

NINE-MONTHS RESULTS, FIVE YEAR SUMMARY
(SEK M)

	31 August-96	31 August-97	31 August-98	31 August-99	31 August-00
<i>Turnover including VAT</i>	11,747.6	14,864.6	18,341.5	23,548.5	25,428.1
<i>Change from previous year, %</i>	12.2	26.5	23.4	28.4	8.0
<i>Sales outside Sweden, %</i>	75.0	79.0	81.0	84.0	85.0
<i>Operating profit</i>	956.3	1,394.0	2,016.8	3,070.4	2,423.7
<i>Operating margin, %</i>	9.6	11.1	13.0	15.4	11.2
<i>Profit after estimated full tax</i>	660.0	945.6	1,379.0	2,085.7	1,698.3
<i>Profit per share</i>	-.80	1.14	1.67	2.52	2.05
<i>Total number of stores</i>	421	468	518	583	636