



PRESS RELEASE

1 December 1997 to 30 November 1998

- ***Group turnover amounted to SEK 26,650 M (SEK 21,279 M), an increase of 25% compared with the previous year***
- ***Same store sales increased in all markets***
- ***Profit before tax was SEK 3,468 M (SEK 2,512 M), an increase of 38%***
- ***Profit per share after tax increased to SEK 11.05 (SEK 8.17)***
- ***Investments amounted to SEK 1,008 M. A total of 71 new shops were opened, of which six in France, a new H&M market***
- ***In the autumn, H & M Rowells started mail-order operations in Denmark***
- ***The Board of Directors proposes a dividend of SEK 4.00 per share***
- ***The Board of Directors proposes a 4:1 split of company shares***

During the past year total turnover for the H&M Group rose by 25 per cent (previous year 24 per cent) and amounted to SEK 26,649.8 M including VAT (SEK 21,279.4 M).

The sales growth of H&M was attributable both to the retail business and to the mail-order business. Same store sales increased in all markets. Together with a net increase of 60 new stores, this means that H&M gained market shares in all countries.

The operation in France, which was started in the spring, has with its six stores developed in a very positive way. In the month of August, H & M Rowells started its mail-order operations in Denmark. Demand and sales have well answered to expectations.

Sales outside Sweden accounted for 82 per cent of Group sales (79 per cent).

<u>Statement of Earnings - Group, SEK M:</u>	1997/98	1996/97
Turnover, including value added tax	26,649.8	21,279.4
Turnover, excluding value added tax	22,540.8	18,010.9
Costs of goods sold	-11,057.0	- 8,862.2
Gross profit	11,483.8	9,148.7
Selling expenses	- 7,710.4	- 6,392.1
Administrative expenses	- 446.7	- 331.5
Operating profit	3,326.7	2,425.1
Result from financial investments:		
Interest income	155.3	99.5
Interest expense	- 13.8	- 12.7
Profit after financial items	3,468.2	2,511.9
Tax on profit for the year	- 1,181.3	- 821.0
Net profit for the year	2,286.9	1,690.9
Do per share, SEK	11.05	8.17

Comments on the results for the Group

Gross profit amounted to SEK 11,483.8 M (SEK 9,148.7 M). After deduction for selling and administrative expenses of SEK 8,157.1 M (SEK 6,723.6 M), operating profit was SEK 3,326.7 M (SEK 2,425.1 M), an improvement of 37 per cent. The result achieved meant an operating margin of 14.8 per cent (13.5 per cent). The operating profit has been charged with depreciation according to plan of SEK 352.8 M (SEK 289.1 M) and start-up costs (the part of the investment in new premises which is treated as a cost item) of SEK 119.6 M (SEK 109.3 M).

Operating margin calculated on the profit after depreciation but before start-up costs was thus 15.3 per cent (14.1 per cent).

As in the previous year, profit growth and margin improvement are attributable to the increased sales volumes.

In spite of falling interest rates in Europe, net interest income for the Group increased due to higher liquidity to SEK 141.5 M (SEK 86.8 M). Profit after financial items increased by 38 per cent and was SEK 3,468.2 M (SEK 2,511.9 M).

After provisions for tax of SEK 1,181.3 M (SEK 821.0 M), profit for the year was SEK 2,286.9 M (SEK 1,690.9 M). The result corresponds to a profit per share of SEK 11.05 (SEK 8.17).

Return on shareholders' equity reached 30.7 per cent (29.1 per cent) and return on capital

employed amounted to 46.3 per cent (42.5 per cent).

At the financial year-end, the balance sheet total was SEK 11,452.9 M (SEK 8,937.3 M), an increase of 28 per cent. During the past year Group operations generated a positive cash flow of SEK 2,317.9 M (SEK 1,460.9 M), of which SEK 1,008.4 M (SEK 689.6 M) were reinvested into the operations. The financial assets increased by SEK 1,362.9 M or 36 per cent and amounted to SEK 5,159.9 M (SEK 3,797.0 M).

Stock-in-trade was SEK 3,237.9 M (SEK 2,708.4 M) and thus increased by 20 per cent. It represented 14.4 per cent (15.0 per cent) of the turnover and 28.3 per cent (30.3 per cent) of the balance sheet total.

The debt/equity ratio was low at 1.1 per cent (2.1 per cent) and the share of risk-bearing capital increased to 77.9 per cent (77.4 per cent).

The average number of employees in the Group was 14,101 (12,096), of which 3,079 (2,934) were employed in Sweden.

The profit after financial items for the parent company, which is not the same as that of the Swedish operations, amounted to SEK 1,394.3 M (SEK 979.0 M). Adjusting for dividend income from subsidiaries, the result was SEK 219.7 M (SEK 176.6 M). Profit for the year after appropriations to untaxed reserves and tax was SEK 1,319.7 M (SEK 924.0 M).

For the fiscal year 1999, a net addition of 60 new stores is planned.

Proposed dividend

The Board of Directors proposes a dividend of SEK 4.00 per share. Proposed closing date for the dividend is 21 April 1999.

The Annual General Meeting of the shareholders will be held on Friday, 16 April 1999, at 3 p.m. at Bern's Congress, Berzelii Park in Stockholm.

The annual report will be published and distributed to the shareholders during the third week of March 1999. The annual report will be available at the head office of the company at Norrlandsgatan 15 in Stockholm, Tel: +46 8 796 55 00.

The Group will be publishing the following financial reports during the fiscal year 1998/99:

Three months report	16 April
Six months report	22 June
Nine months report	21 September

28 January 1999

The Board of Directors

GROUP BALANCE SHEET
(SEK M)

ASSETS	1998	1997
<i>Fixed Assets</i>		
<u><i>Intangible Assets</i></u>		
<i>Renting rights</i>	36.3	5.7
<u><i>Tangible Assets</i></u>		
<i>Land and buildings</i>	191.9	191.7
<i>Equipment, tools, fixtures and fittings</i>	<u>2,219.1</u>	<u>1,713.9</u>
	2,411.0	1,905.6
<u><i>Financial Assets</i></u>		
<i>Other long-term receivables</i>	60.4	40.5
<i>Total Fixed Assets</i>	2,507.7	1,951.8
<i>Current Assets</i>		
<i>Stock-in-trade</i>	3,237.9	2,708.4
<u><i>Current receivables</i></u>		
<i>Accounts receivable, trade</i>	349.0	300.5
<i>Other receivables</i>	43.6	30.6
<i>Prepaid expenses and accrued income</i>	<u>154.8</u>	<u>149.0</u>
	547.4	480.1
<i>Short-term investments</i>	3,737.7	2,733.6
<i>Cash and bank balances</i>	1,422.2	1,063.4
<i>Total Current Assets</i>	8,945.2	6,985.5
<i>Total Assets</i>	11,452.9	8,937.3

GROUP BALANCE SHEET
(SEK M)

<i>EQUITY AND LIABILITIES</i>	<i>1998</i>	<i>1997</i>
<i>Equity</i>		
<u><i>Restricted Equity</i></u>		
<i>Share capital</i>	<i>206.9</i>	<i>206.9</i>
<i>Restricted reserves</i>	<u><i>1,419.6</i></u>	<u><i>1,185.1</i></u>
	<i>1,626.5</i>	<i>1,392.0</i>
<u><i>Non-restricted Equity</i></u>		
<i>Profit brought forward</i>	<i>4,492.5</i>	<i>3,390.5</i>
<i>Profit for the year</i>	<u><i>2,286.9</i></u>	<u><i>1,690.9</i></u>
	<i>6,779.4</i>	<i>5,081.4</i>
<i>Total Equity</i>	<i>8,405.9</i>	<i>6,473.4</i>
<u><i>Provisions</i></u>		
<i>Provisions for pensions</i>	<i>90.5</i>	<i>86.5</i>
<i>Provisions for taxation</i>	<u><i>516.3</i></u>	<u><i>447.8</i></u>
	<i>606.8</i>	<i>534.3</i>
<u><i>Long-term Liabilities</i></u>		
<i>Liabilities to credit institutions</i>	<i>46.1</i>	<i>45.3</i>
<u><i>Current Liabilities</i></u>		
<i>Accounts payable, trade</i>	<i>596.3</i>	<i>529.0</i>
<i>Income tax liabilities</i>	<i>489.5</i>	<i>347.0</i>
<i>Other liabilities</i>	<i>454.1</i>	<i>318.5</i>
<i>Accrued expenses and deferred income</i>	<u><i>854.2</i></u>	<u><i>689.8</i></u>
	<i>2,394.1</i>	<i>1,884.3</i>
<i>Total Equity and Liabilities</i>	<i>11,452.9</i>	<i>8,937.3</i>
 <i>Pledged assets</i>		
 <i>Real estate mortgages</i>	 <i>58.7</i>	 <i>56.6</i>
 <i>Contingent liabilities</i>	 <i>29.7</i>	 <i>29.4</i>

CONSOLIDATED CASH FLOW STATEMENT
(SEK M)

	1997/98	1996/97
Operating profit	3,326.7	2,425.1
Depreciation and start-up costs	<u>472.4</u>	<u>398.4</u>
Cash flow before changes in working capital	3,799.1	2,823.5
Changes in		
Current receivables	- 67.3	- 141.4
Stock-in-trade	- 529.5	- 472.8
Current liabilities	<u>509.8</u>	<u>357.5</u>
	<u>- 87.0</u>	<u>- 256.7</u>
Cash flow from operations before financial items	3,712.1	2,566.8
Sale of shares		0.6
Net interest income	141.5	86.8
Tax expense	-1,181.3	- 821.0
Dividend to shareholders	- 620.7	- 455.1
Exchange rate difference etc	<u>266.3</u>	<u>82.8</u>
	<u>-1,394.2</u>	<u>-1,105.9</u>
Cash flow before external financing	2,317.9	1,460.9
Changes in		
Long-term liabilities and provisions	73.3	89.5
Long-term receivables	<u>- 19.9</u>	<u>- 1.3</u>
	<u>53.4</u>	<u>88.2</u>
Cash flow before investments	2,371.3	1,549.1
Investments and start-up costs	<u>-1,008.4</u>	<u>- 689.6</u>

Changes in financial current assets

1,362.9

859.5

FIVE-YEAR SUMMARY

		1993/94	1994/95	1995/96	1996/97	1997/98
<i>Turnover, including VAT</i>	SEK M	13,522.5	14,591.1	17,212.1	21,279.4	26,649.8
<i>Change from previous year</i>	%	+ 18	+ 8	+ 18	+ 24	+ 25
<i>Sales outside Sweden</i>	SEK M	9,458.1	10,720.1	13,085.4	16,853.1	21,730.1
<i>Sales outside Sweden as a percentage of total sales</i>	%	70	73	76	79	82
<i>Operating margin</i>	%	12.8	10.0	12.6	13.5	14.8
<i>Profit after financial items</i>	SEK M	1,591.3	1,321.7	1,905.0	2,511.9	3,468.2
<i>Net profit for the year</i>	SEK M	1,065.3	973.1	1,331.0	1,690.9	2,286.9
<i>Cash and Bank balances including short-term investments</i>	SEK M	2,445.1	2,193.5	2,937.5	3,797.0	5,159.9
<i>Stock-in-trade</i>	SEK M	1,753.2	1,859.0	2,235.6	2,708.4	3,237.9
<i>Restricted equity</i>	SEK M	1,030.8	1,070.1	1,194.8	1,392.0	1,626.5
<i>Non-restricted equity</i>	SEK M	2,731.6	3,186.1	3,960.0	5,081.4	6,779.4
<i>Return on shareholders' equity</i>	%	31.6	24.3	28.3	29.1	30.7
<i>Return on capital employed</i>	%	46.2	32.7	39.8	42.5	46.3
<i>Debt/equity ratio</i>	%	2.9	3.0	2.5	2.1	1.1
<i>Share of risk-bearing capital</i>	%	72.9	79.7	76.9	77.4	77.9
<i>Solidity</i>	%	67.6	74.3	71.9	72.4	73.4
<i>Interest cover</i>		67.1	47.4	106.2	198.8	252.3
<i>Number of stores in Sweden</i>		119	118	117	117	120
<i>Number of stores outside Sweden</i>		238	275	326	373	430
<i>Total number of stores</i>		357	393	443	490	550
<i>Average number of employees</i>		8,837	9,465	10,469	12,096	14,101

SALES PER COUNTRY AND NUMBER OF STORES

	Sales, SEK M		Number of stores	Change in 1998
	1998	1997		
<i>Sweden</i>	4,920	4,426	120	3
<i>Norway</i>	2,385	2,111	51	2
<i>Denmark</i>	1,453	1,184	41	1
<i>England</i>	884	601	25	4
<i>Switzerland</i>	2,193	1,829	42	
<i>Germany</i>	8,511	6,606	149	26
<i>The Netherlands</i>	1,723	1,371	44	5
<i>Belgium</i>	1,237	1,014	30	3
<i>Austria</i>	2,416	1,847	31	6
<i>Luxembourg</i>	69	28	3	1
<i>Finland</i>	577	262	8	3
<i>France</i>	282		6	6
	26,650	21,279	550	60