HALF-YEAR REPORT

1 December 2003 - 31 May 2004

- **Turnover for the H&M Group excluding VAT amounted to SEK 24,981 M (23,070), an increase of 8 per cent. With comparable currency rates, the increase was 10 per cent.**

- **Profit after financial items for the half-year was SEK 4,497 M (4,256). Profit per share after estimated tax was SEK 2,923 M (2,766), corresponding to SEK 3:53 (3:34) per share.**

- **Turnover for the second quarter excluding VAT amounted to SEK 13,225 M (12,299), an increase of 8 per cent compared with previous year. With comparable currency rates the increase was 9 per cent.**

- **Profit after financial items for the second quarter was SEK 2,709 M (SEK 2,566), an increase of 6 per cent.**

- **Sales in the first two stores in Canada, Toronto, has been well over expectations.**

- **A contract has been signed for the first establishment on the US west coast in San Francisco. Opening planned during the autumn 2005.**

- **The operations in the USA reported profit after depreciations during the second quarter.**

Turnover

Turnover excluding VAT for the H&M Group increased by 8 per cent in the first six months (with comparable currency rates,10 per cent) and amounted to SEK 24,981.1 M (23,069.5). Turnover including VAT was SEK 29,304.2 M (27,025.2).

Turnover excluding VAT for the second quarter increased by 8 per cent (with comparable currency rates, 9 per cent) and amounted to SEK 13,225.0 M (12,298.9). Turnover including VAT was SEK 15,497.2 M (14,389.5).

The turnover increase for the month of May was 7 per cent with comparable currency rates. Calender effects are estimated to have affected sales negatively with approximately 8 percentage points.

During the first six months, the Group opened 57 stores; eleven in Germany, seven in the UK, six in Poland, five in Spain, four each in Norway and the USA, three in the Netherlands, three in France, two each in Sweden, Belgium, Finland, the Czech Republic and Canada, and finally one each in Denmark, Luxemburg, Austria and Portugal. Eight stores have been closed. The total number of stores in the Group thus amounts to 994 (893).

Results for the first half-year

Gross profit for the first six months amounted to SEK 14,033.9 M (12,836.2), which corresponds to 56.2 per cent (55.6) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 4,323.6 M (4,028.1). The result corresponds to an operating margin of 17.3 per cent (17.5).

Operating profit for the period has been charged with depreciations according to plan amounting to SEK 625.3 M (570.1) and start-up costs, i.e. the part of the investment in new premises which is treated as a cost item, of SEK 142.2 M (98.4).

Group financial net interest income during the first six months was SEK 173.2 M (227.6).

Profit after financial items reached SEK 4,496.8 M (4,255.7), an increase of 6 per cent.

Profit for the Group after comprehensive tax allocation (35 per cent) for the first six months was SEK 2,922.9 M (2,766.2), corresponding to earnings per share of SEK 3.53 (3.34).

Return on shareholders' equity (revolving 12 months) was 37.6 per cent (38.8) and return on capital employed (revolving 12 months) was 56.5 per cent (58.6).

Results for the second quarter

Gross profit amounted to SEK 7,722.5 M (6,978.0) which corresponds to a gross margin of 58.4 per cent (56.7)

Operating profit was SEK 2,623.0 M (2,469.8) corresponding to an operating margin of 19.8 per cent (20.1).

Profit after financial items was SEK 2,709.0 M (2,566.3) an increase of 6 per cent.

Comments on the second quarter

Compared to last year, it has been possible also during the second quarter, to lower the prices to customer with approximately 5 per cent, mainly as a consequence of the continued low US dollar rate. The volume increase is estimated to be approximately 14 per cent.

Calender effects during May had an unfavourable impact on retail sales. For the H&M Group, the reduction in sales amounts to approximately 8 percentage points, compared to last year. Parts of this reduction is estimated to be compensated for in the month of June.

In March, the first two stores were opened in Canada in Toronto. Sales has surpassed expectations and the operating costs have, through support from H&M in the USA, been kept at a low level.

The US operations show a strong sales development and an essentially improved cost efficiency. H&M in USA shows a positive result after depreciation during the second quarter.

The result of the quarter has been negatively affected by currency translation effects of SEK 24 M, compared to the same period last year. The currency translation effects arise when the results of foreign subsidiaries are translated into SEK in order to be consolidated into the H&M Group accounts.

Financial position

Group balance sheet total increased by 10 per cent and was SEK 23,142.7 M (21,132.3).

During the period, the Group generated a negative cash flow of SEK 2,597.0 M (-3,027.6). Cash flow has been affected by dividends of SEK 4,965.2 M (4,965.2).

Financial assets amounted to SEK 10,718.1 M (10,285.4).

Stock-in-trade was SEK 4,869.1 M (3,630.9), an increase of 34 per cent. The stock-in-trade is considered to be good. The stock level, which is higher than last year, will mostly be balanced through a lower ingoing flow of goods during June, July and August.

Investments in fixed assets amounted to SEK 626.0 M (617.4).

The equity/assets ratio corresponded to 79 per cent (78) and the share of risk-bearing capital was 83 per cent (82).

Net worth apportioned on the outstanding 827,536,000 shares on 31 May 2004 corresponded to SEK 22.07 (20.03).

Expansion

The expansion continues according to plan. During the rest of the fiscal year, more than 80 stores are planned to be opened mainly in Germany, France, Spain and the USA. Six stores will close. During the corresponding period last year, 60 new stores were opened and 12 were closed.

During the month of May a contract was signed for the first establishment on the US west coast, in San Francisco. Opening planned during autumn 2005.

Taxes

A tax rate of 35 per cent is used, as before, during the first three quarters, and the final tax is calculated in the fourth quarter.

The Parent Company

The parent company, which is not the same as the Swedish operation, reached a turnover (including inter-company sales) during the period of SEK 3,138.4 M (3,048.9) with an estimated taxable profit of SEK 6,709.7 M (4,274.5), of which SEK 6,254.0 M (3,917.0) was dividend from subsidiaries.

Accounting principles

This interim report has been prepared in accordance with the recommendation issued by the Swedish Financial Accounting Standard Council regarding interim reporting (RR20). The same accounting principles have been used as in the latest annual report.

This half-year report has not been audited.

A report for the first nine months of the financial year will be published on 30 September 2004.
A report for the fiscal year 2003/2004 will be published on 28 January 2005.

Stockholm 23 June 2004

The Board of Directors

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GROUP INCOME STATEMENT

(SEK M)

	1/12 2003-31/5 2004	1/12 2002-31/5 2003	1/3 2004-31/5 2004	1/3 2003-31/5 2003	1/12 2002-30/11 2003
Turnover, including value added tax	29,304.2	27,025.2	15,497.2	14,389.5	56,550.0
Turnover, excluding value added tax	24,981.1	23,069.5	13,225.0	12,298.9	48,237.7
Costs of goods sold	-10,947.2	-10,233.3	-5,502.5	-5,320.9	-21,145.1
Gross profit	14,033.9	12,836.2	7,722.5	6,978.0	27,092.6
Selling expenses	-9,161.1	-8,300.6	-4,807.8	-4,243.2	- 16,827.3
Administrative expenses	-549.2	-507.5	-291.7	-265.0	-1,042.3
Operating profit	4,323.6	4,028.1	2,623.0	2,469.8	9,223.0
Result from financial investments					
Interest income	174.1	229.9	86.4	96.9	388.5
Interest expense	-0.9	-2.3	- 0.4	-0.4	- 2.8
Profit after financial items	4,496.8	4,255.7	2,709.0	2,566.3	9,608.7
Estimated tax	-1,573.9	-1,489.5	-948.2	-898.2	-3,222.8
Estimated profit/Profit for 2002/03	2,922.9	2,766.2	1,760.8	1,668.1	6,385.9
Profit per share, SEK	3.53	3.34	2.13	2.02	7.72
Number of shares 827,536,000					
Depreciation, total	625.3	570.1	317.6	286.0	1,125.6
of which selling expenses	526.2	477.7	267.2	239.6	947.4
of which administration expenses	30.3	27.4	15.4	13.8	54.4
of which cost of goods sold	68.8	65.0	35.0	32.6	123.8

SUMMARY OF GROUP BALANCE SHEET

(SEK M)

	31 May 2004	31 May 2003	30 Nov 2003
ASSETS			
Fixed Assets			
Intangible Assets	103.0	117.3	111.7
Tangible Assets	6,161.1	5,897.7	6,124.0
Financial Assets	219.7	299.4	206.0
Total fixed assets	6,483.8	6,314.4	6,441.7
Current Assets			
Stock-in-trade	4,869.1	3,630.9	5,050.1
Other current assets	1,071.7	901.6	1,076.4
Cash and bank balances	10,718.1	10,285.4	13,193.5
Total current assets	16,658.9	14,817.9	19,320.0
Total assets	23,142.7	21,132.3	25,761.7
Equity and liabilities			
Equity	18,265.5	16,579.0	20,096.7
Provisions	931.2	825.1	961.2
Current liabilities	3,946.0	3,728.2	4,703.8
Total equity and liabilities	23,142.7	21,132.3	25,761.7

Change in equity

Equity, beginning of period	20,096.7	19,087.7	19,087.7
Profit for the period	2,922.9	2,766.2	6,385.9
Dividend	-4,965.2	-4,965.2	-4,965.2
Currency translation effects	211.1	-309.7	-411.7
Equity, end of period	18,265.5	16,579.0	20,096.7

CASH FLOW ANALYSES
(SEK M)

	First half-year	
	2003/04	2002/03
Profit after financial items	4,496.8	4,255.7
Depreciation	625.3	570.1
Tax paid	-2,177.7	-2,378.9
Cash flow generated by current operations before changes in working capital	2,944.4	2,446.9
Changes in working capital		
Current receivables	16.0	74.7
Stock-in-trade	234.0	546.0
Current liabilities	-212.1	-686.8
Cash flow generated by changes in working capital	37.9	-66.1
Cash flow from current operations	2,982.3	2,380.8
Cash flow from investment activities	-571.2	-445.2
Cash flow from financing activity	-5,008.1	-4,963.2
of which dividend	*-4,965.2*	*-4,965.2*
Cash flow for the period	-2,597.0	-3,027.6
Liquid funds, beginning of the period	13,193.5	13,479.6
Changes in currency rates	121.6	-166.6
Liquid funds, end of the period	10,718.1	10,285.4

FIVE YEAR SUMMARY

(SEK M)

Six months	31 May 2000	31 May 2001	31 May 2002	31 May 2003	31 May 2004
Turnover including VAT	17,242.0	21,391.3	24,705.5	27,025.2	29,304.2
Turnover excluding VAT	14,598.1	18,249.8	21,075.3	23,069.5	24,981.1
Change from previous year, %	10	25	15	9	8
Operating profit	1,683.3	2,003.8	3,159.4	4,028.1	4,323.6
Operating margin, %	11.5	11.0	15.0	17.5	17.3
Depreciation for the period	302.6	438.4	531.9	570.1	625.3
Profit after estimated full tax	1,812.7	2,131.5	3,318.4	4,255.7	4,496.8
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	1.42	1.67	2.61	3.34	3.53
Liquid funds	6,157.3	5,735.8	9,418.5	10,285.4	10,718.1
Stock-in-trade	3,191.2	3,943.3	3,982.5	3,630.9	4,869.1
Equity and liabilities	10,180.6	12,541.0	15,894.0	16,579.0	18,265.5
Revolving, 12 months					
Profit per share, SEK	3.53	3.34	5.36	7.61	7.91
Net worth per share, SEK	12.30	15.15	19.21	20.03	22.07
Return on shareholders' equity, %	31.0	24.3	31.2	38.8	37.6
Return on capital employed, %	47.3	37.7	48.1	58.6	56.5
Debt/equity ratio, %	1.5	1.6	1.2	0.0	0.0
Share of risk-bearing capital, %	77.1	82.1	79.7	82.3	82.6
Solidity, %	73.2	78.1	76.1	78.5	78.9
Interest cover	300.5	203.9	420.4	903.5	7,036.6
Number of shops	633	730	801	893	994

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 December 2003 - 31 May 2004 (SEK M)

	Turnover 2004	Turnover 2003	Change SEK	Change local currency	No of stores 31 May 2004	Change since 1 Dec. 2003
	Incl VAT	Incl VAT	%	%		
Sweden	2,787	2,723	2	2	124	1
Norway	1,889	1,934	-2	8	73	4
Denmark	1,296	1,225	6	6	53	
United Kingdom	2,647	2,350	13	14	86	7
Switzerland	1,721	1,731	-1	4	46	
Germany	8,273	7,983	4	4	247	9
Netherlands	1,841	1,743	6	6	63	2
Belgium	1,054	985	7	7	42	1
Austria	1,967	1,970	0	0	49	1
Luxembourg	131	131	0	1	7	1
Finland	689	612	13	13	23	2
France	2,066	1,816	14	14	56	3
USA	1,579	1,227	29	46	70	4
Spain	876	528	66	66	32	5
Poland	173	12			12	6
Czech Republic	76	21			4	2
Portugal	105	34			4	1
Italy	98				1	
Canada	36				2	2
Total	29,304	27,025	8	10	994	51

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 March 2004 - 31 May 2004 (SEK M)

	Turnover 2004	Turnover 2003	Change SEK	Change local currency	No of stores 31 May 2004	Change since 1 March 2004
	Incl VAT	Incl VAT	%	%		
Sweden	1,412	1,407	0	0	124	1
Norway	932	925	1	7	73	4
Denmark	664	638	4	4	53	
United Kingdom	1,437	1,250	15	12	86	6
Switzerland	927	932	-1	3	46	
Germany	4,364	4,272	2	2	247	7
Netherlands	1,021	983	4	4	63	2
Belgium	540	514	5	5	42	1
Austria	1,046	1,072	-2	-2	49	1
Luxembourg	69	70	-1	-1	7	1
Finland	358	313	14	14	23	2
France	1,061	957	11	11	56	2
USA	893	699	28	41	70	3
Spain	468	291	61	60	32	5
Poland	113	12			12	6
Czech Republic	49	21			4	2
Portugal	56	34			4	1
Italy	51				1	
Canada	36				2	2
Total	15,497	14,390	8	9	994	46

REPORTING PER REGION (SEK M)

	1/12 2003-31/5 2004	1/12 2002-31/5 2003	1/3 2004-31/5 2004	1/3 2003-31/5 2003	1/12 2002-30/11 2003
Nordic countries					
Net turnover	5,355	5,220	2,705	2,640	10,815
Operating profit	804	802	480	503	2,015
Operating margin, %	15.0	15.4	17.7	19.1	18.6
Euro zone countries excl Finland					
Net turnover	13,973	12,936	7,387	6,976	26,994
Operating profit	2,837	2,653	1,640	1,531	5,859
Operating margin, %	20.3	20.5	22.2	21.9	21.7
Rest of the world					
Net turnover	5,653	4,914	3,133	2,683	10,429
Operating profit	683	573	503	436	1,349
Operating margin, %	12.1	11.7	16.1	16.3	12.9
Total					
Net turnover	24,981	23,070	13,225	12,299	48,238
Operating profit	4,324	4,028	2,623	2,470	9,223
Operating margin, %	17.3	17.5	19.8	20.1	19.1

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, 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.