

Free translation

HALF-YEAR REPORT

1 December 1997 - 31 May 1998

- **Group turnover amounted to SEK 12,065 M (SEK 10,179 M), an increase of 19 per cent. The sales development has been very satisfactory in all markets.**
- **Profit before tax was SEK 1,355.5 M (SEK 1,005.9 M), an increase of 35 per cent.**
- **Profit per share after estimated full tax was SEK 4.26 (SEK 3.16).**
- **Investments and start-up costs amounted to SEK 373.9 M (SEK 326.5 M). A total of 32 new shops were opened during the six month period, of which three in France, a market new to H&M.**

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Total turnover for the H&M Group rose by 19 per cent during the first six months of the fiscal year and reached SEK 12,064.9 M including VAT (SEK 10,178.7 M). Demand in the markets where the Group is operating has shown a slight upward trend during the period. The increase in sales in comparable stores together with sales in newly opened stores resulted in H&M increasing its market shares in all countries of operation.

In the spring, the Group started operation in France. Sales in the three Paris stores have exceeded expectations. Sales outside Sweden accounted for 81 per cent (78 per cent).

<i>Statement of earnings - Group, SEK M:</i>	<i>1/12 1997- 31/5 1998</i>	<i>1/12 1996- 31/5 1997</i>	<i>Whole-year results 1997</i>
<i>Turnover, including value added tax</i>	12,064.9	10,178.7	21,279.4
<i>Turnover, excluding value added tax</i>	10,213.9	8,611.0	18,010.9
<i>Costs of goods sold</i>	- 5,051.3	- 4,316.6	- 8,862.2
<i>Gross operating profit</i>	5,162.6	4,294.4	9,148.7
<i>Selling expenses</i>	- 3,655.3	- 3,159.1	- 6,392.1
<i>Administrative expenses</i>	- 215.1	- 169.7	- 331.5
<i>Operating profit</i>	1,292.2	965.6	2,425.1
<i>Result from financial investments</i>			
<i>Interest income</i>	67.4	45.5	99.5
<i>Interest expense</i>	- 4.1	- 5.2	- 12.7
<i>Profit after financial items</i>	1,355.5	1,005.9	2,511.9
<i>Estimated full tax</i>	- 474.4	- 352.1	- 821.0
<i>Estimated profit/Profit for 1997</i>	881.1	653.8	1,690.9
<i>Profit per share, SEK</i>	4.26	3.16	8.17

Gross operating profit reached SEK 5,162.6 M (SEK 4,294.6 M), an increase of 20 per cent compared with the last year. After deduction for administrative and selling expenses of SEK 3,870.4 M (SEK 3,328.8 M), operating profit was SEK 1,292.2 M (SEK 965.6 M). The result reached corresponded to an operating margin of 12.7 per cent (11.2 per cent). Operating profit has been charged with depreciation according to plan amounting to SEK 172.3 M (SEK 145.7 M) and start-up costs, e.g. the part of investments in new stores charged directly to the income statement, of SEK 77.6 M (SEK 47.3 M). After depreciation but before start-up costs, operating margin thus reached 13.4 per cent (11.8 per cent). Group financial net interest income of SEK 63.3 M (SEK 40.3 M) added, profit after financial items was SEK 1,355.5 M (SEK 1,005.9 M), an increase of 35 per cent.

Profit after estimated full tax was SEK 881.1 M (SEK 653.8 M), corresponding to earnings per share of SEK 4.26 (SEK 3.16).

Group balance sheet total increased by 23 per cent and corresponded to SEK 9,348.8 M (SEK 7,608.6 M). Financial assets amounted to SEK 4,381.4 M (SEK 3,180.4 M). Stock-in-trade increased by 3 per cent and was SEK 2,332.7 M (SEK 2,257.3 M).

The equity/assets ratio corresponded to 71 per cent (71 per cent) and the share of risk-bearing capital was 76 per cent (76 per cent).

	<i>Turnover</i>	<i>Number of stores</i>	<i>Change</i>
<i>Sweden</i>	2,341.2	118	+ 1
<i>Norway</i>	1,103.4	50	+ 1
<i>Denmark</i>	640.6	40	-
<i>England</i>	370.8	22	+ 1
<i>Switzerland</i>	1,031.5	42	-
<i>Germany</i>	3,836.9	136	+ 13
<i>The Netherlands</i>	771.3	41	+ 2
<i>Belgium</i>	567.4	28	+ 1
<i>Austria</i>	1,041.3	29	+ 4
<i>Luxembourg</i>	22.9	2	-
<i>Finland</i>	260.9	6	+ 1
<i>France</i>	76.7	3	+ 3

During the rest of the fiscal year, 39 new stores are planned to open and five to close.

The parent company, which is not the same as the Swedish operations, reached a turnover (including inter-company sales) during the period of SEK 2,349.8 M (SEK 2,243.6 M) and estimated taxable profit of SEK 625.3 M (SEK 569.1 M), of which SEK 573.8 M (SEK 518.8 M) was dividend from subsidiaries.

This half-yearly report has not been audited.

A report for the first nine months of the financial year will be published on 22 September 1998.

Stockholm 17 June 1998

The Board of Directors

SUMMARY OF GROUP BALANCE SHEET
SEK M

	31 May -98	31 May -97	30 Nov -97
<i>Real estate, fixtures and fittings</i>	2,035.3	1,753.6	1,911.3
<i>Other fixed assets</i>	21.9	37.3	40.5
<i>Total fixed assets</i>	2,057.2	1,790.9	1,951.8
<i>Stock-in-trade</i>	2,332.7	2,257.3	2,708.4
<i>Other current assets</i>	577.5	380.0	480.1
<i>Liquid funds</i>	4,381.4	3,180.4	3,797.0
<i>Total current assets</i>	7,291.6	5,817.7	6,985.5
<i>Total assets</i>	9,348.8	7,608.6	8,937.3
<i>Shareholders' equity</i>	6,676.5	5,403.7	6,473.4
<i>Long-term liabilities</i>	590.3	509.3	579.6
<i>Short-term liabilities</i>	2,082.0	1,695.6	1,884.3
<i>Total liabilities and shareholders' equity</i>	9,348.8	7,608.6	8,937.3

HALF-YEAR RESULTS, FIVE YEAR SUMMARY
SEK M

	<i>31 May-94*</i>	<i>31 May-95</i>	<i>31 May-96</i>	<i>31 May-97</i>	<i>31 May-98</i>
<i>Turnover including VAT</i>	6,433.8	7,244.0	7,771.1	10,178.7	12,064.9
<i>Change from previous year, %</i>	24.5	12.6	7.3	31.0	18.5
<i>Sales outside Sweden, %</i>	69.0	73.0	74.0	78.0	81.0
<i>Operating profit</i>	540.4	437.3	576.0	965.6	1,292.2
<i>Operating margin, %</i>	9.9	7.1	8.8	11.2	12.7
<i>Profit after estimated full tax</i>	387.4	324.0	401.4	653.8	881.1
<i>Profit per share</i>	1.87	1.57	1.94	3.16	4.26
<i>Total number of shops</i>	339	375	418	461	517

*) *The exchange rate at the balance sheet date was used.*

CONSOLIDATED CASH FLOW STATEMENT
(SEK M)

	1997/98		1996/97	
<i>Operating profit</i>		1,292.2		965.6
<i>Depreciation</i>		172.3		145.7
<i>Start-up costs</i>		77.6		47.3
<i>Operating profit before depreciation and start-up costs</i>		1,542.1		1,158.6
<i>Changes in</i>				
<i>Operating receivables</i>	- 97.4		- 41.3	
<i>Stock-in-trade</i>	375.7		- 21.7	
<i>Current liabilities</i>	197.7	476.0	168.8	105.8
<i>Cash flow from operations before financial income and expense</i>		2,018.1		1,264.4
<i>Net interest income/expense</i>	63.3		40.3	
<i>Tax expense</i>	- 474.4		- 352.1	
<i>Dividend to shareholders</i>	- 620.7		- 455.1	
<i>Exchange rate difference etc.</i>	- 57.3	-1,089.1	50.2	- 716.7
<i>Cash flow before external financing</i>		929.0		547.7
<i>Changes in</i>				
<i>Long-term liabilities</i>	10.7		19.2	
<i>Long-term receivables</i>	18.6	29.3	2.5	21.7
<i>Cash flow before investments</i>		958.3		569.4
<i>Investments and start-up costs</i>		- 373.9		- 326.5
<i>Changes in financial current assets</i>		584.4		242.9