



INTERIM REPORT - NINE MONTHS

1 December 2001 - 31 August 2002

- **H&M's Group turnover amounted to SEK 37,369 m, an increase of 15 per cent. In comparable currency rates the increase was 14 per cent.**
- **Turnover for the third quarter amounted to SEK 12,664 m, an increase of 15 per cent compared with last year. In comparable currency rates the increase was 17 per cent.**
- **Profit after financial items was SEK 5,225 m, an increase of 55 per cent.**
- **Third quarter profit after financial items amounted to SEK 1,906 m, an increase of 53 per cent.**
- **Improved results in all countries. Very positive development in France, the USA and Spain.**
- **Higher stock turnover rate through shorter lead times and a more even flow of garments.**

Turnover

Turnover including VAT for the H&M Group increased during the nine months period by 15 per cent (in comparable currency rates 14 per cent), compared with the same period last year and reached SEK 37,369.1 m (32,356.2).

Turnover in the third quarter amounted to SEK 12,663.6 m (10,964.9), an increase of 15 per cent (in comparable currency rates 17 per cent).

Turnover increase in the month of August was 16 per cent in comparable currency rates.

In the nine months period, the Group has opened 46 new stores; ten in Germany, nine in France, seven in the USA, five each in the United Kingdom and Austria, three in Belgium, two in the Netherlands and one in Sweden, Norway, Denmark, Finland and Luxembourg respectively. As a result of relocations, five stores have been closed in Germany and one each in the United Kingdom, Switzerland and Belgium. The total number of stores at the end of the period was 809 (736).

Result for the nine months period

Gross profit for the nine months period reached SEK 17,189.8 m (13,880.9), corresponding to 53.9 per cent (50.3) of the turnover.

After deduction for administrative and selling expenses, operating profit was SEK 4,968.5 m (3,184.3). This result corresponds to an operating margin of 15.6 per cent (11.5).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 793.9 m (666.5) and start-up costs, e.g. the part of investments in new stores charged directly to the income statement, of SEK 128.7 m (149.2). After depreciation but before start-up costs, operating margin reached 16.0 per cent (12.1).

Group financial net interest income amounted to SEK 256.2 m (193.7).

Profit after financial items corresponded to SEK 5,224.7 m (3,378.0), an increase of 55 per cent.

Group profit after comprehensive tax allocation for the nine months period amounted to SEK 3,396.1 m (2,195.7), which corresponds to earnings per share of SEK 4.10 (2.65).

Return on shareholders' equity, revolving twelve months, was 33.4 per cent (24.9) and return on capital employed, revolving twelve months, was 49.0 per cent (38.6).

Result for the third quarter

Gross margin for the third quarter was 54.0 per cent (51.3), corresponding to a gross profit of SEK 5,838.2 m (4,789.5).

Operating profit was SEK 1,809.1 m (1,180.5), corresponding to an operating margin of 16.7 per cent (12.6).

Profit after financial items for the third quarter was SEK 1,906.3 m (1,246.5), an increase of 53 per cent.

Profit after comprehensive tax allocation for the third quarter amounted to SEK 1,239.1 m (810.2), corresponding to a profit per share of SEK 1.50 (-.98).

Comments to the third quarter

Sales during the third quarter have been continued good and the H&M Group has increased its turnover in all countries of operation. The exceptionally warm weather in the Nordic countries has had a somewhat restraining effect on turnover towards the end of the quarter.

The improved gross margin, 54.0 per cent (51.3), compared with the corresponding period last year, is primarily due to a lower level of price reductions as a result of well balanced collections and improved inventory control, but also to lower costs for handling goods. Increased focus on delivery of new products to the stores every day has meant a more even flow of goods. This in turn has led to a more efficient utilization of the logistic chain and a lower stock level and thereby a higher turnover rate.

Also in this quarter, result and operating margin have strongly improved in the new markets France, USA and Spain.

The Group has opened 12 stores during the period and closed four.

Financial position

Group balance sheet total increased by 24 per cent and corresponded to SEK 22,612.2 m (18,184.2).

Group cash flow during the period was SEK 1,667.8 m (-598.0).

Financial assets amounted to SEK 9,910.3 m (5,236.2).

Stock-in-trade amounted to SEK 5,286.2 m (6,217.2), a decrease of 15 per cent.

Investments in fixed assets amounted to SEK 914.5 m (1,174.7).

The equity/assets ratio corresponded to 75 per cent (75) and the share of risk-bearing capital was 78 per cent (79).

Net worth, allocated to the 827,536,000 shares issued, corresponded on 31 August to SEK 20.54 (16.49).

Present quarter

During the fourth quarter a further 39 stores are planned to open and four will be closed down. The largest number will open in Germany, where nine stores are planned, and in the USA and Spain, where eight stores are planned to open in each country. For the USA this means that a total of 15 stores will be opened during the year.

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 new recommendations from the Swedish Financial Accounting Standard Council, which have come into force in 2002, have been observed but have not affected the report. Otherwise, the same accounting principles have been used as in the latest annual report.

This interim report has not been audited.

The report for the fiscal year 2001/02 will be published on 29 January 2003.
Report of the first three months of the fiscal year 2002/03 will be published on 26 March 2003.
General Annual Meeting will be held on Monday, 28 April 2003, at 3.00 p.m. in "Victoriahallen", Stockholmsmässan in Stockholm.

Stockholm 19 September 2002

The Board of Directors

Contact persons:

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

GROUP INCOME STATEMENT
(SEK m)

| | 1/12 2001- 31/8 2002 | 1/12 2000- 31/8 2001 | 1/6 2002- 31/8 2002 | 1/6 2001- 31/8 2001 | 1/12 2000- 30/11 2001 |
|-------------------------------------|---------------------------------|---------------------------------|--------------------------------|--------------------------------|----------------------------------|
| Turnover, including value added tax | 37,369.1 | 32,356.2 | 12,663.6 | 10,964.9 | 46,528.2 |
| Turnover, excluding value added tax | 31,884.5 | 27,594.5 | 10,809.2 | 9,344.7 | 39,698.8 |
| Costs of goods sold | - 14,694.7 | - 13,713.6 | - 4,971.0 | - 4,555.2 | - 19,199.7 |
| Gross profit | 17,189.8 | 13,880.9 | 5,838.2 | 4,789.5 | 20,499.1 |
| Selling expenses | - 11,440.2 | - 10,056.0 | - 3,789.7 | - 3,390.6 | - 14,110.9 |
| Administrative expenses | - 781.1 | - 640.6 | - 239.4 | - 218.4 | - 910.4 |
| Operating profit | 4,968.5 | 3,184.3 | 1,809.1 | 1,180.5 | 5,477.8 |
| Result from financial investments | | | | | |
| Interest income | 263.8 | 205.2 | 99.9 | 70.2 | 275.1 |
| Interest expense | - 7.6 | - 11.5 | - 2.7 | - 4.2 | - 18.9 |
| Profit after financial items | 5,224.7 | 3,378.0 | 1,906.3 | 1,246.5 | 5,734.0 |
| Estimated tax | - 1,828.6 | - 1,182.3 | - 667.2 | - 436.3 | - 1,917.6 |
| Result for the period | 3,396.1 | 2,195.7 | 1,239.1 | 810.2 | 3,816.4 |
| Profit per share, SEK | 4.10 | 2.65 | 1.50 | 0.98 | 4.61 |
| Number of shares 827,536,000 | | | | | |
| Depreciation, total | 793.9 | 666.5 | 262.0 | 228.1 | 629.1 |
| of which selling expenses | 663.7 | 552.5 | 219.1 | 189.1 | 522.1 |
| of which administration expenses | 38.1 | 32.0 | 12.6 | 11.0 | 30.0 |
| of which cost of goods sold | 92.1 | 82.0 | 30.3 | 28.0 | 77.0 |

SUMMARY OF GROUP BALANCE SHEET

(SEK m)

| | 31 Aug 2002 | 31 Aug 2001 | 30 Nov 2001 |
|---|---------------------|---------------------|---------------------|
| Assets | | | |
| Real estate, fixtures and fittings | 6,102.5 | 5,862.2 | 6,267.2 |
| Other fixed assets | 413.5 | 131.8 | 417.2 |
| Total fixed assets | 6,516.0 | 5,994.0 | 6,684.4 |
| Stock-in-trade | 5,286.2 | 6,217.2 | 4,332.4 |
| Other current assets | 899.7 | 736.8 | 862.6 |
| Cash and bank balances | 9,910.3 | 5,236.2 | 8,530.9 |
| Total current assets | 16,096.2 | 12,190.2 | 13,725.9 |
| Total assets | 22,612.2 | 18,184.2 | 20,410.3 |
| Equity and liabilities | | | |
| Equity | 16,966.5 | 13,645.3 | 15,431.6 |
| Long-term liabilities | 942.3 | 849.3 | 940.6 |
| Short-term liabilities | 4,703.4 | 3,689.6 | 4,038.1 |
| Total equity and liabilities | 22,612.2 | 18,184.2 | 20,410.3 |
| Change in equity | | | |
| Equity, beginning of period | 15,431.6 | | |
| Profit for the period | 3,396.1 | | |
| Dividend | - 1,448.2 | | |
| Currency translation effects | - 413.0 | | |
| Equity, end of period | 16,966.5 | | |

CASH FLOW ANALYSIS

(SEK m)

1 December 2001 - 31 August 2002

| | Nine months | |
|---|-------------|-----------|
| | 2001/02 | 2000/01 |
| Profit after financial items | 5,224.7 | 3,378.0 |
| Adjustment for items not affecting cash flow | - 1,034.7 | - 515.8 |
| Cash flow generated by current operations | 4,190.0 | 2,862.2 |
| Cash flow generated by changes in working capital | - 365.2 | - 974.5 |
| Cash flow from investment activities | - 711.6 | - 1,334.2 |
| Cash flow from financial activity | - 1,445.4 | - 1,151.5 |
| <i>of which dividend</i> | - 1,448.2 | - 1,117.2 |
| Cash flow for the period | 1,667.8 | - 598.0 |
| | | |
| Liquid funds, beginning of period | 8,530.9 | 5,403.2 |
| Cash flow for the period | 1,667.8 | - 598.0 |
| Changes in currency rates | - 288.4 | 431.0 |
| Liquid funds, end of period | 9,910.3 | 5,236.2 |

FIVE YEAR SUMMARY

(SEK m)

| Nine months | 31 August 1998 | 31 August 1999 | 31 August 2000 | 31 August 2001 | 31 August 2002 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Turnover including VAT | 18,341.5 | 23,548.5 | 25,428.1 | 32,356.2 | 37,369.1 |
| Change from previous year, % | 23 | 28 | 8 | 27 | 15 |
| Sales outside Sweden, % | 81 | 84 | 85 | 88 | 89 |
| Operating profit | 2,016.8 | 3,070.4 | 2,423.7 | 3,184.3 | 4,968.5 |
| Operating margin, % | 13.0 | 15.4 | 11.2 | 11.5 | 15.6 |
| Profit after estimated tax | 1,379.0 | 2,085.7 | 1,698.3 | 2,195.7 | 3,396.1 |
| Number of shares (adjusted for split) | 827,536,000 | 827,536,000 | 827,536,000 | 827,536,000 | 827,536,000 |
| Profit per share | 1.67 | 2.52 | 2.05 | 2.65 | 4.10 |
| Revolving, 12 months | | | | | |
| Profit per share SEK | 2.57 | 3.62 | 3.25 | 3.69 | 6.18 |
| Return on shareholders' equity, % | 32.6 | 35.8 | 26.6 | 24.9 | 33.4 |
| Return on capital employed, % | 47.9 | 53.8 | 40.9 | 38.6 | 49.0 |
| Debt/equity ratio, % | 1.8 | 1.2 | 1.4 | 1.5 | 1.1 |
| Share of risk-bearing capital, % | 75.7 | 76.4 | 76.2 | 78.6 | 78.5 |
| Solidity, % | 71.3 | 72.3 | 72.5 | 75.0 | 75.2 |
| Interest cover | 309.6 | 365.4 | 218.9 | 254.6 | 506.4 |
| | | | | | |
| Number of stores | 518 | 583 | 636 | 736 | 809 |

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 December 2001 - 31 August 2002

| | Turnover 2002 | Turnover 2001 | Change SEK | Change local currency | No of stores 31 August 2002 | Change since 1 Dec. 2001 |
|----------------|------------------|------------------|---------------|--------------------------|--------------------------------|-----------------------------|
| | Incl VAT | Incl VAT | % | % | | |
| Sweden | 4,066 | 3,870 | 5 | 5 | 119 | + 1 |
| Norway | 2,931 | 2,525 | 16 | 9 | 68 | + 1 |
| Denmark | 1,716 | 1,591 | 8 | 7 | 50 | + 1 |
| United Kingdom | 3,144 | 2,345 | 34 | 33 | 63 | + 4 |
| Switzerland | 2,558 | 2,124 | 20 | 15 | 44 | - 1 |
| Germany | 11,330 | 10,004 | 13 | 12 | 211 | + 5 |
| Netherlands | 2,438 | 2,094 | 16 | 15 | 59 | + 2 |
| Belgium | 1,300 | 1,186 | 10 | 11 | 37 | + 2 |
| Austria | 2,678 | 2,372 | 13 | 12 | 46 | + 5 |
| Luxembourg | 148 | 125 | 18 | 20 | 5 | + 1 |
| Finland | 926 | 839 | 10 | 9 | 20 | + 1 |
| France | 2,004 | 1,501 | 34 | 32 | 40 | + 9 |
| USA | 1,659 | 1,441 | 15 | 17 | 37 | + 7 |
| Spain | 471 | 339 | 39 | 39 | 10 | |
| Total | 37,369 | 32,356 | 15 | 14 | 809 | + 38 |

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 June 2002 - 31 August 2002

| | Turnover 2002 | Turnover 2001 | Change SEK | Change local currency | No of stores 31 August 2002 | Change since 1 June 2002 |
|----------------|------------------|------------------|---------------|--------------------------|--------------------------------|-----------------------------|
| | Incl VAT | Incl VAT | % | % | | |
| Sweden | 1,301 | 1,284 | 1 | 1 | 119 | + 1 |
| Norway | 1,047 | 919 | 14 | 8 | 68 | |
| Denmark | 552 | 523 | 6 | 8 | 50 | |
| United Kingdom | 1,091 | 820 | 33 | 39 | 63 | |
| Switzerland | 844 | 699 | 21 | 19 | 44 | -1 |
| Germany | 3,809 | 3,368 | 13 | 15 | 211 | |
| Netherlands | 801 | 676 | 18 | 21 | 59 | |
| Belgium | 453 | 407 | 11 | 24 | 37 | |
| Austria | 913 | 774 | 18 | 21 | 46 | + 3 |
| Luxembourg | 56 | 43 | 30 | 45 | 5 | |
| Finland | 333 | 316 | 5 | 7 | 20 | |
| France | 736 | 516 | 43 | 43 | 40 | + 2 |
| USA | 563 | 499 | 13 | 27 | 37 | + 3 |
| Spain | 165 | 121 | 36 | 42 | 10 | |
| Total | 12,664 | 10,965 | 15 | 17 | 809 | + 8 |