



INTERIM REPORT

1 December 2000 - 28 February 2001

- **Group turnover for the period amounted to SEK 9,634 M (SEK 8,265 M), an increase of 17 per cent compared to last year. With comparable exchange rates, the increase was per 12 cent.**
- **Profit after financial items amounted to SEK 571 M (SEK 671 M), a decrease of 15 per cent.**
- **The strong expansion in France and the USA has had a negative effect on the result of SEK 200 M compared with last year.**
- **Improved result in the rest of the H&M markets compared with last year.**
- **The cost reduction programme runs as planned.**
- **The group's expansion runs according to plan. Approximately 100 new stores will be opened during 2001, of which 80 will be opened in Europe and 20 in the USA.**
- **The spring collection has been very well received.**

Turnover

Total turnover for the H&M Group increased 17 per cent during the first quarter (12 per cent after adjustments for exchange rate fluctuations) and amounted to SEK 9,633.6 M (SEK 8,265.0 M) including VAT. The turnover was negatively affected by the unseasonably warm weather in December.

H&M opened six new stores during the first quarter, of which three in France, two in Germany and one in Austria. In the Netherlands, one store was closed during the period, bringing the total number of stores to 687. During the same period last year 11 stores were closed and none was opened.

Sales outside Sweden accounted for 87 per cent (84) of Group turnover.

Profits

Gross profit amounted to SEK 3,759.0 M (SEK 3,357.0 M), which corresponds to 45.8 per cent (48.1) of sales.

After deduction of administrative and selling expenses, operating profit for the first quarter amounted to SEK 500.9 M (SEK 610.8 M). This corresponds to an operating margin of 6.1 per cent (8.8).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 211.4 M (SEK 147.6 M) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 40.0 M (SEK 95.7 M). After depreciation but before start-up costs, operating margin amounted to 6.6 per cent (10.2).

Group financial net interest income was SEK 69.8 M (SEK 59.7 M).

Profit after financial items was SEK 570.7 M (SEK 670.5 M), a reduction by 15 per cent.

Profit after tax was SEK 371.0 M (SEK 435.8 M), corresponding to earnings per share of SEK 0.45 (SEK 0.53).

Return on shareholders equity (revolving 12 months) was 21.5 per cent (31.2) and return on capital employed (revolving 12 months) was 33.4 per cent (47.8).

Comments on the Results

A substantial expansion in new markets is costly in a short perspective, but is an investment in future earnings. The organisations, particularly in France and the USA, are dimensioned and prepared for the continued strong expansion.

France - The number of stores was doubled in France during the autumn of 2000. During the first quarter this year, three new stores have opened, including a "flagship" store at Boulevard Haussmann in Paris. Another four stores will be opened during the spring of 2001. The very strong expansion has led to a high cost level and price reduction level. However, the cost level in the "older" stores is satisfactory.

The USA - The sales in the USA continue to be very good. The expansion during the autumn and the preparations for further investments during the spring has led to high operational costs that will decrease as the operation is fine-tuned and becomes more efficient. More than 2,000 new employees have been hired since the opening. This has led to high initial costs for training and transfer of experience. In the year 2003, a total of 85 stores is expected to be opened in the northeastern part of USA.

Compared with the corresponding period last year, the strong expansion in France and the USA has had a negative effect on the results of SEK 200 M, of which SEK 110 M is price reductions and SEK 41 M depreciation. It is difficult to correctly estimate the stock level in a new market. A large volume of merchandise was planned for the USA, as, from a marketing point of view, it would be extremely negative to end up in a shortage situation. H&M has made large price reductions in order to make space for the spring assortment.

Increased efficiency in the daily operation in these markets takes place on a continuous basis. This concerns primarily personnel costs, volume adjustments and adjustments of the assortment to each store and location. The Group's assessment is that H&M's potential in the new markets is very strong.

The profitability in the rest of the H&M markets is good, in spite of a relatively weak sales development and thereby larger price reduction. The result in these markets exceeds the result for the same period last year, due among other things to the cost reduction programme.

The quarterly results were, in comparison to the corresponding period of the previous year, positively affected by currency translation effects of SEK 34 M. The translation effects arise when the foreign currencies are translated into SEK in order to be consolidated in the H&M Group accounts.

Strong Financial Position

Group balance sheet total increased by 14 per cent and was SEK 16,493.4 M (SEK 14,434.2 M) on 28 February 2001. During the period, the Group generated a positive cash flow from current operations of SEK 140.0 M (SEK ./ 197.6 M).

The financial assets amounted to SEK 5,663.0 M (SEK 6,548.0 M).

Stock-in-trade was SEK 4,855.4 M (SEK 3,778.1 M), an increase of 29 per cent. Of the increase, exchange rate differences account for 7 percentage units and stock for new stores 17 percentage units.

SEK 291.2 M (SEK 399.2 M) were invested in the operation through acquisitions of fixed assets.

Group solidity was 76 per cent (74) and the share of risk-bearing capital was 80 per cent (78).

Net worth apportioned on the outstanding 827,536,000 shares on 28 February 2001, corresponded to SEK 15.10 (SEK 12.85) per share.

Continued Expansion

The Group's expansion runs according to plan, during the second quarter 43 new stores will be opened. Of these openings, 11 will be in the USA, 9 in Great Britain, 8 in Germany, 4 in France, 3 in Norway, 2 in the Netherlands, 2 in Switzerland and one in each Austria, Spain, Denmark and Finland.

During the corresponding period last year, 34 new stores were opened and the net addition was 31 stores.

During 2001, approximately 100 new stores will be opened.

Season Start

The spring collection has been well received and so far in March, sales have been considerably better than previous year.

The interim report has not been audited.

The Half-Year results will be published on 21 June 2001
The Nine Months results will be published on 28 September 2001

Stockholm 29 March 2001

The Board of Directors

Contact persons:

Rolf Eriksen, CEO	+46-8 796 52 33
Carl-Henric Enhörning, Head of the financial dept. and IR	+46-8 795 54 10
Leif Persson, CFO	+46 8 796 13 00
Switchboard	+46 8 796 55 00

Information about H&M and press photographs are available at www.hm.com

GROUP INCOME STATEMENT
SEK M

	1/12 2000 - 28/2 2001	1/12 1999 - 29/2 2000	1/12 1999 - 30/11 2000
Turnover, including value added tax	9,633.6	8,265.0	35,876.1
Turnover, excluding value added tax	8,202.1	6,974.1	30,453.7
Cost of goods sold	- 4,443.1	- 3,617.1	-15,056.9
 Gross profit	 3,759.0	 3,357.0	 15,396.8
Selling expenses	- 3,066.3	- 2,596.5	-10,962.5
Administrative expenses	- 191.8	- 149.7	- 667.7
 Operating profit	 500.9	 610.8	 3,766.6
 Result from financial investments			
Interest income	73.8	62.3	254.4
Interest expense	- 4.0	- 2.6	- 17.8
 Result after financial items	 570.7	 670.5	 4,003.2
 Estimated tax	 - 199.7	 - 234.7	 - 1,450.5
 Estimated profit/Profit for 2000	 371.0	 435.8	 2,552.7
 Profit per share, SEK	 0.45	 0.53	 3.08
 Number of shares 827,536,000			
Depreciation, total	211.4	147.6	629.1
of which selling expenses	175.3	125.4	522.1
of which administration expenses	10.2	7.4	30.0
of which cost of goods sold	25.9	14.8	77.0

SUMMARY OF GROUP BALANCE SHEET
SEK M

28 Feb 2001 29 Feb 2000 30 Nov 2000

Assets

Real estate, fixtures and fittings	5,132.8	3,319.0	4,958.6
Other fixed assets	114.3	80.1	96.6
Total fixed assets	5,247.1	3,399.1	5,055.2
Stock-in-trade	4,855.4	3,778.1	4,448.7
Other current assets	727.9	709.0	793.3
Liquid funds	5,663.0	6,548.0	5,403.2
Total current assets	11,246.3	11,035.1	10,645.2
Total assets	16,493.4	14,434.2	15,700.4

Equity and liabilities

Equity	12,494.4	10,631.7	11,889.8
Long-term liabilities	858.0	686.0	777.4
Short-term liabilities	3,141.0	3,116.5	3,033.2
Total equity and liabilities	16,493.4	14,434.2	15,700.4

Change in equity

Equity, 1 December 2000	11,889.8
Profit for the period	371.0
Currency translation effects	233.6
Equity, 28 February 2001	12,494.4

CASH FLOW ANALYSES

SEK M

	2000/2001	1999/2000
Profit after financial items	570.7	670.5
Adjustment for items not affecting cash flow	11.7	- 87.1
Cash flow generated by current operations	582.4	583.4
Cash flow generated by changes in working capital	- 196.0	- 374.7
Cash flow from investment activities	- 229.6	- 400.6
Cash flow from financing activity	- 16.8	- 5.7
Cash flow for the period	140.0	- 197.6
Liquid funds, beginning of period	5,403.2	6,832.4
Cash flow for the period	140.0	- 197.6
Changes in currency rates	119.8	- 86.8
Liquid funds, end of period	5,663.0	6,548.0

FIVE YEARS SUMMARY
SEK M

	28 Feb 1997	28 Feb 1998	28 Feb 1999	29 Feb 2000	28 Feb 2001
Three months					
Turnover including VAT	4,781.9	5,805.1	7,276.5	8,265.0	9,633.6
Change from previous year, %	30.5	21.4	25.3	13.6	16.6
Sales outside Sweden	3,686.8	4,655.7	6,024.9	6,926.1	8,381.2
Sales outside Sweden, %	77.1	80.2	82.8	83.8	87.0
Operating profit	290.6	416.1	712.5	610.8	500.9
Operating margin, %	7.2	8.5	11.6	8.8	6.1
Depreciation for the period	70.2	84.4	115.6	147.6	211.4
Profit after estimated tax	204.4	293.7	493.2	435.8	371.0
Number of shares (adjusted for split)	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share	0.25	0.35	0.60	0.53	0.45
Shareholders' equity	5,414.2	6,783.3	8,717.8	10,631.7	12,494.4
Shareholders' equity per share, SEK	6.54	8.20	10.53	12.85	15.10
Revolving, twelve months					
Profit per share, SEK	1.82	2.15	3.00	3.65	3.01
Return on shareholders' equity, %	31.2	29.3	32.1	31.2	21.5
Return on capital employed, %	44.8	45.4	48.0	47.8	33.4
Debt/equity ratio, %	2.4	2.1	1.6	1.3	1.7
Share of risk-bearing capital, %	76.3	77.0	78.3	77.5	79.6
Solidity, %	71.5	72.2	73.7	73.7	75.8
Interest cover	129.8	223.5	276.5	298.5	204.3
Number of stores	447	496	550	602	687

TURNOVER PER COUNTRY, December - February
SEK M

	Turnover 2001	Turnover 2000	Change SEK	Change local currency	No of stores	Change since 1 Dec. 2000
	Incl VAT	Incl VAT	%	%		
Sweden	1,255	1,336	- 6	- 6	115	
Norway	815	748	9	6	64	
Denmark	510	480	6	4	47	
Great Britain	622	424	47	42	47	
Switzerland	626	580	8	- 1	41	
Germany	2,922	2,591	13	9	190	2
Netherlands	599	510	17	13	53	- 1
Belgium	376	364	3	- 2	34	
Austria	710	706	1	- 3	35	1
Luxembourg	37	33	12	8	4	
Finland	246	234	5	1	14	
France	405	259	56	51	26	3
USA	406				10	
Spain	105				7	
Total	9,634	8,265	17		687	5