



HALF-YEAR REPORT

1 December 2001 - 31 May 2002

- **Turnover for the H&M Group amounted to SEK 24,706 M (21,391), an increase of 15 per cent. In comparable currency rates, the increase was 12 per cent.**
- **Turnover for the second quarter amounted to SEK 13,460 M (11,758), an increase of 14 per cent compared with the previous year, in comparable currency rates the increase was 13 per cent.**
- **Profit after financial items for the half-year was SEK 3,318 M (2,132), an increase of 56 per cent.**
- **Profit after financial items for the second quarter was SEK 2,138 M (1,561), an increase of 37 per cent.**
- **Strong result improvement in the USA and continued success in Germany.**

Turnover

Turnover including VAT for the H&M Group increased by 15 per cent in the first six months (with comparable currency rates, 12 per cent) and amounted to SEK 24,705.5 M (21,391.3).

Turnover for the second quarter increased by 14 per cent (with comparable currency rates, 13 per cent).

Turnover increase for the month of May was 11 per cent with comparable currency rates.

During the first six months, the Group opened 34 stores; nine in Germany, seven in France, four in the USA, four in the UK, two each in Belgium, the Netherlands and Austria and one each in Denmark, Finland, Luxembourg and Norway. Four stores have been closed in Germany. The total number of stores in the Group thus amounts to 801 (730).

Profits

Gross operating profit for the first six months amounted to SEK 11,351.6 M (9,091.4). The result achieved corresponds to 53.9 per cent (49.8) of sales.

Gross margin for the second quarter amounted to 54.6 per cent (53.1).

After deduction for selling and administrative expenses, operating profit was SEK 3,159.4 M (2,003.8). The result corresponds to an operating margin of 15.0 per cent (11.0).

Operating profit for the period has been charged with depreciation according to plan amounting to SEK 531.9 M (438.4) and start-up costs, i.e. the part of the investment in new premises which is treated as a cost item, of SEK 80.0 M (99.1). After depreciation but before start-up costs, operating margin reached 15.4 per cent (11.5).

Operating margin for the second quarter amounted to 17.9 per cent (15.0).

Group financial net interest income for the first six months was SEK 159.0 M (127.7).

Profit after financial items reached SEK 3,318.4 M (2,131.5), an increase of 56 per cent.

Profit after financial items for the second quarter amounted SEK 2,138.1 M (1,560.8), an increase of 37 per cent.

Profit for the Group after comprehensive tax allocation (35 per cent) for the first six months was SEK 2,157.0 M (1,385.5), corresponding to earnings per share of SEK 2.61 (1.67).

Profit for the second quarter after comprehensive tax allocation was SEK 1,389.8 M (1,014.5), corresponding to earnings per share of SEK 1.68 (1.23).

Return on shareholders' equity (revolving 12 months) was 31.2 per cent (24.3) and return on capital employed (revolving 12 months) was 48.1 per cent (37.7).

Comments on the Results for the second quarter

Gross margin increased during the second quarter by 1.5 percentage unit compared with the same period last year. The improvement is principally due to a lower level of price reductions. The increased part of purchases during the season has to a large extent contributed to the lower price reductions.

The H&M Group has in the second quarter improved the result and the operating margin in all markets compared with the same period last year.

The focusing on increased efficiency in the American operation has had effect during the quarter with lower operating expenses and a better adjusted stock-in-trade and consequently a strong result improvement in the USA.

During the period, H&M's German operation has strengthened its position in an otherwise very weak retail market. Sales in Germany increased by 10 per cent during the quarter.

The result for the quarter has been positively affected by currency translation effects of approximately SEK 60 M compared with 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 30 per cent and corresponded to SEK 20,875.9 M (16,060.7).

During the period, the Group generated a positive cash flow of SEK 1,203.0 M (85.4).

Financial assets amounted to SEK 9,418.5 M (5,735.8) an increase of 64 per cent.

Stock-in-trade was SEK 3,982.5 M (3,943.3), an increase of one per cent.

Investments in fixed assets amounted to SEK 593.5 M (776.1).

The equity/assets ratio corresponded to 76 per cent (78) and the share of risk-bearing capital was 80 per cent (82).

Net worth apportioned on the outstanding 827,536,000 shares on 31 May corresponded to SEK 19.21 (15.15).

Expansion

Expansion continues according to plan. During the rest of the fiscal year, approximately 55

stores will be opened mainly in the USA, Germany, the UK, Spain and France.

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 3,048.6 M (2,691.9) and estimated taxable profit of SEK 2,113.5 M (726.3), of which SEK 1,934.2 M (792.9) 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 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 half-year report has not been audited.

A report for the first nine months of the financial year will be published on 19 September 2002. A report for the fiscal year 2001/02 will be published on 29 January 2003.

Stockholm 19 June 2002

The Board of Directors

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

GROUP INCOME STATEMENT
(SEK M)

	1/12 2001- 31/5 2002	1/12 2000- 31/5 2001	1/3 2002- 31/5 2002	1/3 2001- 31/5 2001	1/12 2000- 30/11 2001
Turnover, including value added tax	24,705.5	21,391.3	13,459.7	11,757.7	46,528.2
Turnover, excluding value added tax	21,075.3	18,249.8	11,491.9	10,047.7	39,698.8
Costs of goods sold	- 9,723.7	- 9,158.4	- 5,212.2	- 4,715.3	- 19,199.7
Gross profit	11,351.6	9,091.4	6,279.7	5,332.4	20,499.1
Selling expenses	- 7,650.5	- 6,665.4	- 3,932.5	- 3,599.1	- 14,110.9
Administrative expenses	- 541.7	- 422.2	- 289.2	- 230.4	910.4
Operating profit	3,159.4	2,003.8	2,058.0	1,502.9	5,477.8
Result from financial investments					
Interest income	163.9	135.0	82.6	61.2	275.1
Interest expense	- 4.9	- 7.3	- 2.5	- 3.3	- 18.9
Profit after financial items	3,318.4	2,131.5	2,138.1	1,560.8	5,734.0
Estimated tax	- 1,161.4	- 746.0	- 748.3	- 546.3	- 1,917.6
Estimated profit/Profit for 2000/01	2,157.0	1,385.5	1,389.8	1,014.5	3,816.4
Profit per share, SEK	2.61	1.67	1.68	1.23	4.61
Number of shares 827,536,000					
Depreciation, total	531.9	438.4	260.9	227.0	629.1
of which selling expenses	444.6	363.4	218.1	188.1	522.1
of which administration expenses	25.5	21.0	12.5	10.8	30.0
of which cost of goods sold	61.8	54.0	30.3	28.1	77.0

SUMMARY OF GROUP BALANCE SHEET

(SEK M)

	31 May 2002	31 May 2001	30 Nov 2001
Assets			
Real estate, fixtures and fittings	6,056.6	5,574.9	6,267.2
Other fixed assets	428.5	130.5	417.2
Total fixed assets	6,485.1	5,705.4	6,684.4
Stock-in-trade	3,982.5	3,943.3	4,332.4
Other current assets	989.8	676.2	862.6
Cash and bank balances	9,418.5	5,735.8	8,530.0
Total current assets	14,390.8	10,355.3	13,725.9
Total assets	20,875.9	16,060.7	20,410.3
Equity and liabilities			
Equity	15,894.5	12,541.0	15,431.6
Long-term liabilities	945.3	843.0	940.6
Short-term liabilities	4,036.1	2,676.7	4,038.1
Total equity and liabilities	20,875.9	16,060.7	20,410.3
Change in equity			
Equity, beginning of period	15,431.6		
Profit for the period	2,157.0		
Dividend	- 1,448.2		
Currency translation effects	- 245.9		
Equity, end of period	15,894.5		

CASH FLOW ANALYSES

(SEK M)

	First half-year	
	2001/02	2000/01
Profit after financial items	3,318.4	2,131.5
Adjustment for items not affecting cash flow	- 629.5	- 307.6
Cash flow generated by current operations	2,688.9	1,823.9
Cash flow generated by changes in working capital	243.3	310.8
Cash flow from investment activities	- 270.6	- 899.1
Cash flow from financing activity	- 1,458.6	-1,150.2
<i>of which dividend</i>	- 1,448.2	- 1,117.2
Cash flow for the period	1,203.0	85.4
Liquid funds, beginning of period	8,530.9	5,403.2
Cash flow for the period	1,203.0	85.4
Changes in currency rates	- 315.4	247.2
Liquid funds, end of period	9,418.5	5,735.8

FIVE YEAR SUMMARY

(SEK M)

Six months	31 May 1998	31 May 1999	31 May 2000	31 May 2001	31 May 2002
Turnover including VAT	12,064.9	15,682.7	17,242.0	21,391.3	24,705.5
Change from previous year, %	19	30	10	24	15
Sales outside Sweden, %	81	84	85	88	89
Operating profit	1,292.2	1,955.2	1,683.3	2,003.8	3,159.4
Operating margin, %	12.7	14.8	11.5	11.0	15.0
Depreciation for the period	145.7	234.1	302.6	438.4	531.9
Profit after estimated full tax	881.1	1,331.7	1,178.3	1,385.5	2,157.0
Number of shares (adjusted for split)	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	1.06	1.61	1.42	1.67	2.61
Revolving, 12 months					
Profit per share, SEK	2.32	3.31	3.53	3.34	5.36
Return on shareholders' equity, %	31.8	35.0	31.0	24.3	31.2
Return on capital employed, %	46.5	53.3	47.3	37.7	48.1
Debt/equity ratio, %	2.1	1.7	1.5	1.6	1.2
Share of risk-bearing capital, %	76.2	77.8	77.1	82.1	79.7
Solidity, %	71.4	73.3	73.2	78.1	76.1
Interest cover	247.7	318.7	300.5	203.9	420.4
Number of shops	517	576	633	730	801

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 December 2001 - 31 May 2002

	Turnover 2002	Turnover 2001	Change SEK	Change local currency	No of stores 31 May 2002	Change since 1 Dec. 2001
	Incl VAT	Incl VAT	%	%		
Sweden	2,766	2,586	7	7	118	
Norway	1,884	1,606	17	10	68	+ 1
Denmark	1,164	1,068	9	6	50	+ 1
United Kingdom	2,053	1,525	35	31	63	+ 4
Switzerland	1,714	1,425	20	13	45	
Germany	7,521	6,636	13	11	211	+ 5
Netherlands	1,637	1,418	15	13	59	+ 2
Belgium	847	779	9	5	37	+ 2
Austria	1,765	1,598	10	7	43	+ 2
Luxembourg	92	82	12	8	5	+ 1
Finland	593	523	13	11	20	+ 1
France	1,268	985	29	26	38	+ 7
USA	1,096	942	16	13	34	+ 4
Spain	306	218	40	37	10	
Total	24,706	21,391	15	12	801	+ 30

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 March 2002 - 31 May 2002

	Turnover 2002	Turnover 2001	Change SEK	Change local currency	No of stores 31 May 2002	Change since 1 March 2002
	Incl VAT	Incl VAT	%	%		
Sweden	1,494	1,331	12	12	118	
Norway	949	791	20	15	68	+ 1
Denmark	600	558	8	6	50	+ 1
United Kingdom	1,176	903	30	30	63	+ 2
Switzerland	929	799	16	11	45	
Germany	4,132	3,714	11	10	211	+ 5
Netherlands	949	819	16	14	59	+ 2
Belgium	446	403	11	7	37	+ 2
Austria	965	888	9	8	43	+ 2
Luxembourg	51	45	13	11	5	+ 1
Finland	313	277	13	14	20	+ 1
France	684	580	18	17	38	+ 6
USA	609	536	14	15	34	+ 2
Spain	163	113	44	44	10	
Total	13,460	11,757	14	13	801	+ 25