

PRESS RELEASE

1 December 1998 to 30 November 1999

- ***Group turnover amounted to SEK 32,977 M (SEK 26,650 M), an increase of 24 per cent compared with the previous year***
- ***Same store sales increased in all markets***
- ***Profit before tax was SEK 4,759 M (SEK 3,468 M), an increase of 37 per cent. Adjusted by a one-time expenditure for a millennium bonus to the employees of SEK 94 M, the result increased by 40 per cent and amounted to SEK 4,853 M.***
- ***The last quarter of the financial year has also been charged with start-up costs of SEK 48 M (SEK 13 M), of which SEK 25 M for the operations in Spain and USA, not yet started***
- ***Profit per share after tax increased to SEK 3.72 (SEK 2.76)***
- ***Investments amounted to SEK 1,296 M (SEK 1,008 M). A total of 75 new shops were opened***
- ***The Board of Directors proposes a dividend of SEK 1.35 per share***
- ***90 new stores are planned to open during the present financial year, of which ten in Spain and USA altogether, markets new to H&M***

During the past year total turnover for the H&M Group rose by 24 per cent (previous year 25 per cent) and amounted to SEK 32,976.5 M including VAT (SEK 26,649.8 M).

The sales growth of H&M was attributable both to the retail business and to the mail-order business. Same store sales increased in all markets.

During the past year, 75 new stores were opened and twelve were closed. Four of the closed stores belonged to the Galne Gunnar chain, which began closing down in the autumn of 1999

The H&M Group increased its market shares in all countries.

Sales outside Sweden accounted for 84 per cent of Group sales (82 per cent).

In 2000, the Group will start store operations in Spain and USA. A total of five stores is planned in the two countries respectively during the year.

<u>Statement of Earnings - Group, SEK M:</u>	1998/99	1997/98
Turnover, including value added tax	32,976.5	26,649.8
Turnover, excluding value added tax	27,888.1	22,540.8
Costs of goods sold	-13,152.3	-11,057.0
Gross profit	14,735.8	11,483.8
Selling expenses	- 9,596.7	- 7,710.4
Administrative expenses	- 559.1	- 446.7
Operating profit	4,580.0	3,326.7
Result from financial investments:		
Interest income	193.3	155.3
Interest expense	- 14.7	- 13.8
Profit after financial items	4,758.6	3,468.2
Tax on profit for the year	- 1,683.2	- 1,181.3
Net profit for the year	3,075.4	2,286.9
Do per share, SEK	3.72	2.76

Comments on the results for the Group

Gross profit amounted to SEK 14,735.8 M (SEK 11,483.8 M). After deduction for selling and administrative expenses of SEK 10,155.8 M (SEK 8,157.1 M), operating profit increased by SEK 1,253.3 M or 38 per cent and was SEK 4,580.0 M (SEK 3,326.7 M). The result achieved meant an operating margin of 16.4 per cent (14.8 per cent). The operating profit has been charged with

depreciation according to plan of SEK 457.0 M (SEK 352.8 M) and start-up costs (the part of the investment in new premises which is treated as a cost item) of SEK 195.3 M (SEK 119.6 M). The start of the operations in Spain and USA have affected the profit in the form of start-up costs and depreciation by SEK 25.3 M.

Operating margin calculated on the profit after depreciation but before start-up costs was thus 17.1 per cent (15.3 per cent).

The operating profit has also been charged with a single item, a so-called millennium bonus of SEK 93.5 M, which has been promised to all of the staff of the Group.

Profit growth and margin improvement are attributable both to the increased sales volumes and to the smaller part price reductions which has been made during the financial year.

Net interest income for the Group amounted to SEK 178.6 M (SEK 141.5 M). Profit after financial items was SEK 4,758.6 M (SEK 3,468.2 M), an increase of 37 per cent.

After provisions for tax of SEK 1,683.2 M (SEK 1,181.3 M), profit for the year was SEK 3,075.4 M (SEK 2,286.9 M). The result corresponds to a profit per share of SEK 3.72 (SEK 2.76).

Return on shareholders' equity reached 32.9 per cent (30.7 per cent) and return on capital employed amounted to 50.3 per cent (46.3 per cent).

At the financial year-end, the balance sheet total was SEK 14,198.2 M (SEK 11,452.9 M), an increase of 24 per cent.

During the past year Group operations generated a positive cash flow of SEK 2,949.1 M (SEK 2,317.9 M), of which SEK 1,295.8 M (SEK 1,008.4 M) were reinvested into the operations. The financial assets increased by SEK 1,672.5 M and amounted to SEK 6,832.4 M (SEK 5,159.9 M).

Stock-in-trade increased by 11 per cent and was SEK 3,609.3 M (SEK 3,237.9 M). It represented 12.9 per cent (14.4 per cent) of the turnover and 25.4 per cent (28.3 per cent) of the balance sheet total.

The debt/equity ratio was 1.3 per cent (1.6 per cent) and the share of risk-bearing capital was 76.4 per cent (77.9 per cent).

The average number of employees in the Group was 17,652 (14,101), of which 3,388 (3,079) were employed in Sweden.

The profit after financial items for the parent company, which is not the same as that of the Swedish operations, amounted to SEK 1,611.4 M (SEK 1,394.3 M). Adjusting for dividend income from subsidiaries, the result was SEK 240.8 M (SEK 219.7 M). Profit for the year after appropriations to untaxed reserves and tax was SEK 1,516.5 M (SEK 1,319.7 M).

For the fiscal year 2000, 90 new stores is planned to open. Of the 16, which are planned to close, five are H&M and eleven are Galne Gunnar stores.

Furthermore, the Group will invest in new warehouse buildings, one in Denmark and one in Switzerland. The real estate will be owned by the H&M company in the respective country.

The Swedish Group's part of SPP's (Swedish pension fund) surplus funds amounts to SEK 34.2 M according to a statement from SPP. The terms and conditions for the refund have not yet been elucidated by SPP. The amount allocated to the Group has not affected the result for the past financial year.

Proposed dividend

The Board of Directors proposes a dividend of SEK 1.35 per share. Proposed closing date for the dividend is 18 April 2000.

The Annual General Meeting of the shareholders will be held on Thursday, 13 April 2000, at 2 p.m. in the Concert Hall in Stockholm.

The annual report will be published and distributed to the shareholders during the second week of March 2000. The annual report will be available at the head office of the company at Norrlandsgatan 15 in Stockholm, Tel: +46 8 796 55 00.

The Group will be publishing the following financial reports during the fiscal year 1999/2000:

<i>Three months report</i>	<i>13 April</i>
<i>Six months report</i>	<i>20 June</i>
<i>Nine months report</i>	<i>19 September</i>

27 January 2000

The Board of Directors

GROUP BALANCE SHEET
(SEK M)

<i>ASSETS</i>	<i>1999</i>	<i>1998</i>
<i>Fixed Assets</i>		
<u><i>Intangible Assets</i></u>		
<i>Renting rights</i>	<i>94.5</i>	<i>36.3</i>
<u><i>Tangible Assets</i></u>		
<i>Land and buildings</i>	<i>281.0</i>	<i>191.9</i>
<i>Equipment, tools, fixtures and fittings</i>	<u><i>2,715.3</i></u>	<u><i>2,219.1</i></u>
	<i>2,996.3</i>	<i>2,411.0</i>
<u><i>Financial Assets</i></u>		
<i>Other long-term receivables</i>	<i>75.7</i>	<i>60.4</i>
<i>Total Fixed Assets</i>	<i>3,166.5</i>	<i>2,507.7</i>
<i>Current Assets</i>		
<i>Stock-in-trade</i>	<i>3,609.3</i>	<i>3,237.9</i>
<u><i>Current receivables</i></u>		
<i>Accounts receivable, trade</i>	<i>385.1</i>	<i>349.0</i>
<i>Other receivables</i>	<i>34.4</i>	<i>43.6</i>
<i>Prepaid expenses and accrued income</i>	<u><i>170.5</i></u>	<u><i>154.8</i></u>
	<i>590.0</i>	<i>547.4</i>
<i>Short-term investments</i>	<i>4,829.8</i>	<i>3,737.7</i>
<i>Cash and bank balances</i>	<i>2,002.6</i>	<i>1,422.2</i>
<i>Total Current Assets</i>	<i>11,031.7</i>	<i>8,945.2</i>
<i>Total Assets</i>	<i>14,198.2</i>	<i>11,452.9</i>

GROUP BALANCE SHEET
(SEK M)

<i>EQUITY AND LIABILITIES</i>	<i>1999</i>	<i>1998</i>
<i>Equity</i>		
<u><i>Restricted Equity</i></u>		
<i>Share capital</i>	<i>206.9</i>	<i>206.9</i>
<i>Restricted reserves</i>	<u><i>1,444.3</i></u>	<u><i>1,419.6</i></u>
	<i>1,651.2</i>	<i>1,626.5</i>
<u><i>Non-restricted Equity</i></u>		
<i>Profit brought forward</i>	<i>5,567.2</i>	<i>4,492.5</i>
<i>Profit for the year</i>	<u><i>3,075.4</i></u>	<u><i>2,286.9</i></u>
	<i>8,642.6</i>	<i>6,779.4</i>
<i>Total Equity</i>	<i>10,293.8</i>	<i>8,405.9</i>
<u><i>Provisions</i></u>		
<i>Provisions for pensions</i>	<i>92.2</i>	<i>90.5</i>
<i>Provisions for taxation</i>	<u><i>552.0</i></u>	<u><i>516.3</i></u>
	<i>644.2</i>	<i>606.8</i>
<u><i>Long-term Liabilities</i></u>		
<i>Liabilities to credit institutions</i>	<i>43.2</i>	<i>46.1</i>
<u><i>Current Liabilities</i></u>		
<i>Accounts payable, trade</i>	<i>891.0</i>	<i>596.3</i>
<i>Income tax liabilities</i>	<i>718.0</i>	<i>489.5</i>
<i>Other liabilities</i>	<i>497.1</i>	<i>454.1</i>
<i>Accrued expenses and deferred income</i>	<u><i>1,110.9</i></u>	<u><i>854.2</i></u>
	<i>3,217.0</i>	<i>2,394.1</i>
<i>Total Equity and Liabilities</i>	<i>14,198.2</i>	<i>11,452.9</i>
 <i>Pledged assets</i>		
 <i>Real estate mortgages</i>	 <i>56.6</i>	 <i>58.7</i>
 <i>Contingent liabilities</i>	 <i>38.9</i>	 <i>29.7</i>

CONSOLIDATED CASH FLOW STATEMENT
(SEK M)

	1998/99		1997/98	
Operating profit		4,580.0		3,326.7
Depreciation and start-up costs		<u>652.3</u>		<u>472.4</u>
Cash flow before changes in working capital		5,232.3		3,799.1
Changes in				
Current receivables	- 42.6		- 67.3	
Stock-in-trade	- 371.4		- 529.5	
Current liabilities	<u>822.9</u>	<u>408.9</u>	<u>509.8</u>	<u>- 87.0</u>
Cash flow from operations before financial items		5,641.2		3,712.1
Net interest income	178.6		141.5	
Tax expense	-1,683.2		-1,181.3	
Dividend to shareholders	- 827.5		- 620.7	
Exchange rate difference etc	<u>- 360.0</u>	<u>-2,692.1</u>	<u>266.3</u>	<u>-1,394.2</u>
Cash flow before external financing		2,949.1		2,317.9
Changes in				
Long-term liabilities and provisions	34.5		73.3	
Long-term receivables	<u>- 15.3</u>	<u>19.2</u>	<u>- 19.9</u>	<u>53.4</u>
Cash flow before investments		2,968.3		2,371.3
Investments and start-up costs		<u>-1,295.8</u>		<u>-1,008.4</u>

Changes in financial current assets

1,672.5

1,362.9

FIVE-YEAR SUMMARY

		1994/95	1995/96	1996/97	1997/98	1998/99
<i>Turnover, including VAT</i>	SEK M	14,591.1	17,212.1	21,279.4	26,649.8	32,976.5
<i>Change from previous year</i>	%	+ 8	+ 18	+ 24	+ 25	+ 24
<i>Sales outside Sweden</i>	SEK M	10,720.1	13,085.4	16,853.1	21,730.1	27,667.4
<i>Sales outside Sweden as a percentage of total sales</i>	%	73	76	79	82	84
<i>Operating margin</i>	%	10.0	12.6	13.5	14.8	16.4
<i>Profit after financial items</i>	SEK M	1,321.7	1,905.0	2,511.9	3,468.2	4,758.6
<i>Net profit for the year</i>	SEK M	973.1	1,331.0	1,690.9	2,286.9	3,075.4
<i>Cash and Bank balances including short-term investments</i>	SEK M	2,193.5	2,937.5	3,797.0	5,159.9	6,832.4
<i>Stock-in-trade</i>	SEK M	1,859.0	2,235.6	2,708.4	3,237.9	3,609.3
<i>Restricted equity</i>	SEK M	1,070.1	1,194.8	1,392.0	1,626.5	1,651.2
<i>Non-restricted equity</i>	SEK M	3,186.1	3,960.0	5,081.4	6,779.4	8,642.6
<i>Return on shareholders' equity</i>	%	24.3	28.3	29.1	30.7	32.9
<i>Return on capital employed</i>	%	32.7	39.8	42.5	46.3	50.3
<i>Debt/equity ratio</i>	%	3.0	2.5	2.1	1.6	1.3
<i>Share of risk-bearing capital</i>	%	79.7	76.9	77.4	77.9	76.4
<i>Solidity</i>	%	74.3	71.9	72.4	73.4	72.5
<i>Interest cover</i>		47.4	106.2	198.8	252.3	324.7
<i>Number of stores in Sweden</i>		118	117	117	120	124
<i>Number of stores outside Sweden</i>		275	326	373	430	489
<i>Total number of stores</i>		393	443	490	550	613
<i>Average number of employees</i>		9,465	10,469	12,096	14,101	17,652

SALES PER COUNTRY AND NUMBER OF STORES

	Sales, SEK M		Number of stores	Change in 1999
	1999	1998		
<i>Sweden</i>	5,309	4,920	124	+ 4
<i>Norway</i>	2,789	2,385	55	+ 4
<i>Denmark</i>	1,852	1,453	45	+ 4
<i>Great Britain</i>	1,443	884	34	+ 9
<i>Switzerland</i>	2,475	2,193	41	- 1
<i>Germany</i>	10,659	8,511	167	+ 18
<i>The Netherlands</i>	2,215	1,723	54	+ 10
<i>Belgium</i>	1,444	1,237	33	+ 3
<i>Austria</i>	2,977	2,416	33	+ 2
<i>Luxembourg</i>	137	69	4	+ 1
<i>Finland</i>	848	577	12	+ 4
<i>France</i>	829	282	11	+ 5
	32,977	26,650	613	+ 63