



H & M HENNES & MAURITZ AB

FULL YEAR RESULTS

1 December 2002 to 30 November 2003

- **Group turnover for the year amounted to SEK 56,550 m (53,332) including VAT, an increase of 6 per cent compared to last year. With comparable exchange rates, the increase was 9 per cent. Turnover excluding VAT was SEK 48,238 m (45,522).**
- **Profit after financial items was SEK 9,609 m (8,629). Group profit after tax increased by 12 per cent and amounted to SEK 6,386 m (5,687) corresponding to SEK 7.72 (6.87) per share.**
- **Operating profit and operating margin has improved further in all markets and are the best the Group has reached.**
- **Turnover for the fourth quarter increased by 2 per cent (with comparable exchange rates 7 per cent) and amounted to SEK 16,316 m (15,963) including VAT. Turnover excluding VAT was SEK 13,923 m (13,638).**
- **Profit after financial items for the fourth quarter was SEK 3,274 m (3,404).**
- **Increased expansion. In 2004, 140 stores are planned to open, among those five stores in Canada and two stores on the new market Slovenia.**
- **The Board of Directors proposes a regular dividend of SEK 2.90 (2.60) per share and in addition a bonus dividend of SEK 3.10 (3.40) per share, a total of SEK 6.00 (6.00) per share.**

Turnover

Turnover incl. VAT for the H&M Group increased during the year by 6 per cent (with comparable exchange rates, the increase was 9 per cent) compared with last year and amounted to SEK 56,550.0 m (53,331.7). Turnover excluding VAT was SEK 48,237.7 m (45,522.3). The year was characterized by a weak sales development where weather and a generally weakened consumption on several key markets has had a large impact.

Turnover in the fourth quarter was SEK 16,315.5 m (15,962.6) incl. VAT, an increase of 2 per cent (with comparable exchange rates 7 per cent). Sales excluding VAT in the fourth quarter was SEK 13,922.5 m (13,637.8).

113 stores were opened during the year; 21 each in Germany and the USA, 11 in the United Kingdom and in France, nine each in Spain and in Sweden, six in Poland, three each in Norway, Denmark, Switzerland, the Netherlands, Belgium and Portugal, two each in Austria, Finland, the Czech Republic and one in Italy. 12 stores have been closed. Out of the net growth of 101 stores 50 opened and six closed during the fourth quarter. Group number of H&M stores thereby amounted to 945 (844) on 30 November 2003.

Profits

Gross profit amounted to SEK 27,092.6 m (25,103.5), which corresponds to 56.2 per cent (55.1) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 9,223.0 m (8,259.1). This corresponds to an operating margin of 19.1 per cent (18.1).

Operating profit has been charged with depreciation according to plan of SEK 1,125.6 m (1,050.6) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 226.1 m (162.7). Operating margin calculated on the result after depreciation but before start-up costs thereby was 19.6 per cent (18.5).

Group financial net interest income amounted to SEK 385.7 m (369.8).

Profit after financial items was SEK 9,608.7 m (8,628.9), an increase of 11 per cent.

After deduction of taxes of SEK 3,222.8 m (2,942.1), profit for the year amounted to SEK 6,385.9 m (5,686.8) an increase of 12 per cent. The result achieved corresponds to earnings per share of SEK 7.72 (6.87).

Return on shareholders' equity was 32.6 per cent (32.9) and return on capital employed was 48.9 per cent (49.7).

Result for the fourth quarter

Gross profit for the fourth quarter amounted to SEK 8,008.5 (7,913.7) corresponding to a gross margin of 57.5 per cent (58.0).

In the fourth quarter, operating profit was SEK 3,194.2 m (3,290.6), corresponding to an operating margin of 22.9 per cent (24.1).

Profit after financial items for the fourth quarter amounted to SEK 3,274.1 m (3,404.2), a margin of 23.5 per cent (25.0).

Comments on the results

The H&M Group has improved the operating result and the operating margin for the year in all markets, compared with last year. The gross margin amounted to 56.2 per cent (55.1) and the operating margin to 19.1 per cent (18.1).

Good cost control, a high cost consciousness within the organisation and lower price reductions have contributed to further strengthened margins.

During the year H&M has opened stores in four new markets; Poland, the Czech Republic, Portugal and Italy. The reception was above expectations with very satisfactory sales. The simplified store opening procedure, where neighbouring countries handle administration and supply of goods, was very successful and has led to considerably lower costs than otherwise would have been possible.

Continued strong expansion in USA, establishment of four new markets and the build up of Canada, have affected the results by slightly more than SEK 300 m, of which depreciation about 150 m.

Group results have been negatively affected by currency translation effects of SEK 157 m (+50) compared to last year.

Comments on the fourth quarter

Sales in the last quarter of the financial year were weak. Sales of outdoor garments and heavy knitwear were not satisfactory. Customers have benefited from the weakening of the US-dollar since H&M has lowered the prices of incoming goods in the fourth quarter by 4-5 per cent compared to the same period last year.

The weaker sales development's impact on results in the fourth quarter was dampened by cost adjustments in the sales organisation. Currency translation effects have negatively impacted the results of the quarter by SEK 85 M. The gross margin amounted to 57.5 per cent (58.0) and the operating margin to 22.9 per cent (24.1).

Liquidity and financing

The Group balance sheet increased by 2 per cent and was on 30 November 2003 SEK 25,761.7 m (25,198.7).

During the year, the H&M Group generated a positive cash flow from current operations of SEK 6,205.1 m (8,093.3). SEK 1,274.0 m (1,221.9) was invested through acquisitions of fixed assets.

Cash flow for the year amounted to SEK -9.9 m (5,234.6). The large difference is mainly due to a bonus dividend to the shareholders, a dislocation of tax payments between the year 2002 and 2003 and a stock-in-trade increase.

The financial assets amounted to SEK 13,193.5 m (13,479.6).

Stock-in-trade increased by 20 per cent (- 3) and amounted to SEK 5,050.1 m (4,192.5). Stock-in-trade equals 10.5 per cent (9.2) of turnover and 19.6 per cent (16.6) of total assets.

The Group's debt ratio was 0.2 per cent (0.4). The share of risk-bearing capital was 81.6 per cent (79.0).

The Group's equity was on 30 November 2003 SEK 20,096.7 m (19,087.7), which apportioned on the 827,536,000 outstanding shares equals SEK 24.28 (SEK 23.07) per share.

Expansion

During the financial year of 2003/2004, a total of 140 stores are planned to open and 10 stores will close. The main part of the expansion will take place in the United Kingdom, Germany, France, the USA, Spain and Poland. Two new markets will be added during 2004, Canada and Slovenia.

During spring 2004, the two first stores of the Group will be opened in Toronto, Canada, three additional stores will follow, in the autumn. The organisation in the USA will assist with the start up of the business, during the first years.

The H&M Group has at the end of January 2004 signed leases for two stores in the cities of Ljubljana and Maribor in Slovenia. The stores are planned to open in the autumn of 2004. Stock supply and administration will be handled by the Austrian H&M organisation.

Employees

The average number of employees in the Group was 28,419 (25,674), of which 3,709 (3,604) in Sweden.

The Parent Company

The parent company's profit after financial items amounted to SEK 5,065.0 m (2,790.0). Adjusted for dividend revenue from subsidiaries, the result was SEK 1,141.9 m (852.3). This year's profit after dispositions and tax amounted to SEK 4,540.6 m (2,418.1).

December 2003

H&M Group turnover (with comparable exchange rates) increased in December 2003 by 11 per cent compared with the corresponding period last year.

Dividend

The Group has during the past three years increased the total number of stores by about 40 per cent, the turnover with about 60 per cent and the profit after tax with 150 per cent. The substantial improvement of the result during the past three years has given the Group a liquidity, which is judged to be considerably in excess of what will be needed for H&M's continued strong expansion.

For this reason, the Board of Directors will propose to the Annual General Meeting a regular dividend of SEK 2.90 (2.60) per share and in addition a bonus dividend of SEK 3.10 (3.40) per share. This means a total dividend of SEK 6.00 (6.00) per share.

Annual General Meeting of Shareholders

The shareholders' meeting will be held on Thursday, 29 April 2004, at 3 pm at Stockholmsmässan in Stockholm (Victoriahallen).

The Annual Report is estimated to be published and distributed to shareholders during week 13, 2004. The annual report will be accessible at the head office of H&M, Regeringsgatan 48, Stockholm, telephone: +46-8-796 55 00 and on www.hm.com.

Reports

The H&M Group will publish the following financial reports during 2004:

Sales development - January	17 February
Three Months results, 1 December 2003 - 28 February 2004, including sales development - February	25 March
Sales development - March	15 April
Sales development - April	18 May
Half Year results, 1 December 2003 - 31 May 2004, including sales development - May	23 June
Sales development - June	15 July
Sales development - July	17 August
Nine Months results, 1 December 2003 - 31 August 2004, including sales development - August	30 September
Sales development - September	15 October
Sales development - October	16 November
Sales development - November	15 December

Stockholm, 29 January 2004

The Board of Directors

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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 2002- 30/11 2003	1/12 2001- 30/11 2002	1/9 2003- 30/11 2003	1/9 2002- 30/11 2002
Turnover, including VAT	56,550.0	53,331.7	16,315.5	15,962.6
Turnover, excluding VAT	48,237.7	45,522.3	13,922.5	13,637.8
Costs of goods sold	- 21,145.1	- 20,418.8	- 5,914.0	- 5,724.1
Gross profit	27,092.6	25,103.5	8,008.5	7,913.7
Selling expenses	- 16,827.3	- 15,821.5	- 4,502.3	- 4,381.3
Administrative expenses	- 1,042.3	- 1,022.9	- 312.0	- 241.8
Operating profit	9,223.0	8,259.1	3,194.2	3,290.6
Result from financial investments				
Interest income	388.5	383.0	80.0	119.2
Interest expense	- 2.8	- 13.2	- 0.1	- 5.6
Profit after financial items	9,608.7	8,628.9	3,274.1	3,404.2
Taxes	- 3,222.8	- 2,942.1	- 1,005.7	- 1,113.5
Profit for the year	6,385.9	5,686.8	2,268.4	2,290.7
Profit per share, SEK	7.72	6.87	2.74	2.77
Number of shares: 827,536,000				
Depreciation, total	1,125.6	1,050.6	275.9	256.7
of which cost of goods sold	123.8	118.5	26.9	26.4
of which selling expenses	947.4	881.3	235.4	217.6
of which administration expenses	54.4	50.8	13.6	12.7

GROUP BALANCE SHEET

(SEK m)

ASSETS	2003	2002
Fixed Assets		
Intangible Assets		
Renting rights	111.7	118.3
Tangible Assets		
Buildings and land	460.1	507.9
Equipment, tools, fixtures and fittings	<u>5,663.9</u>	<u>5,610.3</u>
	6,124.0	6,118.2
Financial Assets		
Other long-term receivables	119.7	115.4
Deferred tax receivables	<u>86.3</u>	<u>185.6</u>
	206.0	301.0
TOTAL FIXED ASSETS	6,441.7	6,537.5
Current Assets		
Stock-in-trade	5,050.1	4,192.5
Current receivables		
Accounts receivable, trade	617.0	570.0
Other receivables	81.4	88.0
Prepaid expenses and accrued income	<u>378.0</u>	<u>331.1</u>
	1,076.4	989.1
Short-term investments	7,267.3	7,581.1
Cash and bank balances	5,926.2	5,898.5
TOTAL CURRENT ASSETS	19,320.0	18,661.2
TOTAL ASSETS	25,761.7	25,198.7

GROUP BALANCE SHEET

(SEK m)

EQUITY AND LIABILITIES	2003	2002
Equity		
Restricted Equity		
Share capital	206.9	206.9
Restricted reserves	<u>2,411.3</u>	<u>2,256.4</u>
	2,618.2	2,463.3
Non-restricted Equity		
Profit brought forward	11,092.6	10,937.6
Profit for the year	<u>6,385.9</u>	<u>5,686.8</u>
	17,478.5	16,624.4
TOTAL EQUITY	20,096.7	19,087.7
Provisions		
Provisions for pensions	36.0	5.2
Provisions for deferred tax liabilities	<u>925.2</u>	<u>818.6</u>
	961.2	823.8
Current Liabilities		
Accounts payable, trade	1,154.7	968.5
Income tax liabilities	1,084.3	1,681.8
Other liabilities	862.2	950.6
Accrued expenses and deferred income	<u>1,602.6</u>	<u>1,686.3</u>
	4,703.8	5,287.2
TOTAL EQUITY AND LIABILITIES	25,761.7	25,198.7
Pledged assets		25.0
Contingent liabilities	8,939.4	8,025.8
Change in equity		
Equity beginning of the year	19,087.7	15,431.6
Profit for the year	6,385.9	5,686.8
Dividend	-4,965.2	-1,448.2
Currency translation effects	-411.7	- 582.5
Equity at the end of the year	20,096.7	19,087.7

CASH FLOW ANALYSES

1 December - 30 November
(SEK m)

	2002/03	2001/02
Profit after financial items	9,608.7	8,628.9
Depreciation	1,125.6	1,050.6
Tax paid	<u>-3,564.4</u>	<u>-1,866.9</u>
Cash flow generated by current operations before changes in working capital	7,169.9	7,812.6
Cash flow generated by changes in working capital		
Changes in		
Current receivables	- 108.3	- 159.5
Stock-in-trade	- 948.6	106.9
Current liabilities	<u>92.1</u>	<u>333.3</u>
Cash flow generated by current operations	6,205.1	8,093.3
Investment activities		
Investments in renting rights	- 18.0	- 52.3
Sales of/investments in buildings and land	11.9	61.8
Investments in fixed asset	<u>-1,267.9</u>	<u>-1,231.4</u>
Cash flow from investment activities	-1,274.0 =====	-1,221.9 =====
Cash flow from financing activities	24.2	- 188.6
Dividend for the year	- 4,965.2 =====	- 1,448.2 =====
Cash flow for the year	- 9.9	5,234.6
Liquid funds, beginning of the period (including short term investments)	13,479.6	8,530.9
Cash flow for the year	-9.9	5,234.6
Changes in currency rates	-276.2	- 285.9
Liquid funds, end of the period (including short term investments)	13,193.5	13,479.6

FIVE-YEAR SUMMARY

(SEK m)

	1998/1999	1999/2000	2000/2001	2001/2002	2002/2003
Turnover, including VAT	32,976.5	35,876.1	46,528.2	53,331.7	56,550.0
Change from previous year %	+ 24	+ 9	+ 30	+ 15	+ 6
Foreign share of turnover %	84	85	88	89	90
Operating result	4,580.0	3,766.6	5,477.8	8,259.1	9,223.0
Operating margin	16.4	12.4	13.8	18.1	19.1
Depreciation for the year	457.0	629.1	900.1	1,050.6	1,125.6
Profit after financial items	4,758.6	4,003.2	5,734.0	8,628.9	9,608.7
Net profit for the year	3,075.4	2,552.7	3,816.4	5,686.8	6,385.9
Number of shares	827,536.000	827,536.000	827,536.000	827,536.000	827,536.000
Profit per share, SEK	3.72	3.08	4.61	6.87	7.72
Cash and Bank balances including short-term investments	6,832.4	5,403.2	8,530.9	13,479.6	13,193.5
Stock-in-trade	3,609.3	4,448.7	4,332.4	4,192.5	5,050.1
Restricted equity	1,651.2	1,880.7	2,475.4	2,463.3	2,618.2
Non-restricted equity	8,642.6	10,009.1	12,956.2	16,624.4	17,478.5
Shareholders equity per share, SEK	12.44	14.37	18.65	23.07	24.28
Return on shareholders' equity	32.9	23.0	27.9	32.9	32.6
Return on capital employed	50.3	35.8	41.6	49.7	48.9
Debt/equity ratio	1.3	1.2	1.2	0.4	0.2
Share of risk-bearing capital	76.4	79.8	77.8	79.0	81.6
Solidity	72.5	75.7	75.6	75.7	78.0
Interest cover	324.7	225.9	304.4	654.7	3,432.7
Total number of stores	613	682	771	844	945
Average number of employees	17,652	20,680	22,944	25,674	28,409

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, DECEMBER - NOVEMBER

1 December 2002 - 30 November 2003

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 30 Nov. 2003	Change since 1 Dec. 2002
	Incl VAT	Incl VAT	%	%		
Sweden	5,608	5,787	-3	-3	123	3
Norway	3,986	4,114	-3	2	69	2
Denmark	2,517	2,472	2	2	53	3
United Kingdom	4,957	4,605	8	18	79	11
Switzerland	3,509	3,563	-2	2	46	2
Germany	16,467	16,108	2	3	239	19
Netherlands	3,657	3,494	5	5	61	2
Belgium	2,028	1,829	11	12	42	3
Austria	4,072	3,848	6	6	48	2
Luxembourg	269	223	21	21	6	-
Finland	1,328	1,224	8	9	21	1
France	3,835	2,972	29	30	53	11
USA	2,782	2,380	17	40	66	21
Spain	1,202	713	69	70	27	9
Poland	86				6	6
Czech Republic	74				2	2
Portugal	118				3	3
Italy	55				1	1
Total	56,550	53,332	6	9	945	101

TURNOVER PER COUNTRY AND NUMBER OF SHOPS, SEPTEMBER - NOVEMBER

1 September 2003 - 30 November 2003

	Turnover 2003	Turnover 2002	Change SEK	Change local currency	No of stores 30 Nov. 2003	Change since 1 Sep. 2003
	Incl VAT	Incl VAT	%	%		
Sweden	1,518	1,721	-12	-12	123	2
Norway	1,097	1,183	-7	3	69	1
Denmark	706	756	-7	-6	53	2
United Kingdom	1,441	1,461	-1	9	79	4
Switzerland	1,008	1,005	0	4	46	1
Germany	4,661	4,778	-2	-1	239	9
Netherlands	1,079	1,056	2	3	61	1
Belgium	560	529	6	7	42	2
Austria	1,228	1,170	5	6	48	
Luxembourg	73	75	-3	-1	6	
Finland	360	298	21	22	21	
France	1,125	968	16	17	53	2
USA	881	721	22	47	66	9
Spain	382	242	58	60	27	4
Poland	63				6	5
Czech Republic	31				2	
Portugal	48				3	1
Italy	55				1	1
Total	16,316	15,963	2	7	945	44