



INTERIM REPORT

1 December 1998 - 28 February 1999

- ***Group turnover amounted to SEK 7,277 M (SEK 5,805 M), an increase of 25 per cent.***
- ***Sales development has been very satisfactory in all markets.***
- ***Profit before taxes was SEK 759 M (SEK 452 M), an improvement of 68 per cent.***
- ***Profit per share after comprehensive tax allocation corresponded to SEK 2.38 (SEK 1.42).***

Total turnover for the H&M Group rose by 25 per cent during the first three months of the financial year and reached SEK 7,276.5 M including VAT (SEK 5,805.1). Same store turnover increased in all markets. H&M thereby increased its market shares in all countries of operation.

Sales outside Sweden accounted for 83 per cent (80 per cent) of Group turnover.

GROUP INCOME STATEMENT
(SEK M)

	1/12 1998 - 28/2 1999	1/12 1997 - 28/2 1998	1/12 1997 - 30/11 1998
<i>Turnover, including value added tax</i>	7,276.5	5,805.1	26,649.8
<i>Turnover, excluding value added tax</i>	6,142.1	4,916.9	22,540.8
<i>Cost of goods sold</i>	-3,145.4	-2,621.8	-11,057.0
 <i>Gross operating profit</i>	 2,996.7	 2,295.1	 11,483.8
 <i>Selling expenses</i>	 -2,157.9	 -1,770.5	 -7,710.4
<i>Administrative expenses</i>	- 126.3	- 108.5	- 446.7
 <i>Operating profit</i>	 712.5	 416.1	 3,326.7
 <i>Result from financial investments</i>			
<i>Interest income</i>	47.8	37.5	155.3
<i>Interest expense</i>	- 1.6	- 1.7	- 13.8
 <i>Result after financial items</i>	 758.7	 451.9	 3,468.2
 <i>Estimated full tax</i>	 - 265.5	 - 158.2	 -1,181.3
 <i>Estimated profit/Profit for 1998</i>	 493.2	 293.7	 2,286.9
 <i>Profit per share, SEK</i>	 2.38	 1.42	 11.05

Gross operating profit reached SEK 2,996.7 M (SEK 2,295.1 M), an improvement of 31 per cent compared with the previous year. The result reached corresponded to 48.8 per cent (46.7 per cent) of the turnover.

Lower and better balanced stock-in-trade when the sale started after Christmas meant that price reductions decreased compared with last year. The increase of the gross margin is therefore mainly due to the lower level of price reduction.

After deduction for administrative and selling expenses, operating profit was SEK 712.5 M (SEK 416.1 M). The result reached corresponded to an operating margin of 11.6 per cent (8.5 per cent). Operating profit has been charged with depreciation according to plan amounting to SEK 115.6 M (SEK 84.4 M) and start-up costs, e.g. the part of investments in new stores charged directly to the income statement, of SEK 37.4 M (SEK 43.7 M). After depreciation but before start-up costs, operating margin thus reached 12.2 per cent (9.4 per cent). Group financial net interest income of SEK 46.2 M (SEK 35.8 M) added, profit after financial items was SEK 758.7 M (SEK 451.9 M).

Profit after estimated comprehensive tax allocation was SEK 493.2 M (SEK 293.7 M).

When judging the result, it should be taken into consideration that this may vary relatively much between different quarters of the same year, but also between the corresponding quarters different years.

Group balance sheet total increased by 26 per cent and corresponded to SEK 11,826.3 (SEK 9,391.3). The financial assets amounted to SEK 5,574.8 (SEK 4,276.4 M). Stock-in-trade was SEK 3,140.5 M (SEK 2,605.7 M).

Group solidity corresponded to 74 per cent (72 per cent) and the share of risk-bearing capital was 78 per cent (77 per cent).

	Turnover	Number of stores	Change
Sweden	1,251.1	119	- 1
Norway	676.2	51	
Denmark	457.2	41	
Great Britain	238.0	26	+ 1
Switzerland	562.7	41	- 1
Germany	2,306.7	150	+ 1
The Netherlands	439.6	44	
Belgium	348.8	30	
Austria	645.2	31	
Luxembourg	28.9	3	
Finland	175.5	8	
France	146.6	6	
	7,276.5	550	0

During the remaining part of the financial year, some 70 new stores are planned to open and 7 to close down.

The Board of Directors has decided to continue negotiations regarding two store sites in New York, both of which are centrally situated on Manhattan. No leases have been signed yet. On condition that the parties reach an agreement, the first store in the USA could open in the spring of 2000.

Negotiations are also in progress regarding establishment in Spain.

The interim report has not been audited.

A report for the first six months will be published on 22 June 1999

A report for the first nine months will be published on 21 September 1999

Stockholm 16 April 1999

The Board of Directors

SUMMARY OF GROUP BALANCE SHEET

SEK M

	28 Feb -99	28 Feb -98	30 Nov -98
Assets			
<i>Real estate, fixtures and fittings</i>	2,479.3	1,965.4	2,447.3
<i>Other fixed assets</i>	62.6	44.9	60.4
<i>Total fixed assets</i>	2,541.9	2,010.3	2,507.7
<i>Stock-in-trade</i>	3,140.5	2,605.7	3,237.9
<i>Other current assets</i>	569.1	498.9	547.4
<i>Liquid funds</i>	5,574.8	4,276.4	5,159.9
<i>Total current assets</i>	9,284.4	7,381.0	8,945.2
Total assets	11,826.3	9,391.3	11,452.9
Equity and liabilities			
<i>Equity</i>	8,717.8	6,783.3	8,405.9
<i>Long-term liabilities</i>	673.1	588.0	652.9
<i>Short-term liabilities</i>	2,435.4	2,020.0	2,394.1
Total equity and liabilities	11,826.3	9,391.3	11,452.9

CONSOLIDATED CASH FLOW
(MSEK)

	1998/99	1997/98
<i>Operating profit</i>	712.5	416.1
<i>Depreciation and start-up costs</i>	<u>153.0</u>	<u>128.1</u>
<i>Cash flow before changes in working capital</i>	865.5	544.2
<i>Changes in</i>		
<i>Current receivables</i>	- 21.7	- 18.8
<i>Stock-in-trade</i>	97.4	102.7
<i>Current liabilities</i>	<u>41.3</u>	<u>135.7</u>
	<u>117.0</u>	<u>219.6</u>
<i>Cash flow from operations before financial items</i>	982.5	763.8
<i>Net interest income</i>	46.2	35.8
<i>Tax expense</i>	- 265.5	- 158.2
<i>Exchange rate differences</i>	- <u>181.3</u>	<u>6.2</u>
	- <u>400.6</u>	- <u>106.2</u>
<i>Cash flow before external financing</i>	581.9	657.6
<i>Changes in</i>		
<i>Long-term liabilities and provisions</i>	20.2	8.4
<i>Long-term receivables</i>	- <u>2.2</u>	- <u>4.4</u>
	<u>18.0</u>	<u>4.0</u>
<i>Cash flow before investments</i>	599.9	661.6
<i>Investments and start-up costs</i>	- <u>185.0</u>	- <u>182.2</u>
<i>Changes in financial current assets</i>	414.9	479.4

THREE-MONTHS RESULTS, THREE YEARS SUMMARY

SEK M

	1 Dec -96 - 28 Feb -97	1 Dec -97 - 28 Feb -98	1 Dec -98 - 28 Feb -99
<i>Turnover including VAT</i>	4,781.9	5,805.1	7,276.5
<i>Change from previous year, %</i>	30.5	21.4	25.3
<i>Sales outside Sweden, %</i>	77.1	80.2	82.8
<i>Operating profit</i>	290.6	416.1	712.5
<i>Operating margin, %</i>	7.2	8.5	11.6
<i>Profit after estimated full tax</i>	204.4	293.7	493.2
<i>Profit per share</i>	0.99	1.42	2.38