



H & M HENNES & MAURITZ AB

FULL YEAR RESULTS

1 December 2001 to 30 November 2002

- **Group turnover for the year amounted to SEK 53,332 m (46,528) including VAT, an increase of 15 per cent compared to last year. With comparable exchange rates, the increase was 14 per cent.**
- **Profit after financial items was SEK 8,629 m (5,734), an increase of 50 per cent.**
- **Improved profit and operating margin in all markets.**
- **Turnover for the fourth quarter increased by 13 per cent (with comparable exchange rates 15 per cent) and amounted to SEK 15,963 m (14,172) including VAT.**
- **Profit after financial items for the fourth quarter was SEK 3,404 m (2,356), an increase of 44 per cent.**
- **In 2003, 110 stores are planned to open, of which twelve on the new markets Poland, the Czech Republic and Portugal.**
- **Leases have been signed for five stores in Toronto, Canada. The stores will open in 2004.**
- **The Board of Directors proposes a regular dividend of SEK 2.60 (1.75) per share and in addition a bonus dividend of SEK 3.40 per share, a total of SEK 6.00 per share.**

Turnover

Turnover incl. VAT for the H&M Group increased during the year by 15 per cent (with comparable exchange rates, the increase was 14 per cent) compared with last year and amounted to SEK 53,331.7 m (46,528.2).

Turnover in the fourth quarter was SEK 15,962.7 m (14,172.0) incl. VAT, an increase of 13 per cent (with comparable exchange rates 15 per cent).

85 stores were opened during the year; 19 in Germany, 15 in the USA, 11 in France, 10 in the United Kingdom, eight in Spain, five each in Austria and Belgium, three each in Sweden and the Netherlands, two in Denmark, two in Luxembourg and one each in Norway and Finland. Twelve stores have been closed. Group number of H&M stores thereby amounted to 844 (771) on 30 November 2002.

Profits

Gross profit amounted to SEK 25,103.5 m (20,499.1), which corresponds to 55.1 per cent (51.6) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 8,259.1 m (5,477.8). This corresponds to an operating margin of 18.1 per cent (13.8).

Operating profit has been charged with depreciation according to plan of SEK 1,050.6 m (900.1) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 162.7 m (193.0). Operating margin calculated on the result after depreciation but before start-up costs thereby was 18.5 per cent (14.3).

Group financial net interest income amounted to SEK 369.8 m (256.2).

Profit after financial items was SEK 8,628.9 m (5,734.0), an increase of 50 per cent.

After deduction of taxes of SEK 2,942.1 m (1,917.6), profit for the year amounted to SEK 5,686.8 m (3,816.4). The result achieved corresponds to earnings per share of SEK 6.87 (4.61).

Return on shareholders' equity was 32.9 per cent (27.9) and return on capital employed was 49.7 per cent (41.6).

Result for the fourth quarter

In the fourth quarter, operating profit was SEK 3,290.6 m (2,293.5), corresponding to an operating margin of 24.1 per cent (18.9).

Profit after financial items for the fourth quarter amounted to SEK 3,404.2 m (2,356.0), an increase of 44 per cent.

Comments on the results

The H&M Group has improved the result and the operating margin for the year in all markets compared with last year. The result for the whole year improved by 50 per cent and amounted to SEK 8,629 m (5,734) after financial items. Gross margin amounted to 55.1 per cent (51.6) and operating margin to 18.1 per cent (13.8). The strong result improvement has been achieved through well received collections above all and through further improved purchasing and logistic processes.

The Group has during the year increased focus on optimising volumes and lead times for each group of merchandise. This has resulted in a more even flow of goods and thereby an increased part of new garments in the stores every day, and to lower stock levels. A larger part of purchases currently during the season, especially of garments with a high degree of fashion, has also meant a higher accuracy in the fashion. All this together has led to increased sales of merchandise at full price, which among other things reflects in the high gross margin.

The lower levels of stock and price reduction have at the same time resulted in it being possible to keep store and logistic costs at a lower level.

During the year, H&M's youngest markets have had a continued positive development. France and Spain show a positive operating profit for the year and the USA a strong improvement of the result, especially in the second half of the year.

The financial year has been affected by positive currency translations of SEK 50 m (560) compared with last year.

Comments on the fourth quarter

The financial year was ended by a strong fourth quarter, where the above factors have had full effect. Profit after financial items increased by 44 per cent and amounted to SEK 3,404 m (2,356). The result corresponds to a gross margin of 58.0 per cent (54.7) and an operating margin of 24.1 per cent (18.9). These margins are the highest H&M has attained in a single quarter.

Liquidity and financing

The Group balance sheet increased by 23 per cent and was on 30 November 2002 SEK 25,198.7 m (20,410.3).

During the year, the H&M Group generated a positive cash flow from current operations of SEK 8,093.3 m (6,012.3). SEK 1,221.9 m (2,035.7) was invested through acquisitions of fixed assets.

Cash flow for the year amounted to SEK 5,234.6 m (2,702.9).

The financial assets amounted to SEK 13,479.6 m (8,530.9), an increase of 58 per cent.

Stock-in-trade decreased by 3 per cent (- 3) and amounted to SEK 4,192.5 m (4,332.4). Stock-in-trade equals 9.2 per cent (10.9) of turnover and 16.6 per cent (21.2) of total assets.

The Group's debt ratio was 0.4 per cent (1.2). The share of risk-bearing capital was 79.0 per cent (77.8).

The Group's equity was on 30 November 2002 SEK 19,087.7 m (15,431.6), which apportioned on the 827,536,000 outstanding shares equals SEK 23.07 (SEK 18.65) per share.

Expansion

The strong balance sheet and the substantial improvement of the operations in France, Spain and the USA have resulted in H&M being ready to enter new markets.

In the spring of 2003, stores will be opened in Poland, the Czech Republic and Portugal. During the year, five stores in Poland, three in the Czech Republic and four in Portugal are planned to open. In the beginning, the new countries will be handled by the neighbouring countries Germany, Austria and Spain. Investments in logistics and support are thereby expected to become lower than normally.

The H&M Group has in the end of January 2003 signed leases for five stores in and around Toronto in Canada. The stores are planned to open in the financial year 2004.

For the financial year 2002/03, a total of 110 stores are planned to open and seven will be closed. The main part of the expansion will take place in H&M's growth markets Germany, France, the USA, Spain and the U.K.

Employees

The average number of employees in the Group was 25,674 (22,944), of which 3,604 (3,523) in Sweden.

The Parent Company

The parent company's profit after financial items, which is not equivalent to results from total operations in Sweden, amounted to SEK 2,790.0 m (1,637.6). Adjusted for dividend revenue from subsidiaries, the result was SEK 852.3 m (231.4). This year's profit after dispositions and tax amounted to SEK 2,418.1 m (1,528.4).

December 2002

H&M Group turnover (with comparable exchange rates) increased in December 2002 by 16 per cent compared with the corresponding period last year.

Dividend

The substantial improvement of the result during the past two 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 2.60 (1.75) per share and in addition a bonus dividend of SEK 3.40 per share. This means a total dividend of SEK 6.00 per share.

Annual General Meeting of Shareholders

The shareholders' meeting will be held on Monday, 28 April 2003, at 3 pm at Stockholmsmässan in Stockholm (Victoriahallen).

The Annual Report is estimated to be published and distributed to shareholders during week 13, 2003. 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 2003:

Sales development - January	17 February
First Quarter results, 1 December 2002 - 28 February 2003, including sales development - February	26 March
Sales development - March	15 April
Sales development - April	15 May
Half Year results, 1 December 2002 - 31 May 2003, including sales development - May	18 June
Sales development - June	15 July
Sales development - July	15 August
Nine Months results, 1 December 2002 - 31 August 2003, including sales development - August	25 September
Sales development - September	15 October
Sales development - October	17 November
Sales development - November	15 December

Stockholm, 29 January 2003

The Board of Directors

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Information about H&M and press pictures are available on www.hm.com

GROUP INCOME STATEMENT

(SEK m)

	1/12 2001- 30/11 2002	1/12 2000- 30/11 2002	1/9 2002- 30/11 2002	1/9 2001- 30/11 2001
Turnover, including VAT	53,331.7	46,528.2	15,962.6	14,172.0
Turnover, excluding VAT	45,522.3	39,698.8	13,637.8	12,104.3
Costs of goods sold	- 20,418.8	- 19,199.7	- 5,724.1	- 5,486.1
Gross profit	25,103.5	20,499.1	7,913.7	6,618.2
Selling expenses	- 15,821.5	- 14,110.9	- 4,381.3	- 4,054.9
Administrative expenses	- 1,022.9	- 910.4	- 241.8	- 269.8
Operating profit	8,259.1	5,477.8	3,290.6	2,293.5
Result from financial investments				
Interest income	383.0	275.1	119.2	69.9
Interest expense	- 13.2	- 18.9	- 5.6	- 7.4
Profit after financial items	8,628.9	5,734.0	3,404.2	2,356.0
Taxes	- 2,942.1	- 1,917.6	- 1,113.5	- 735.3
Profit for the year	5,686.8	3,816.4	2,290.7	1,620.7
Profit per share, SEK	6.87	4.61	2.77	1.96

Number of shares: 827,536,000

GROUP BALANCE SHEET
(SEK M)

ASSETS	2002	2001
Fixed Assets		
<u>Intangible Assets</u>		
Renting rights	118.3	86.8
<u>Tangible Assets</u>		
Buildings and land	507.9	607.6
Equipment, tools, fixtures and fittings	<u>5,610.3</u>	<u>5,572.8</u>
	6,118.2	6,180.4
<u>Financial Assets</u>		
Other long-term receivables	115.4	107.2
Deferred tax receivables	<u>185.6</u>	<u>310.0</u>
	301.0	417.2
Total Fixed Assets	6,537.5	6,684.4
Current Assets		
Stock-in-trade	4,192.5	4,332.4
<u>Current receivables</u>		
Accounts receivable, trade	570.0	507.7
Other receivables	88.0	57.6
Prepaid expenses and accrued income	<u>331.1</u>	<u>297.3</u>
	989.1	862.6
Short-term investments	7,581.1	5,063.1
Cash and bank balances	5,898.5	3,467.8
Total Current Assets	18,661.2	13,725.9
Total Assets	25,198.7	20,410.3

GROUP BALANCE SHEET
(SEK m)

EQUITY AND LIABILITIES	2002	2001
Equity		
<u>Restricted Equity</u>		
Share capital	206.9	206.9
Restricted reserves	<u>2,256.4</u>	<u>2,268.5</u>
	2,463.3	2,475.4
<u>Non-restricted Equity</u>		
Profit brought forward	10,937.6	9,139.8
Profit for the year	<u>5,686.8</u>	<u>3,816.4</u>
	16,624.4	12,956.2
Total Equity	19,087.7	15,431.6
<u>Provisions</u>		
Provisions for pensions	5.2	98.7
Provisions for deferred tax liabilities	<u>818.6</u>	<u>755.9</u>
	823.8	854.6
<u>Long-term Liabilities</u>		
Liabilities to credit institutions	-	86.0
<u>Current Liabilities</u>		
Accounts payable, trade	968.5	998.1
Income tax liabilities	1,681.8	793.9
Other liabilities	950.6	710.5
Accrued expenses and deferred income	<u>1,686.3</u>	<u>1,535.6</u>
	5,287.2	4,038.1
Total Equity and Liabilities	25,198.7	20,410.3
Pledged assets	25.0	32.5
Contingent liabilities	17.4	21.0

CASH FLOW ANALYSES

1 December - 30 November
(SEK m)

Profit after financial items	8,628.9	5,734.0
Adjustment for items not affecting cash flow	<u>1,050.6</u>	<u>900.1</u>
	9,679.5	6,634.1
Tax paid	<u>-1,866.9</u>	<u>-1,329.4</u>
Cash flow generated by current operations before changes in working capital	7,812.6	5,304.7
Cash flow generated by changes in working capital		
Changes in		
Current receivables	- 159.5	- 40.3
Stock-in-trade	106.9	145.3
Current liabilities	<u>333.3</u>	<u>602.6</u>
Cash flow generated by current operations	8,093.3	6,012.3
Investment activities		
Investments in renting rights	- 52.3	5.9
Sales of/investments in buildings and land	61.8	- 94.2
Investments in fixed assets	<u>-1,231.4</u>	<u>-1,947.4</u>
Cash flow from investment activities	<u>-1,221.9</u>	<u>-2,035.7</u>
Cash flow from financing activities	- 1,636.8	- 1,273.7
<i>of which dividend</i>	<u>- 1,448.2</u>	<u>- 1,117.2</u>
Cash flow for the year	5,234.6	2,702.9
Liquid funds, beginning of the period	8,530.9	5,403.2
Cash flow for the year	5,234.6	2,702.9
Changes in currency rates	- 285.9	424.8
Liquid funds, end of the period	13,479.6	8,530.9

FIVE-YEAR SUMMARY

		1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
Turnover, including VAT	SEK m	26,649.8	32,976.5	35,876.1	46,528.2	53,331.7
Change from previous year	%	+ 25	+ 24	+ 9	+ 30	+ 15
Sales outside Sweden	SEK m	21,730.1	27,667.4	30,621.0	41,095.0	47,545.0
Sales outside Sweden as a percentage of total sales	%	82	84	85	88	89
Operating margin	%	14.8	16.4	12.4	13.8	18.1
Profit after financial items	SEK m	3,468.2	4,758.6	4,003.2	5,734.0	8,628.9
Net profit for the year	SEK m	2,286.9	3,075.4	2,552.7	3,816.4	5,686.8
Cash and Bank balances including short-term investments	SEK m	5,159.9	6,832.4	5,403.2	8,530.9	13,479.6
Stock-in-trade	SEK m	3,237.9	3,609.3	4,448.7	4,332.4	4,192.5
Restricted equity	SEK m	1,626.5	1,651.2	1,880.7	2,475.4	2,463.3
Non-restricted equity	SEK m	6,779.4	8,642.6	10,009.1	12,956.2	16,624.4
Return on shareholders' equity	%	30.7	32.9	23.0	27.9	32.9
Return on capital employed	%	46.3	50.3	35.8	41.6	49.7
Debt/equity ratio	%	1.6	1.3	1.2	1.2	0.4
Share of risk-bearing capital	%	77.9	76.4	79.8	77.8	79.0
Solidity	%	73.4	72.5	75.7	75.6	75.7
Interest cover		252.3	324.7	225.9	304.4	654.7
Number of stores in Sweden		120	124	115	118	120
Number of stores outside Sweden		430	489	567	653	724
Total number of stores		550	613	682	771	844
Average number of employees		14,101	17,652	20,680	22,944	25,674

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 December 2001 - 30 November 2002

	Turnover 2002	Turnover 2001	Change SEK	Change local currency	No of stores 30 Nov. 2002	Change since 1 Dec. 2001
	Incl VAT	Incl VAT	%	%		
Sweden	5,787	5,433	7	7	120	+ 2
Norway	4,114	3,516	17	10	67	
Denmark	2,472	2,251	10	10	50	+ 1
United Kingdom	4,605	3,453	33	35	68	+ 9
Switzerland	3,563	3,137	14	11	44	- 1
Germany	16,108	14,516	11	11	220	+14
Netherlands	3,494	3,082	13	14	59	+ 2
Belgium	1,829	1,640	12	12	39	+ 4
Austria	3,848	3,452	11	12	46	+ 5
Luxembourg	223	173	29	27	6	+ 2
Finland	1,224	1,173	4	5	20	+ 1
France	2,972	2,187	36	36	42	+11
USA	2,380	2,027	17	23	45	+15
Spain	713	488	46	47	18	+ 8
Total	53,332	46,528	15	14	844	+73

TURNOVER PER COUNTRY AND NUMBER OF SHOPS

1 September 2002 - 30 November 2002

	Turnover 2002	Turnover 2001	Change SEK	Change local currency	No of stores 30 Nov. 2002	Change since 1 Sep. 2002
	Incl VAT	Incl VAT	%	%		
Sweden	1,721	1,563	10	10	120	+ 1
Norway	1,183	991	19	13	67	- 1
Denmark	756	660	15	19	50	
United Kingdom	1,461	1,108	32	38	68	+ 5
Switzerland	1,005	1,013	- 1	2	44	
Germany	4,778	4,512	6	10	220	+ 9
Netherlands	1,056	988	7	10	59	
Belgium	529	454	17	15	39	+ 2
Austria	1,170	1,080	8	12	46	
Luxembourg	75	48	56	44	6	+ 1
Finland	298	334	- 11	- 4	20	
France	968	686	41	48	42	+ 2
USA	721	586	23	38	45	+ 8
Spain	242	149	62	68	18	+ 8
Total	15,963	14,172	13	15	844	+ 35