



HALF-YEAR REPORT

1 December 2004 - 31 May 2005

- **Turnover for the H&M Group excluding VAT amounted to SEK 28,095 M (24,981), an increase of 12 per cent. With comparable currency rates, the increase was 13 per cent.**
- **Profit after financial items for the half-year was SEK 5,931 M (4,497), an increase of 32 per cent. Group profit after estimated tax was SEK 3,855 M (2,923), corresponding to SEK 4.66 (3.53) per share.**
- **Turnover for the second quarter excluding VAT amounted to SEK 15,486 M (13,225), an increase of 17 per cent compared with previous year. With comparable currency rates the increase was 18 per cent.**
- **Profit after financial items for the second quarter was SEK 3,623 M (SEK 2,709), an increase of 34 per cent.**
- **Well received collections have contributed to the Group's best operating margin in a second quarter.**
- **The increase in turnover for the month of May was 18 per cent with comparable currency rates.**

Turnover

Turnover excluding VAT for the H&M Group increased by 12 per cent in the first six months (with comparable currency rates, 13 per cent) and amounted to SEK 28,095.3 M (24,981.1). Turnover including VAT was SEK 32,979.9 M (29,304.2).

Turnover excluding VAT for the second quarter increased by 17 per cent (with comparable currency rates, 18 per cent) and amounted to SEK 15,485.6 M (13,225.0). Turnover including VAT was SEK 18,160.0 M (15,497.2).

The turnover increase for the month of May was 18 per cent with comparable currency rates.

During the first six months, the Group opened 62 stores; thirteen in Germany, seven in Poland, five in the UK, four each in the Netherlands, France, Spain, the Czech Republic and Italy, three each in Sweden, Norway and the USA, two each in Switzerland, Belgium and Canada and finally one each in Portugal and Ireland. Nine stores have been closed. The total number of stores in the Group thus amounts to 1,121 (994).

Results for the first half-year

Gross profit for the first six months amounted to SEK 16,469.3 M (14,033.9), which corresponds to 58.6 per cent (56.2) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 5,729.8 M (4,323.6). The result corresponds to an operating margin of 20.4 per cent (17.3).

Operating profit for the period has been charged with depreciations according to plan amounting to SEK 689.4 M (625.3).

Group financial net interest income during the first six months was SEK 201.5 M (173.2).

Profit after financial items reached SEK 5,931.3 M (4,496.8), an increase of 32 per cent.

Profit for the Group after comprehensive tax allocation (35 per cent) for the first six months was SEK 3,855.3 M (2,922.9), corresponding to earnings per share of SEK 4.66 (3.53).

Return on shareholders' equity (revolving 12 months) was 43.1 per cent (37.6) and return on capital employed (revolving 12 months) was 65.3 per cent (56.5).

The result of the six months period has been negatively affected by currency translation effects of about SEK 30 M compared to the same period last year. Translation effects arise when the foreign subsidiaries results are converted into SEK in order to be consolidated in the Group accounts.

Results for the second quarter

Gross profit amounted to SEK 9,302.6 M (7,722.5) which corresponds to a gross margin of 60.1 per cent (58.4).

Operating profit was SEK 3,525.6 M (2,623.0) corresponding to an operating margin of 22.8 per cent (19.8).

Profit after financial items was SEK 3,622.6 M (2,709.0) an increase of 34 per cent.

Comments on the second quarter

Well received collections during the quarter have resulted in an increase in turnover of 18 per cent. The cost control has at the same time continued to work well. The achieved operating margin of 22.8 per cent is the highest operating margin that H&M has ever achieved during a second quarter.

During the quarter, it has been possible for H&M to continue to lower prices on comparable items. At the same time, the quality level as well as the assortment mix on large parts of the collection have improved, which have had a positive impact on the turnover.

The strengthening of the gross margin by 1.7 percentage units to 60.1 per cent (compared to the same period last year) has been possible due to lower quota costs, lower dollar rate and also lower price reductions which is a result of better collections and a well balanced stock-in-trade.

Liquidity and financing

Group balance sheet total increased by 11 per cent and was SEK 25,683.2 M (23,142.7).

During the period, the Group generated a positive cash flow of SEK 264.6 M (-2,597.0). Cash flow has been affected by dividends of SEK -6,619.4 M (-4,965.2) and by SEK +3,250.0 M (-) which is a reclassification of short-term investments.

Financial assets amounted to SEK 12,352.3 M (10,718.1).

The stock-in-trade amounted to SEK 4,925.1 M (4,869.1), an increase of 1 per cent. Stock-in-trade in relation to turnover excluding VAT was 8,6 per cent (9,7) and 19,2 per cent (21,0) in relation to total assets. The size and range of the stock-in-trade is considered as very satisfactory.

Investments in fixed assets during the half-year amounted to SEK 909.0 M (626.0).

The equity/assets ratio corresponded to 77 per cent (79) and the share of risk-bearing capital was 81 per cent (83).

Net worth apportioned on the outstanding 827,536,000 shares on 31 May 2005 corresponded to SEK 23.96 (22.07).

Expansion

During the remaining part of the fiscal year, 85-90 stores are estimated to open mainly in the US, Germany, the UK, Spain and Poland. Eleven stores are planned to close. During the corresponding period last year, 80 new stores were opened and six were closed.

Taxes

A tax rate of 35 per cent is used, as before, during the first three quarters, and the final tax is calculated in the fourth quarter.

The Parent Company

The parent company, reached a turnover (including inter-company sales) during the period of SEK 3,332.1 M (3,138.4) with an estimated taxable profit of SEK 6,100.0 M (6,709.7), of which SEK 5,517.4 M (6,254.0) 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 accounting principles used have been described in the latest annual report.

This half-year report has not been audited.

A report for the first nine months results will be published on 28 September 2005.
A report for the fiscal year 2004/2005 will be published on 26 January 2006.

Stockholm 21 June 2005

The Board of Directors

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GROUP INCOME STATEMENT (SEK m)

	1 December 2004- 31 May 2005	1 December 2003- 31 May 2004	1 March 2005- 31 May 2005	1 March 2004- 31 May 2004	1 December 2003- 30 November 2004
Turnover, including value added tax	32,979.9	29,304.2	18,160.0	15,497.2	62,985.9
Turnover, excluding value added tax	28,095.3	24,981.1	15,485.6	13,225.0	53,695.0
Costs of goods sold	-11,626.0	-10,947.2	-6,183.0	-5,502.5	-22,977.0
GROSS PROFIT	16,469.3	14,033.9	9,302.6	7,722.5	30,718.0
Selling expenses	-10,137.6	-9,161.1	-5,457.0	-4,807.8	-18,927.7
Administrative expenses	-601.9	-549.2	-320.0	-291.7	-1,123.0
OPERATING PROFIT	5,729.8	4,323.6	3,525.6	2,623.0	10,667.3
Result from financial investments					
Interest income	203.0	174.1	97.6	86.4	341.2
Interest expense	-1.5	-0.9	-0.6	-0.4	-3.2
PROFIT AFTER FINANCIAL INVESTMENTS	5,931.3	4,496.8	3,622.6	2,709.0	11,005.3
Tax	-2,076.0	-1,573.9	-1,268.0	-948.2	-3,730.5
PROFIT FOR THE YEAR	3,855.3	2,922.9	2,354.6	1,760.8	7,274.8
Profit per share, SEK	4.66	3.53	2.85	2.13	8.79
Number of shares 827,536,000					
Depreciation, total	689.4	625.3	353.4	317.6	1,232.2
of which cost of goods sold	73.7	68.8	37.9	35.0	134.3
of which selling expenses	582.5	526.2	298.4	267.2	1,038.2
of which administration expenses	33.2	30.3	17.1	15.4	59.7

GROUP BALANCE SHEET (SEK m)

	31 May 2005	31 May 2004	30 November 2004
ASSETS			
Fixed assets			
Intangible assets	195.3	103.0	101.4
Tangible assets	6,783.3	6,161.1	6,429.2
Financial assets	194.9	219.7	181.0
Total fixed assets	7,173.5	6,483.8	6,711.6
Current assets			
Stock-in-trade	4,925.1	4,869.1	5,141.6
current receivables	1,232.3	1,071.7	1,222.8
Liquid funds	12,352.3	10,718.1	15,051.3
Total current assets	18,509.7	16,658.9	21,415.7
TOTAL ASSETS	25,683.2	23,142.7	28,127.3
EQUITY AND LIABILITIES			
Equity	19,826.4	18,265.5	22,209.0
Provisions	1,086.0	931.2	1,033.2
Short-term liabilities	4,770.8	3,946.0	4,885.1
TOTAL EQUITY AND LIABILITIES	25,683.2	23,142.7	28,127.3
Change in equity			
Equity, beginning of period	22,209.0	20,096.7	20,096.7
Effect of change in accounting principle*	-15.6		
Opening balance of shareholders' equity adjusted in accordance with new principle	22,193.4	20,096.7	20,096.7
Profit for the period	3,855.3	2,922.9	7,274.8
Dividend	-6,620.3	-4,965.2	-4,965.2
Return of dividend	0.9		
Currency translation effects, etc	397.1	211.1	-197.3
Equity, end of period	19,826.4	18,265.5	22,209.0

* Non recurring effect on introduction of the new accounting recommendation RR29, Employee benefits. This has resulted in a nonc-recurring cost of SEK 15.6 m after tax that has been reported as an adjustment to the opening balance of shareholders' equity for 2004/2005 (but has had no effect on earnings and cash flow).

CASH FLOW ANALYSES (SEK m)

	1 December 2004- 31 May 2005	1 December 2003- 31 May 2004
CURRENT OPERATIONS		
Profit after financial items *	5,931.3	4,496.8
Provisions for pensions	6.6	-
Depreciation	689.4	625.3
Tax paid	-1,918.3	-2,177.7
Cash flow generated by current operations before changes in working capital	4,709.0	2,944.4
Cash flow generated by changes in working capital		
Current receivables	12.5	16.0
Stock-in-trade	309.0	234.0
Current liabilities	-354.0	-212.1
CASH FLOW GENERATED BY CURRENT OPERATIONS	4,676.5	2,982.3
Investment activities		
Investment in intangible assets	-110.2	-2.0
Investment in tangible assets	-927.7	-569.2
CASH FLOW FROM INVESTMENT ACTIVITIES	-1,037.9	-571.2
Financial activities		
Financial investments, 3-6 months	3,250.0	-
Long-term receivables	-4.6	-42.9
Dividend	-6,620.3	-4,965.2
Return on dividend	0.9	-
CASH FLOW FROM FINANCIAL ACTIVITIES	-3,374.0	-5,008.1
CASH FLOW FOR THE PERIOD	264.6	-2,597.0
Liquid funds, beginning of the period	11,801.3	13,193.5
Cash flow for the period	264.6	-2,597.0
Changes in currency rates	286.4	121.6
Liquid funds (incl. short-term investments, 0-3 months)	12,352.3	10,718.1

* Paid interest amounts to SEK 1,1 m (0,6)

FIVE YEARS SUMMARY (SEK m)

Six months

	2001-05-31	2002-05-31	2003-05-31	2004-05-31	2005-05-31
Turnover including VAT	21,391.3	24,705.5	27,025.2	29,304.2	32,979.9
Turnover excluding VAT	18,249.8	21,075.3	23,069.5	24,981.1	28,095.3
Change from previous year, %	25%	15%	9%	8%	12%
Operating profit	2,003.8	3,159.4	4,028.1	4,323.6	5,729.8
Operating margin, %	11.0%	15.0%	17.5%	17.3%	20.4%
Depreciation for the period	438.4	531.9	570.1	625.3	689.4
Profit after financial items	2,131.5	3,318.4	4,255.7	4,496.8	5,931.3
Profit after estimated tax	1,385.5	2,157.0	2,766.2	2,922.9	3,855.3
Number of shares	827,536,000	827,536,000	827,536,000	827,536,000	827,536,000
Profit per share, SEK	1.67	2.61	3.34	3.53	4.66
Liquid funds	5,735.8	9,418.5	10,285.4	10,718.1	12,352.3
Stock-in-trade	3,943.3	3,982.5	3,630.9	4,869.1	4,925.1
Equity	12,541.0	15,894.5	16,579.0	18,265.5	19,826.4

Revolving, twelve months

Profit per share, SEK	3.34	5.36	7.61	7.91	9.92
Net worth per share, SEK	15.15	19.21	20.03	22.07	23.96
Return on shareholders' equity, %	24.3	31.2	38.8	37.6	43.1
Return on capital employed, %	37.7	48.1	58.6	56.5	65.3
Debt/equity ratio, %	1.6	1.2	0.0	0.0	0.0
Share of risk-bearing capital, %	82.1	79.7	82.3	82.6	80.9
Solidity, %	78.1	76.1	78.5	78.9	77.2
Interest cover, %	203.9	420.4	903.5	5,108.0	3,274.6
Number of stores	730	801	893	994	1,121

TURNOVER PER COUNTRY AND NUMBER OF SHOPS
1 DECEMBER 2004 - 31 MAY 2005

SEK m	Turnover 2005 Incl. VAT	Turnover 2004 Incl. VAT	Change SEK %	Change local currency %	No of stores 31 May 2005	Change since 1 December 2005
Sweden	2 922	2 787	5%	5%	123	-1
Norway	2 072	1 889	10%	7%	76	1
Denmark	1 394	1 296	8%	8%	53	
United Kingdom	2 758	2 647	4%	7%	95	4
Switzerland	1 827	1 721	6%	6%	49	2
Germany	9 247	8 273	12%	13%	282	13
Netherlands	1 970	1 841	7%	8%	69	3
Belgium	1 164	1 054	10%	11%	45	1
Austria	2 002	1 967	2%	3%	51	
Luxembourg	140	131	7%	7%	7	
Finland	808	689	17%	18%	24	
France	2 371	2 066	15%	16%	68	4
USA	1 751	1 579	11%	19%	78	3
Spain	1 281	876	46%	47%	44	4
Poland	337	173	95%	70%	22	7
Czech Republic	158	76	108%	95%	11	4
Portugal	134	105	28%	28%	6	1
Italy	239	98	144%	146%	7	4
Canada	252	36	600%	587%	8	2
Slovenia	111				2	
Ireland	42				1	1
Total	32 980	29 304	13%	13%	1 121	53

TURNOVER PER COUNTRY AND NUMBER OF SHOPS
1 March 2005 - 31 May 2005

SEK m	Turnover 2005 Incl. VAT	Turnover 2004 Incl. VAT	Change SEK %	Change local currency %	No of stores 31 May 2005	Change since 1 March 2005
Sweden	1 535	1 412	9%	9%	123	1
Norway	1 025	932	10%	4%	76	1
Denmark	734	664	11%	11%	53	
United Kingdom	1 517	1 437	6%	8%	95	3
Switzerland	1 003	927	8%	8%	49	2
Germany	5 167	4 364	18%	19%	282	12
Netherlands	1 125	1 021	10%	11%	69	4
Belgium	625	540	16%	16%	45	2
Austria	1 095	1 046	5%	5%	51	
Luxembourg	76	69	10%	9%	7	
Finland	426	358	19%	19%	24	
France	1 310	1 061	23%	24%	68	3
USA	1 010	893	13%	20%	78	2
Spain	716	468	53%	54%	44	4
Poland	195	113	73%	51%	22	6
Czech Republic	99	49	102%	88%	11	4
Portugal	75	56	34%	32%	6	1
Italy	164	51	222%	222%	7	4
Canada	155	36	331%	320%	8	2
Slovenia	66				2	
Ireland	42				1	1
Total	18 160	15 497	17%	18%	1 121	52

REPORTING PER REGION (SEK m)

	1/12 2004- 31/5 2005	1/12 2003- 31/5 2004	1/3 2005- 31/5 2005	1/3 2004- 31/5 2004	1/12 2003- 30/11 2004
Nordic countries					
Net turnover	5,780	5,355	2,989	2,705	11,495
Operating profit	1,112	804	642	480	2,202
Operating margin, %	19.2	15.0	21.5	17.7	19.2
Euro zone countries excl Finland					
Net turnover	15,789	13,973	8,812	7,387	29,907
Operating profit	3,665	2,837	2,217	1,640	6,625
Operating margin, %	23.2	20.3	25.2	22.2	22.2
Rest of the world					
Net turnover	6,526	5,653	3,684	3,133	12,293
Operating profit	953	683	667	503	1,840
Operating margin, %	14.6	12.1	18.1	16.1	15.0
Total					
Net turnover	28,095	24,981	15,485	13,225	53,695
Operating profit	5,730	4,324	3,526	2,623	10,667
Operating margin, %	20.4	17.3	22.8	19.8	19.9

REPORTING PER SEGMENT

The internal follow-up is carried out by country. To present the information in a comprehensive way by segments these will be divided into three regions: the Nordic region, the Euro zone countries excluding Finland and the rest of world. There is no internal division into different lines of business and hence reporting in secondary segments is not relevant.