PRESS CONFERENCE 29 JUNE 2017
SIX-MONTH REPORT 2017
• KARL-JOHAN PERSSON
  CEO
• NILS VINGE
  INVESTOR RELATIONS
• ANN-SOFIE JOHANSSON
  CREATIVE ADVISOR
SECOND QUARTER 2017

- Sales +10% to SEK 59.5 billion including VAT; +5% in local currencies
- Profit after financial items SEK 7.7 billion, +10%
- Increasing digitalisation changes fashion retail
  - continued rapid and profitable growth of the H&M group’s online business
- Continued very good development at COS, Monki, Weekday, & Other Stories and H&M Home
FINANCIAL DATA
SALES

Q2
Six months
SEK m incl VAT

2016
2017

Δ + 10%
Δ + 9%

54,341
104,965

59,538
113,907

+ 10%
+ 9%

0
25,000
50,000
75,000
100,000
125,000
GROSS PROFIT AND GROSS MARGIN

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 Gross profit SEK m</td>
<td>26,980</td>
<td>29,345</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>57.6%</td>
<td>57.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six months Gross profit SEK m</td>
<td>49,679</td>
<td>53,811</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>54.9%</td>
<td>54.7%</td>
</tr>
</tbody>
</table>
SELLING AND ADMINISTRATIVE EXPENSES

Q2 | Six months
---|-----------
20,028 | 39,457
△ + 8% | △ + 9%
21,695 | 43,002

SEK m

2016
2017
PROFIT AFTER FINANCIAL ITEMS

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2</td>
<td>SEK m</td>
<td>SEK m</td>
</tr>
<tr>
<td></td>
<td>7,002</td>
<td>7,708</td>
</tr>
<tr>
<td></td>
<td>(\Delta + 10%)</td>
<td>(\Delta + 10%)</td>
</tr>
<tr>
<td>Six months</td>
<td>SEK m</td>
<td>SEK m</td>
</tr>
<tr>
<td></td>
<td>10,329</td>
<td>10,920</td>
</tr>
<tr>
<td></td>
<td>(\Delta + 6%)</td>
<td>(\Delta + 6%)</td>
</tr>
</tbody>
</table>
## SALES AND PROFITS
### SECOND QUARTER

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>51,383</td>
<td>46,874</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>29,345</td>
<td>26,980</td>
</tr>
<tr>
<td>\emph{gross margin, %}</td>
<td>57.1</td>
<td>57.6</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>7,650</td>
<td>6,952</td>
</tr>
<tr>
<td>\emph{operating margin, %}</td>
<td>14.9</td>
<td>14.8</td>
</tr>
<tr>
<td><strong>Net financial items</strong></td>
<td>58</td>
<td>50</td>
</tr>
<tr>
<td><strong>Profit after financial items</strong></td>
<td>7,708</td>
<td>7,002</td>
</tr>
<tr>
<td><strong>Tax</strong></td>
<td>-1,811</td>
<td>-1,645</td>
</tr>
<tr>
<td><strong>Profit for the period</strong></td>
<td>5,897</td>
<td>5,357</td>
</tr>
<tr>
<td>\emph{Earnings per share, SEK}</td>
<td>3.56</td>
<td>3.24</td>
</tr>
</tbody>
</table>
# KEY DATA

<table>
<thead>
<tr>
<th></th>
<th>SEK m</th>
<th>31 May 2017</th>
<th>31 May 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock-in-trade</td>
<td>32,148</td>
<td>25,339</td>
<td></td>
</tr>
<tr>
<td>Cash flow from current operations</td>
<td>10,942</td>
<td>12,566</td>
<td></td>
</tr>
<tr>
<td>Investments</td>
<td>5,528</td>
<td>5,633</td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents and short-term investments</td>
<td>10,655</td>
<td>8,387</td>
<td></td>
</tr>
<tr>
<td>Return on shareholders' equity, % *</td>
<td>37.7</td>
<td>39.0</td>
<td></td>
</tr>
</tbody>
</table>

* rolling twelve months
Our Online Offering

• Improvement, diversification and expansion of our online offering
  - more and faster delivery options
  - more payment alternatives
  - a broader range of products

• 8 new online markets for H&M 2017
  - Turkey, Taiwan, Hong Kong, Macau, Singapore and Malaysia opened during spring
  - The Philippines and Cyprus later this year

• India one of several new online markets 2018
AN INTEGRATED SHOPPING EXPERIENCE

• We are integrating our physical stores with the online store
  – for a seamless, smooth and inspiring shopping experience

• Global store network gives us a unique proximity to our customers
  – physical stores create hubs for fast deliveries, pick-up and returns
  – our sales channels strengthen each other
Investments in advanced analytics allow further improvements in areas such as:

- product range development
- quantification and allocation
- personalised communication
SUPPLY CHAIN OPTIMISATION

• Optimisation of the supply chain
  – investments to bear fruit gradually
• Increased speed, efficiency and flexibility
PROFITABLE STORE GROWTH

- The H&M group continues its expansion in existing and new markets
  - approx. 400 new stores net planned to open 2017
  - Growth markets focus for new stores
- New H&M markets in 2017
  - Kazakhstan and Colombia opened during spring and very well received
  - Iceland, Georgia and Vietnam to open in autumn
- The first H&M stores in Uruguay and Ukraine planned to open in 2018
OPTIMISATION OF THE STORE PORTFOLIO

• Development and optimisation of the store portfolio
• Rebuilds, relocations and additional store space
  – approx. 100 store closures in 2017
• Development of our H&M stores with a new visual expression
  – for a more inspiring in-store customer experience
GLOBAL BRANDS

- We develop, launch and build new global brands
  - an important part of the H&M group’s strategy
- COS’ revenue to reach approx. SEK 10 billion 2017
  - profitability in line with the H&M brand
- COS, & Other Stories, Monki, Weekday, Cheap Monday and H&M Home
  - contribute to an increasing share of the growth and value of the H&M group
ARKET – NEW BRAND
Arket: The Ideal Everyday Uniform

The Vogue verdict on Arket? It's really good. Setting its sights on satisfying the reality of its customers' lifestyle demands and consciously incorporating sustainability into the foundations of every decision it makes from the ground up (rather than an after-thought that sounds good but means relatively little), the new concept store from the H&M group certainly lives up to the hype that we've been hearing of late. By the time it opens its London flagship in late August, it will have been two years and eight months in the making - time that has been spent considering every little detail of what the team behind it hopes will be a game changer on the high street.

"The brand DNA is timeless, crisp, quality and warmth"

"The brand DNA is timeless, crisp, quality and warmth," Bernhardts continued. "Timeless is style beyond trend. And crisp is the counterpart to that: to be always relevant, modern and fresh. Quality is not only the feel of garments, it's also how they are produced. Warmth is about being genuine and personal."

"Starting this project, a little bit over two years ago, we did quite extensive research and what we clearly saw was a broad customer base out there who are looking for classic, quality products in an environment that should be both simple and inspiring, but also putting our own fantastic design together with complementary brands," added Lars Antonsen, Arket's managing director. "Today the customer is very busy. They are looking for convenience, but also a place that they can really enjoy."

And we finally have the first images from the debut collection:

We. Can't. Wait.
LONDON
COPENHAGEN
ARKET – NEW BRAND

• ARKET’s first store to open in London and in 18 European markets at arket.com
  – launching after summer 2017
• More stores to open during autumn
  – in London, Brussels, Copenhagen and Munich
• ARKET’s first store in Sweden to open in spring 2018
  – Biblioteksgatan 9 in Stockholm
The H&M group’s online sales show rapid growth and good profitability – account for 25-30% of total sales in some established markets.

Estimated online sales growth of at least 25% per year going forward, with a profitability in line with our physical stores.
Investments for continued profitable growth many years to come
We develop our business with quality at a fast pace
Further strengthening of the H&M group’s position
  - in a growing and rapidly changing market