H & M Hennes & Mauritz AB

TELEPHONE CONFERENCE 27 MARCH 2018

THREE-MONTH REPORT 2018
• KARL-JOHAN PERSSON
CEO

• JYRKI TERVONEN
CFO

• NILS VINGE
INVESTOR RELATIONS
• Digitalisation driving rapid change
  - challenges and opportunities
• Changing customer behaviour
  - online shopping growing fast, mobile is central
  - reduced traffic to physical stores
• Customer expectations increasing fast
• 2018 – a year of transformation for the H&M group
# SALES AND PROFITS

**FIRST QUARTER**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEK m</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>46,181</td>
<td>46,985</td>
</tr>
<tr>
<td>Gross profit</td>
<td>23,040</td>
<td>24,466</td>
</tr>
<tr>
<td>(\text{gross margin, %})</td>
<td>49.9</td>
<td>52.1</td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,208</td>
<td>3,159</td>
</tr>
<tr>
<td>(\text{operating margin, %})</td>
<td>2.6</td>
<td>6.7</td>
</tr>
<tr>
<td>Net financial items</td>
<td>55</td>
<td>53</td>
</tr>
<tr>
<td>Profit after financial items</td>
<td>1,263</td>
<td>3,212</td>
</tr>
<tr>
<td>Tax</td>
<td>109</td>
<td>-755</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>1,372</td>
<td>2,457</td>
</tr>
<tr>
<td>(\text{Earnings per share, SEK})</td>
<td>0.83</td>
<td>1.48</td>
</tr>
</tbody>
</table>
## KEY DATA

<table>
<thead>
<tr>
<th></th>
<th>28 Feb 2018</th>
<th>28 Feb 2017</th>
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</thead>
<tbody>
<tr>
<td>Stock-in-trade</td>
<td>34,959</td>
<td>32,692</td>
</tr>
<tr>
<td>Cash flow from current operations</td>
<td>1,307</td>
<td>2,361</td>
</tr>
<tr>
<td>Investments</td>
<td>2,108</td>
<td>2,418</td>
</tr>
<tr>
<td>Cash and cash equivalents and short-term investments</td>
<td>10,003</td>
<td>8,437</td>
</tr>
<tr>
<td>Return on shareholders' equity, % *</td>
<td>24.1</td>
<td>30.2</td>
</tr>
</tbody>
</table>

* rolling twelve months
• Accelerating our transformation in a rapidly changing industry
• Our priority action areas
  – restlessly develop our brands, focusing on H&M
  – accelerate our key enablers
  – new growth
  – good cost control and efficiencies
RESTLESSLY DEVELOP OUR BRANDS

- Restlessly develop our brands, focusing on H&M
- Assortment – best combination of fashion, quality, price and sustainability
- Physical stores – develop new store concepts and optimise existing store portfolio
- Online store – further enhanced through additional testing and faster development
- Seamless – integration of physical and digital stores
- frictionless between channels
- faster, more flexible delivery and payment options
ACCELERATE OUR KEY ENABLERS

• Make our supply chain faster, more flexible and efficient
  - for example new highly automated logistic centres
• Expanding our initiatives relating to advanced analytics and AI
• Continued investments in our tech foundation
  - robust and scalable platforms
  - faster development of various consumer apps and new technologies
NEW GROWTH

• Digital expansion of existing brands
  – new markets, external partners and social platforms; widen the product assortment

• H&M online in 45 markets with successful launch in India 15 March
  – Saudi Arabia and UAE to open online 2018

• H&M, H&M Home very well-received on Tmall in mainland China since launch 21 March

• Approx. 220 new stores net for the H&M group 2018
  – H&M to open in Uruguay and Ukraine

• Developing new concepts and business models
NEW BRANDS

• H&M, COS, Monki, Weekday, & Other Stories, Cheap Monday, ARKET and H&M Home
  - our eight unique brands
• Development of new brands
  - for new customer needs and segments
• In 2018 our ninth brand will open, Afound
  - Afound, a new marketplace for off price
  - well-known fashion and life style brands, external as well as H&M group brands
  - launch of first stores and digital marketplace in Sweden
GOOD COST CONTROL AND EFFICIENCIES

• With good cost control, operating costs are expected to continue increase at a slow rate
• Ongoing efficiencies, with several promising initiatives within buying and production
  – in addition, the weaker USD is currently having a favourable impact on purchasing costs
• Great potential to reduce markdown costs from 2019 and onwards