

# H & M Hennes & Mauritz AB

## Nine-month report

### Nine months (1 December 2015 – 31 August 2016)

- The H&M group's sales including VAT increased by 7 percent in local currencies during the first nine months of the financial year. Converted into SEK, sales including VAT increased by 5 percent to SEK 161,767 m (153,444). Sales excluding VAT amounted to SEK 139,547 m (132,167).
- Profit after financial items amounted to SEK 16,630 m (20,094). The group's profit after tax amounted to SEK 12,722 m (15,372), corresponding to SEK 7.69 (9.29) per share.

### Third quarter (1 June 2016 – 31 August 2016)

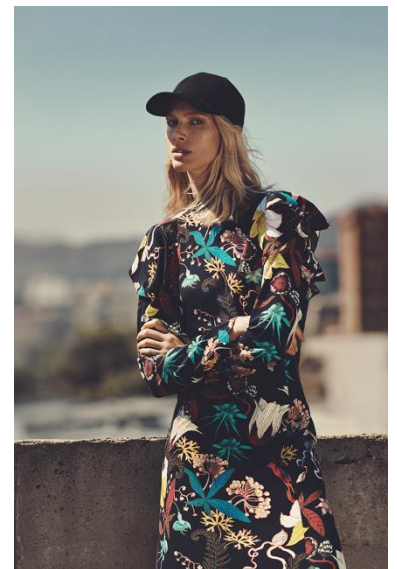
- The H&M group's sales including VAT increased by 8 percent in local currencies during the third quarter. Converted into SEK, sales including VAT increased by 6 percent to SEK 56,802 m (53,420). Sales excluding VAT amounted to SEK 48,982 m (46,024).
- Gross profit amounted to SEK 26,471 m (25,712). This corresponds to a gross margin of 54.0 percent (55.9).
- Profit after financial items amounted to SEK 6,301 m (6,936). The group's profit after tax amounted to SEK 4,820 m (5,306), corresponding to SEK 2.91 (3.21) per share. Profits in the third quarter were negatively affected mostly by increased mark-downs but also due to higher purchasing costs from the strengthened US dollar.

- H&M's e-commerce will be launched in Canada and South Korea during autumn 2016. A total of 11 new H&M online markets will thus be added in 2016, which means that H&M will offer e-commerce in 35 markets by the end of the year.
- The H&M group's sales including VAT in September 2016 are expected to increase by 1 percent in local currencies compared to the same month last year. The exceptionally warm weather in September delayed the start of the autumn season.
- The H&M group plans a net addition of around 425 new stores and three new markets for the 2015/2016 financial year. In addition to Puerto Rico which opened this June, and Cyprus, which opened in September, New Zealand will open its first H&M store in October.
- In 2017, H&M plans to open stores in four to five new markets including Colombia, Iceland and Kazakhstan.
- A continued fast roll-out of new H&M online markets is planned for 2017.
- The H&M group plans to launch one or two new brands in 2017.

SEK m	Q3	Q3	Nine months	Nine months
	2016	2015	2016	2015
Net sales	48,982	46,024	139,547	132,167
Gross profit	26,471	25,712	76,150	75,170
<i>gross margin, %</i>	<i>54.0</i>	<i>55.9</i>	<i>54.6</i>	<i>56.9</i>
Operating profit	6,247	6,869	16,469	19,858
<i>operating margin, %</i>	<i>12.8</i>	<i>14.9</i>	<i>11.8</i>	<i>15.0</i>
Net financial items	54	67	161	236
<b>Profit after financial items</b>	<b>6,301</b>	<b>6,936</b>	<b>16,630</b>	<b>20,094</b>
Tax	-1,481	-1,630	-3,908	-4,722
<b>Profit for the period</b>	<b>4,820</b>	<b>5,306</b>	<b>12,722</b>	<b>15,372</b>
Earnings per share, SEK	2.91	3.21	7.69	9.29

Nine-months  
**SEK 162 billion**  
 Sales incl VAT

**4,135**  
 stores in 62 markets



H&M Ladies

Q3

## Comments by Karl-Johan Persson, CEO

“Sales including VAT in the third quarter increased by 8 percent in local currencies. Converted into SEK, sales increased by 6 percent to around SEK 57 billion. Sales were good in most of the markets up until mid-August. Thereafter sales were negatively affected by unseasonably hot weather which continued into September, resulting in a challenging start to the autumn season.

The sales performance in the third quarter and increased mark-downs due to a higher opening stock than planned had a negative impact on profit development. In addition, profits continued to be negatively affected by the strong US dollar effect on purchasing costs.

We have made considerable investments in recent years, including within IT and the development of new brands – for example, we will launch one or two new brands next year. These big investments, which have burdened our profits for a long time, have been necessary since they have created a good and solid base for sustainable and profitable growth. Building on this base, we can now continue to develop and strengthen the shopping experience within a number of different areas such as continued integration of stores and online, expanded and faster delivery options and mobile payment solutions. In addition, we are working on various initiatives within advanced data analytics and RFID. In parallel with this, we have also identified several things within our customer offering where there is potential for improvement. All this – combined with the fact that the fast pace of investment is to some extent gradually starting to subside – gives us a positive view of our opportunities for 2017 and going forward, both in terms of sales and profitability.

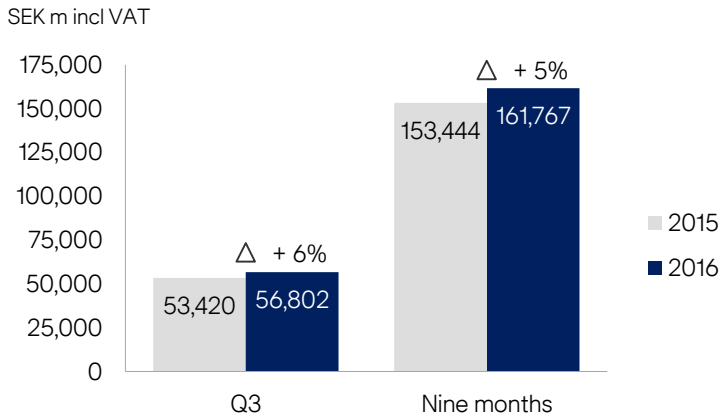
So far this year we have opened nine new online markets and 211 stores net, and we have a very busy autumn ahead of us with many store openings and the opening of a further two new online markets, Canada and South Korea. We plan to open 214 new stores net now in the fourth quarter. We opened our first H&M store in Nicosia in Cyprus some days ago and shortly, in October, we will be opening our first H&M store in Auckland in New Zealand. By the end of the year our presence will include stores in 64 markets – and 35 of these will offer H&M shop online.”



H&M Kids

## Sales

The H&M group's sales in local currencies including VAT increased by 8 percent in the third quarter and by 7 percent in the nine-month period.



H&M Man

**Sales including VAT converted into SEK** increased by 6 percent to SEK 56,802 m (53,420) in the third quarter. Sales including VAT in the nine-month period increased by 5 percent and amounted to SEK 161,767 m (153,444).

**Sales excluding VAT** increased by 6 percent to SEK 48,982 m (46,024) in the third quarter and by 6 percent to SEK 139,547 m (132,167) in the nine-month period.

Sales in the second half of August were negatively affected by the unseasonably warm weather in many of the group's markets.

The difference between the sales increase in SEK and in local currencies is due to the fact that the Swedish krona has strengthened against the overall basket of currencies in the group compared to the same period last year.

Currency translation effects arise when sales and profits in local currencies are translated into the company's reporting currency, which is SEK. A negative currency translation effect arises when the Swedish krona strengthens and a positive currency translation effect arises when the Swedish krona weakens.

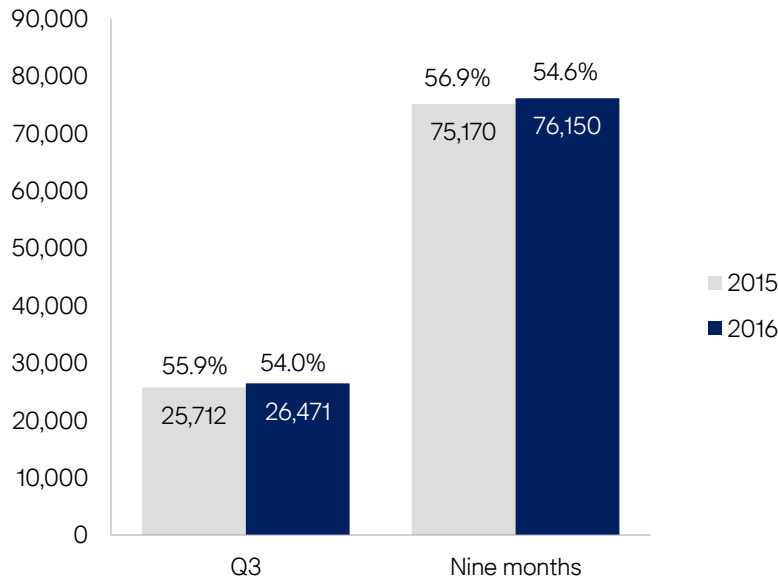
## Sales in top ten markets, nine months

	2016	2015	Change in %		31 Aug - 16	2016
	SEK m inc. VAT	SEK m inc. VAT	SEK	Local currency	Number of stores	New stores (net)
Germany	26,877	27,204	-1	-1	453	4
USA	19,580	18,358	7	6	445	30
UK	11,052	11,595	-5	2	271	7
France	10,023	10,043	0	0	231	9
China	7,756	7,732	0	5	400	47
Sweden	7,481	6,974	7	7	173	-3
Italy	6,520	6,193	5	6	156	6
Spain	5,840	5,711	2	3	166	1
Netherlands	5,667	5,484	3	4	139	0
Switzerland	4,655	5,118	-9	-7	97	1
Others*	56,316	49,032	15	18	1,604	109
<b>Total</b>	<b>161,767</b>	<b>153,444</b>	<b>5</b>	<b>7</b>	<b>4,135</b>	<b>211</b>
<i>* Of which franchises</i>	<i>3,687</i>	<i>3,287</i>	<i>12</i>	<i>8</i>	<i>176</i>	<i>20</i>

## Gross profit and gross margin

H&M's gross profit and gross margin are a result of many different factors, internal as well as external, and are mostly affected by the decisions that H&M takes in line with its strategy to always have the best customer offering in each individual market – based on the combination of fashion, quality, price and sustainability.

Gross profit SEK m



H&M Home

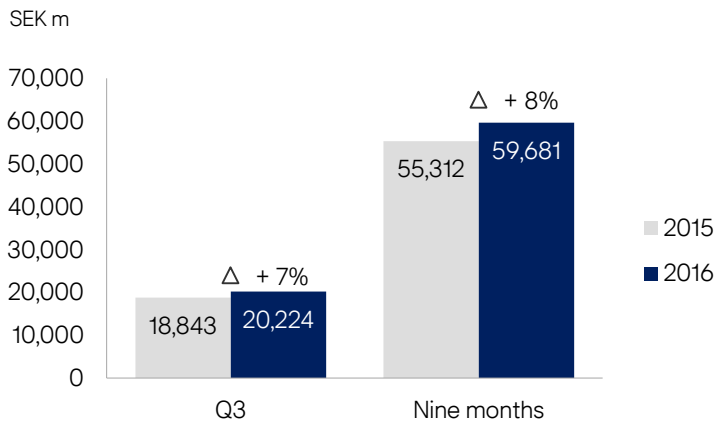
**Gross profit amounted** to SEK 26,471 m (25,712) in the third quarter, corresponding to a gross margin of 54.0 percent (55.9). For the nine-month period, gross profit amounted to SEK 76,150 m (75,170), corresponding to a gross margin of 54.6 percent (56.9).

**Mark-downs** in relation to sales increased by 1.1 percentage points in the third quarter 2016 compared to the corresponding quarter in 2015. The increase in Q3 is mostly explained by increased mark-down activities for the spring garments that did not sell as well as planned in Q2 due to the cold spring.

**Overall, the market situation** as regards external factors such as cost inflation and purchasing currencies continued to be negative during the purchasing period for the third quarter compared to the corresponding purchasing period in the previous year, mostly due to the impact of the stronger US dollar on purchasing costs.

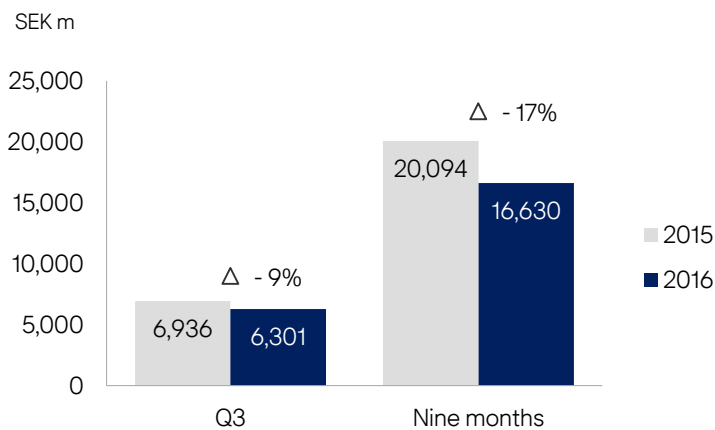
The dollar effect is expected to become somewhat negative for purchases made for the fourth quarter compared to the corresponding purchasing period the previous year.

## Selling and administrative expenses



**Cost control** in the group remains good. For the third quarter of 2016, selling and administrative expenses increased by 7 percent in SEK and by 9 percent in local currencies compared to the third quarter last year.

## Profit after financial items



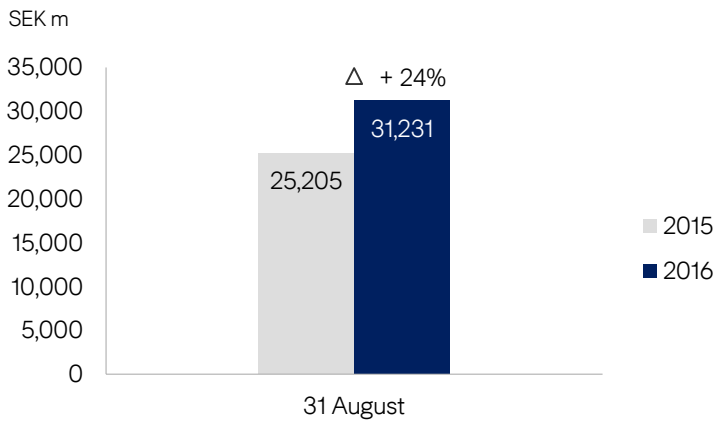
**Profit after financial items** in the nine-month period amounted to SEK 16,630 m (20,094). Profit after financial items in the third quarter amounted to SEK 6,301 m (6,936), a decrease of 9 percent.

Profits in the quarter were affected by increased mark-downs and a continued negative dollar effect on purchasing costs, but also by the cost of long-term investments which increased by SEK 70 m compared to the same quarter last year. The fact that sales did not reach the company's sales target for the quarter naturally also had a negative impact on profits.



H&M Ladies

## Stock-in-trade



**Stock-in-trade** amounted to SEK 31,231 m (25,205), an increase of 24 percent in SEK and in local currencies compared to the same time the previous year.

The increase in the stock-in-trade is explained by the group's expansion through stores and online. The increase is also due to the fact that the warm weather in the second half of August has delayed sales of autumn garments. Combined with the fact that sales in September have also been strongly negatively affected by the weather in many of the group's markets, this could mean a risk of increased mark-downs in the fourth quarter compared to the corresponding quarter the previous year.

The **stock-in-trade** amounted to 16.6 percent (14.4) of sales excluding VAT rolling twelve months and 34.2 percent (31.1) of total assets.



& Other Stories

## Expansion

The H&M group remains positive as regards future expansion and the group's business opportunities. The strong expansion continues both through stores and online. The group's growth target remains intact. The aim is to increase the number of stores by 10-15 percent per year with continued high profitability.

For full-year 2016 the group plans a net addition of around 425 new stores, with most of the expansion taking place in existing markets. China and the US will once again be the markets with the most new stores.

H&M stores represent the largest part of the group's planned net addition of 425 new stores. Of the group's other brands – COS, Monki, Weekday, & Other Stories and Cheap Monday – the main focus of expansion in 2016 will be on COS. H&M Home will also continue its rapid expansion, with around 80 new H&M Home departments planned for 2016. H&M Home is now available in a total of 236 H&M stores in more than 40 markets.

Brand	Number of markets		Expansion 2016
	31 Aug - 2016		
	Store	Online	New markets
H&M	62	33	Store: Puerto Rico*, New Zealand, Cyprus** Online: Slovenia*, Croatia*, Estonia*, Latvia*, Lithuania*, Luxembourg*, Ireland*, Japan*, Greece*, Canada, South Korea
COS	32	19	Store: Czech Republic*, Romania*, Latvia**, Malaysia
Monki	12	19	Store: Austria
Weekday	6	18	Store: Austria*, Belgium
& Other Stories	10	13	Store: Ireland, Poland
Cheap Monday	4	18	-

\* Opened by 31 Aug - 2016

\*\* Opened in September

## Store count by brand

In the nine-month period, the group opened 264 (206) stores and closed 53 (42) stores, i.e. a net increase of 211 (164) new stores. The group had 4,135 (3,675) stores as of 31 August 2016, of which 176 were franchise stores.

Brand	New Stores 2016 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2016	31 Aug - 2015
H&M	54	174	3,784	3,403
COS	3	24	177	128
Monki	-3	4	110	94
Weekday	1	3	23	20
& Other Stories	3	6	36	25
Cheap Monday	0	0	5	5
<b>Total</b>	<b>58</b>	<b>211</b>	<b>4,135</b>	<b>3,675</b>

## Store count by region

Region	New Stores 2016 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2016	31 Aug - 2015
Europe & Africa	12	72	2,786	2,617
Asia & Oceania	30	104	799	586
North & South America	16	35	550	472
<b>Total</b>	<b>58</b>	<b>211</b>	<b>4,135</b>	<b>3,675</b>

## Tax

The H&M group's tax rate is expected to be approximately 22.5 - 23.5 percent for the 2015/2016 financial year. In the first, second and third quarter of 2016 an estimated tax rate of 23.5 percent has been used. The final outcome of the tax rate for the year depends on the results of the group's various companies and the corporate tax rates in each country.

## Current quarter

The H&M group's sales including VAT in September 2016 are expected to increase by 1 percent in local currencies compared to the same month last year. The exceptionally warm weather in September has delayed the start of the autumn season.

## Accounting principles

The group applies International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared according to IAS 34 Interim Financial Reporting as well as the Swedish Annual Accounts Act.

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2014/2015 which are described in Note 1 - Accounting principles.

H & M Hennes & Mauritz AB's financial instruments consist of accounts receivable, other receivables, cash and cash equivalents, accounts payable, accrued trade payables, interest-bearing securities and currency derivatives. Currency derivatives are measured at fair value based on input data corresponding to level 2 of IFRS 13. As of 31 August 2016, forward contracts with a positive market value amount to SEK 441 m (349), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 802 m (438), which is reported under other current liabilities. Other financial assets and liabilities have short terms. It is therefore judged that the fair values of these financial instruments are approximately equal to their book values.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which essentially involves applying IFRS. In accordance with RFR 2, the parent company does

not apply IAS 39 to the measurement of financial instruments; nor does it capitalise development expenditure.

For definitions see page 20.

## Risks and uncertainties

A number of factors may affect H&M's results and business. Many of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties related to fashion, weather conditions, negative macroeconomic changes, geopolitical risks, sustainability and external factors in production countries, trade interventions, foreign currency and tax but also in connection with expansion into new markets, the launch of new concepts, changes in consumer behaviour and how the brand is managed. There are also some risks related to the group's reputation, so called "reputational risks".

For a more detailed description of risks and uncertainties, refer to the administration report and to note 2 in the annual report and consolidated accounts for 2015.

## Calendar

31 January, 2017	Full-year report, 1 Dec 2015 – 30 Nov 2016
30 March, 2017	Three-month report, 1 Dec 2016 – 28 Feb 2017
10 May, 2017	Annual General Meeting 2017, in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna at 3 p.m.

Stockholm, 29 September 2016  
Board of Directors



## Review report

H & M Hennes & Mauritz AB (publ), corporate identity number 556042-7220

### Introduction

We have reviewed the interim report for H & M Hennes & Mauritz AB (publ) as of 31 August 2016 and for the nine-month period which ended on this date. It is the responsibility of the Board of Directors and the Chief Executive Officer to prepare and present this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

### Focus and scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE 2410), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing and the generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not provide the same level of assurance as an opinion expressed on the basis of an audit.

### Conclusion

On the basis of our review, nothing has come to our attention that causes us to believe that the interim report, in all material aspects, was not prepared in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the group and in accordance with the Annual Accounts Act in the case of the parent company.

Stockholm, 29 September 2016

Ernst & Young AB  
Åsa Lundvall  
Authorised Public Accountant

## Contact

As previously communicated, press and telephone conferences will no longer be held in conjunction with the releases of the Q1 and Q3 reports. In order to avoid any phone queues when the reports are published, it will be possible for the financial market and media to call Nils Vinge, Head of Investor Relations, and ask questions during an open call between 09.00 - 10.00 CET on these report dates.

For log in details to the call on 30 September, please register at [hm.com](http://hm.com), investor relations, the calendar, nine-month report 2016. This phone conversation will be held in English.

After 10.00 CET Nils Vinge will be available on +46 (8) 796 52 50 or via email: [nilsvinge@hm.com](mailto:nilsvinge@hm.com)

To book an interview please contact Kristina Stenvinkel, Head of Communications  
+46 (8) 796 39 08 [stenvinkel@hm.com](mailto:stenvinkel@hm.com)

Information in this interim report is that which H & M Hennes & Mauritz AB (publ) is required to disclose under Sweden's Securities Market Act and the EU Market Abuse Regulation (596/2014/EU). The information was submitted for publication by the abovementioned persons at 8.00 (CET) on 30 September 2016. This interim report and other information about H&M, is available at [www.hm.com](http://www.hm.com)

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Registered office: Stockholm, Reg. No. 556042-7220

**GROUP INCOME STATEMENT (SEK m)**

	Q3 2016	Q3 2015	Nine months 2016	Nine months 2015	1 Dec 2014- 30 Nov 2015
Sales including VAT	56,802	53,420	161,767	153,444	209,921
Sales excluding VAT	48,982	46,024	139,547	132,167	180,861
Cost of goods sold	-22,511	-20,312	-63,397	-56,997	-77,694
<b>GROSS PROFIT</b>	<b>26,471</b>	<b>25,712</b>	<b>76,150</b>	<b>75,170</b>	<b>103,167</b>
<i>Gross margin, %</i>	54.0	55.9	54.6	56.9	57.0
Selling expenses	-18,690	-17,371	-54,823	-50,953	-70,292
Administrative expenses	-1,534	-1,472	-4,858	-4,359	-5,933
<b>OPERATING PROFIT</b>	<b>6,247</b>	<b>6,869</b>	<b>16,469</b>	<b>19,858</b>	<b>26,942</b>
<i>Operating margin, %</i>	12.8	14.9	11.8	15.0	14.9
Interest income	56	71	166	242	310
Interest expense	-2	-4	-5	-6	-10
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>6,301</b>	<b>6,936</b>	<b>16,630</b>	<b>20,094</b>	<b>27,242</b>
Tax	-1,481	-1,630	-3,908	-4,722	-6,344
<b>PROFIT FOR THE PERIOD</b>	<b>4,820</b>	<b>5,306</b>	<b>12,722</b>	<b>15,372</b>	<b>20,898</b>

All profit for the year is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

Earnings per share, SEK*	2.91	3.21	7.69	9.29	12.63
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	1,871	1,588	5,535	4,708	6,399
of which cost of goods sold	209	176	625	533	725
of which selling expenses	1,534	1,310	4,539	3,872	5,262
of which administrative expenses	128	102	371	303	412

\* Before and after dilution.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)**

	Q3 2016	Q3 2015	Nine months 2016	Nine months 2015	1 Dec 2014- 30 Nov 2015
PROFIT FOR THE PERIOD	4,820	5,306	12,722	15,372	20,898
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Translation differences	964	-450	164	1,414	1,514
Change in hedging reserves	-717	-72	-858	-217	245
Tax attributable to change in hedging reserves	172	7	206	42	-59
<i>Items that will not be classified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-	-	-	-	43
Tax related to the above remeasurement	-	-	-	-	-11
<b>OTHER COMPREHENSIVE INCOME</b>	<b>419</b>	<b>-515</b>	<b>-488</b>	<b>1,239</b>	<b>1,732</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5,239</b>	<b>4,791</b>	<b>12,234</b>	<b>16,611</b>	<b>22,630</b>

All comprehensive income is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

**GROUP BALANCE SHEET IN SUMMARY (SEK m)**

ASSETS	31 Aug - 2016	31 Aug - 2015	30 Nov 2015
<b>Fixed assets</b>			
Intangible fixed assets	5,020	3,900	4,115
Property, plant and equipment	35,364	30,440	32,962
Financial assets	3,447	3,139	3,200
	43,831	37,479	40,277
<b>Current assets</b>			
Stock-in-trade	31,231	25,205	24,833
Current receivables	7,633	7,374	7,753
Short-term investments, 4-12 months	-	-	-
Cash and cash equivalents	8,680	10,963	12,950
	47,544	43,542	45,536
<b>TOTAL ASSETS</b>	<b>91,375</b>	<b>81,021</b>	<b>85,813</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	54,146	52,030	58,049
Long-term liabilities*	4,495	3,965	4,827
Current liabilities**	32,734	25,026	22,937
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>91,375</b>	<b>81,021</b>	<b>85,813</b>

\* Only provisions for pensions are interest-bearing.

\*\* Interest-bearing current liabilities amounts to SEK 3,724 m (0).

**CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)**

	31 Aug - 2016	31 Aug - 2015	30 Nov 2015
Shareholders' equity at the beginning of the period	58,049	51,556	51,556
Total comprehensive income for the period	12,234	16,611	22,630
Dividend	-16,137	-16,137	-16,137
Shareholders' equity at the end of the period	54,146	52,030	58,049

**GROUP CASH FLOW STATEMENT (SEK m)**

	Nine months 2016	Nine months 2015
<b>Current operations</b>		
Profit after financial items*	16,630	20,094
Provisions for pensions	64	59
Depreciation	5,535	4,708
Tax paid	-3,034	-4,639
<b>Cash flow from current operations before changes in working capital</b>	<b>19,195</b>	<b>20,222</b>
<b>Cash flow from changes in working capital</b>		
Current receivables	-503	-622
Stock-in-trade	-6,401	-5,434
Current liabilities	5,258	3,647
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>17,549</b>	<b>17,813</b>
<b>Investment activities</b>		
Investment in intangible fixed assets	-1,201	-1,131
Investment in tangible fixed assets	-8,087	-6,762
Change in short-term investments, 4 - 12 months	-	2,673
Other investments	-90	-117
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-9,378</b>	<b>-5,337</b>
<b>Financing activities</b>		
Short-term loans	3,724	-
Dividend	-16,137	-16,137
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-12,413</b>	<b>-16,137</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-4,242</b>	<b>-3,661</b>
Cash and cash equivalents at beginning of the financial year	12,950	14,091
Cash flow for the period	-4,242	-3,661
Exchange rate effect	-28	533
<b>Cash and cash equivalents at end of the period**</b>	<b>8,680</b>	<b>10,963</b>

\* Interest paid for the group amounts to SEK 5 m (6).

\*\* Cash and cash equivalents and short-term investments 4-12 months at the end of the period amounted to SEK 8,680 m (10,963).

**SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES****Q3, 1 June - 31 August**

Market	Q3 - 2016	Q3 - 2015	Change in %		31 Aug - 16	Q3 - 2016	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	2,644	2,469	7	7	173		4
Norway	1,654	1,592	4	9	123		
Denmark	1,437	1,362	6	5	102		
UK	3,781	4,104	-8	5	271	4	1
Switzerland	1,641	1,786	-8	-6	97	1	1
Germany	8,784	9,056	-3	-3	453	5	2
Netherlands	1,896	1,842	3	3	139	2	3
Belgium	1,148	1,117	3	2	86	1	3
Austria	1,377	1,309	5	5	81	1	
Luxembourg	117	111	5	4	10		
Finland	757	744	2	2	60	1	1
France	3,698	3,566	4	3	231	2	1
USA	6,780	6,565	3	3	445	13	1
Spain	2,164	1,971	10	10	166		1
Poland	1,272	1,173	8	12	158		
Czech Republic	371	310	20	19	46	1	
Portugal	361	348	4	4	30		
Italy	2,256	2,094	8	7	156	2	
Canada	1,175	1,032	14	16	79	1	
Slovenia	146	137	7	5	12		
Ireland	276	252	10	10	23	1	1
Hungary	420	349	20	22	40		
Slovakia	178	145	23	22	18		
Greece	500	386	30	29	35	2	
China	2,646	2,582	2	9	400	15	
Hong Kong	454	423	7	8	27		
Japan	1,135	823	38	16	63		2
Russia	1,299	1,018	28	42	106	1	
South Korea	442	300	47	49	34		
Turkey	721	560	29	40	54	3	
Romania	549	448	23	24	47	1	
Croatia	231	211	9	8	15		
Singapore	266	237	12	10	13		
Bulgaria	181	140	29	28	19		
Latvia	94	91	3	3	6		
Malaysia	289	242	19	25	33	2	
Mexico	392	271	45	68	19	2	
Chile	275	132	108	110	4		
Lithuania	91	86	6	5	7		
Serbia	94	74	27	31	9	1	
Estonia	121	95	27	28	8	1	
Australia	505	270	87	87	17	4	
Philippines	205	124	65	69	16	2	
Taiwan	173	64	170	176	9	1	
Peru	136	112	21	28	2		
Macau	39	40	-3	-4	2		
India	153				9	3	
South Africa	159				5		
Puerto Rico	25				1	1	
Franchise	1,294	1,257	3	3	176	6	1
<b>Total</b>	<b>56,802</b>	<b>53,420</b>	<b>6</b>	<b>8</b>	<b>4,135</b>	<b>80</b>	<b>22</b>

**SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES****Nine months, 1 December - 31 August**

Market	2016	2015	Change in %		31 Aug - 16	Nine months	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	7,481	6,974	7	7	173	5	8
Norway	4,327	4,357	-1	7	123	3	
Denmark	4,115	3,952	4	5	102		1
UK	11,052	11,595	-5	2	271	10	3
Switzerland	4,655	5,118	-9	-7	97	2	1
Germany	26,877	27,204	-1	-1	453	11	7
Netherlands	5,667	5,484	3	4	139	4	4
Belgium	3,232	3,134	3	4	86	5	4
Austria	4,026	3,904	3	4	81	4	1
Luxembourg	341	315	8	8	10		
Finland	2,129	2,082	2	3	60	3	3
France	10,023	10,043	0	0	231	11	2
USA	19,580	18,358	7	6	445	37	7
Spain	5,840	5,711	2	3	166	3	2
Poland	3,462	3,220	8	13	158	5	1
Czech Republic	1,028	856	20	19	46	3	1
Portugal	937	955	-2	-1	30		
Italy	6,520	6,193	5	6	156	7	1
Canada	3,048	2,796	9	16	79	1	
Slovenia	392	387	1	2	12		
Ireland	809	746	8	9	23	1	1
Hungary	1,136	961	18	21	40	1	1
Slovakia	493	407	21	21	18		
Greece	1,365	1,195	14	15	35	3	
China	7,756	7,732	0	5	400	47	
Hong Kong	1,442	1,395	3	3	27	2	
Japan	3,168	2,697	17	7	63	8	2
Russia	3,139	2,629	19	40	106	10	
South Korea	1,180	924	28	33	34	3	
Turkey	1,972	1,517	30	47	54	8	
Romania	1,511	1,274	19	20	47	5	
Croatia	598	579	3	2	15		
Singapore	774	737	5	6	13	1	
Bulgaria	460	363	27	27	19	1	
Latvia	236	228	4	4	6		
Malaysia	841	747	13	24	33	4	
Mexico	1,108	763	45	70	19	3	
Chile	789	384	105	119	4		
Lithuania	230	218	6	6	7		
Serbia	249	231	8	11	9	3	
Estonia	275	232	19	19	8	2	
Australia	1,350	770	75	83	17	7	
Philippines	644	405	59	65	16	4	
Taiwan	497	188	164	172	9	3	
Peru	362	157	131	147	2		
Macau	125	40	213	213	2		
India	361				9	7	
South Africa	453				5	3	
Puerto Rico	25				1	1	
Franchise	3,687	3,287	12	8	176	23	3
<b>Total</b>	<b>161,767</b>	<b>153,444</b>	<b>5</b>	<b>7</b>	<b>4,135</b>	<b>264</b>	<b>53</b>

**FIVE YEAR SUMMARY****Nine months, 1 December - 31 August**

	2012	2013	2014	2015	2016
Sales including VAT, SEK m	103,018	107,480	126,964	153,444	161,767
Sales excluding VAT, SEK m	88,297	92,067	108,775	132,167	139,547
Change sales excl. VAT from previous year in SEK, %	12	4	18	22	6
Change sales excl. VAT previous year in local currencies, %	12	8	15	12	8
Operating profit, SEK m	15,221	14,908	17,852	19,858	16,469
Operating margin, %	17.2	16.2	16.4	15.0	11.8
Depreciation for the period, SEK m	2,761	3,106	3,709	4,708	5,535
Profit after financial items, SEK m	15,649	15,189	18,096	20,094	16,630
Profit after tax, SEK m	11,580	11,544	13,754	15,372	12,722
Cash and cash equivalents and short-term investments, SEK m	13,552	10,953	13,451	10,963	8,680
Stock-in-trade, SEK m	13,501	15,329	17,940	25,205**	31,231**
Equity, SEK m	38,275	39,203	44,576	52,030	54,146
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	7.00	6.97	8.31	9.29	7.69
Equity per share, SEK*	23.13	23.69	26.93	31.44	32.72
Cash flow from current operations per share, SEK*	7.88	9.05	10.88	10.76	10.60
Share of risk-bearing capital, %	74.0	73.4	70.2	68.5	63.6
Equity/assets ratio, %	72.3	69.9	65.8	64.2	59.3
Total number of stores	2,629	2,964	3,341	3,675	4,135
<b>Rolling twelve months</b>					
Earnings per share, SEK*	10.23	10.17	11.66	13.05	11.03
Return on equity, %	44.3	43.4	46.1	44.7	34.4
Return on capital employed, %	58.2	55.8	60.0	57.3	42.9

\* Before and after dilution.

\*\* The booked value of stock-in-trade for 2015 and 2016 is approximately 5 percent higher than previous years as a result of improved invoicing processes. Accounts payable have increased with the corresponding amount.

Definition on key figures see page 20



**SEGMENT REPORTING (SEK m)**

	Nine months 2016	Nine months 2015
<b>Asia and Oceania</b>		
External net sales	19,638	17,120
Operating profit	318	1,019
Operating margin, %	1.6	6.0
<b>Europe and Africa</b>		
External net sales	96,648	93,989
Operating profit	447	2,611
Operating margin, %	0.5	2.8
<b>North and South America</b>		
External net sales	23,261	21,058
Operating profit	643	763
Operating margin, %	2.8	3.6
<b>Group Functions</b>		
Net sales to other segments	59,456	57,366
Operating profit	15,061	15,465
<b>Eliminations</b>		
Net sales to other segments	-59,456	-57,366
<b>Total</b>		
External net sales	139,547	132,167
Operating profit	16,469	19,858
Operating margin, %	11.8	15.0

**PARENT COMPANY INCOME STATEMENT (SEK m)**

	Q3 2016	Q3 2015	Nine months 2016	Nine months 2015	1 Dec 2014- 30 Nov 2015
External sales excluding VAT	-	-	-	2	15
Internal sales excluding VAT*	971	879	2,828	2,525	3,605
<b>GROSS PROFIT</b>	<b>971</b>	<b>879</b>	<b>2,828</b>	<b>2,527</b>	<b>3,620</b>
Selling expenses	-	-	-	-	0
Administrative expenses	-31	7	-135	-50	-126
<b>OPERATING PROFIT</b>	<b>940</b>	<b>886</b>	<b>2,693</b>	<b>2,477</b>	<b>3,494</b>
Dividend from subsidiaries	46	47	1,471	1,357	13,288
Interest income and similar items**	106	11	153	28	154
Interest expense	0	-5	0	-7	-7
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>1,092</b>	<b>939</b>	<b>4,317</b>	<b>3,855</b>	<b>16,929</b>
Year-end appropriations	-	-	-	-	17
Tax	-230	-197	-626	-550	-806
<b>PROFIT FOR THE PERIOD</b>	<b>862</b>	<b>742</b>	<b>3,691</b>	<b>3,305</b>	<b>16,140</b>

\* Internal sales in the quarter consists of royalty of SEK 969 m (879) and other SEK 2 m (0) received from group companies and for the nine-month period of royalty of SEK 2,823 m (2,525) and other SEK 5 m (0).

\*\* Interest income and similar items in the quarter consists of SEK 3 m (11) in interest income and SEK 103 m (0) in translation effects from group companies and in the nine-month period of SEK 8 m (28) in interest income and SEK 145 m (0) in translation effects from group companies.

**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)**

	Q3 2016	Q3 2015	Nine months 2016	Nine months 2015	1 Dec 2014- 30 Nov 2015
PROFIT FOR THE PERIOD	862	742	3,691	3,305	16,140
Other comprehensive income					
<i>Items that have not been and will not be reclassified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-	-	-	-	37
Tax related to the above remeasurement	-	-	-	-	-8
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>862</b>	<b>742</b>	<b>3,691</b>	<b>3,305</b>	<b>16,169</b>

**PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)**

	31 Aug - 2016	31 Aug - 2015	30 Nov 2015
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	440	542	506
Financial fixed assets	1,765	1,714	1,727
	2,205	2,256	2,233
<b>Current assets</b>			
Current receivables	803	3,207	8,473
Short-term investments, 4-12 months	-	-	-
Cash and cash equivalents	3,201	0	8,095
	4,004	3,207	16,568
<b>TOTAL ASSETS</b>	<b>6,209</b>	<b>5,463</b>	<b>18,801</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,847	4,429	17,293
Untaxed reserves	447	464	447
Long-term liabilities*	195	223	195
Current liabilities**	720	347	866
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,209</b>	<b>5,463</b>	<b>18,801</b>

\* Relates to provisions for pensions.

\*\* No current liabilities are interest-bearing.

## KEY RATIO DEFINITIONS

This report contains key financial ratios in accordance with the framework for financial reporting applied by the H&M Group, which is based on IFRS. Other key ratios and indicators are also used to follow up, analyse and govern the business and to provide the H&M Group's stakeholders with financial information concerning the Group's financial position, results and performance in a consistent way.

These other key ratios and indicators are considered necessary in order to be able to monitor performance against the Group's financial targets. A combination of continual growth, high profitability, stable cash flow and using capital in the right way is intended to generate a high overall return for the H&M Group's shareholders. It is therefore relevant to present key ratios relating to growth, profitability and capital, share-based measurements and terms relating to capital on a continuous basis.

The key ratios and indicators used, referred to and presented in the reporting are defined as shown in the list below.

### Growth measurements

**Change in sales %, local currency:** The Group's total change in sales in local currency is calculated as the period's net sales (calculated at the same average rate as was used for the same period in the previous year) minus the period's net sales in the previous year, as a percentage of the period's net sales in the previous year

### Yield measurements

**Operating margin:** Operating profit as a percentage of net sales for the year

**Return on equity:** Profit for the year in relation to average shareholders' equity

**Return on capital employed:** Profit after financial items plus interest expense in relation to average shareholders' equity plus average interest-bearing liabilities

### Capital measurements

**Equity/assets ratio:** Shareholders' equity in relation to total assets

**Share of risk-bearing capital, %:** Shareholders' equity plus deferred tax liability in relation to total assets

### Share-related measurements

**Equity per share:** Shareholders' equity divided by the number of shares

**Earnings per share:** Profit for the period in relation to the number of shares during the period

**P/E ratio:** Price per share divided by earnings per share

**Cash flow from operating activities per share:** Cash flow from operating activities for the period divided by the average number of shares during the period

### Capital terms

**Operating profit:** Calculated as profit before financial items and tax

**Gross profit:** Net sales minus cost of goods sold

**Gross margin:** Net sales minus cost of goods sold in relation to net sales

**Capital employed:** Equity plus interest-bearing liabilities