




H & M Hennes & Mauritz AB

PRESS CONFERENCE 31 JANUARY 2019

FULL-YEAR REPORT 2018

#M COS WEEKDAY  MONKL #MHOME & other Stories ARKET AFOUND



- **KARL-JOHAN PERSSON**

CEO

- **NILS VINGE**

INVESTOR RELATIONS





FOURTH QUARTER 2018 IN BRIEF

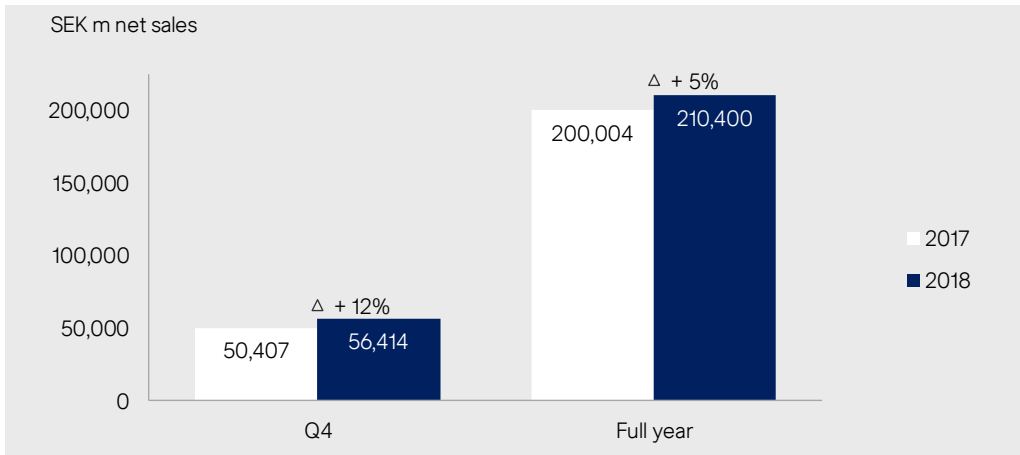
- Rapidly changing industry
- Stronger collections generate increased full-price sales and lower markdowns in Q4
 - sequential inventory improvement in Q4 vs Q3
- Positive signals from accelerated transformation
- Ramped-up initiatives to secure transitions of platforms and logistic systems
 - increased costs
 - further improvements for customers



FINANCIAL DATA

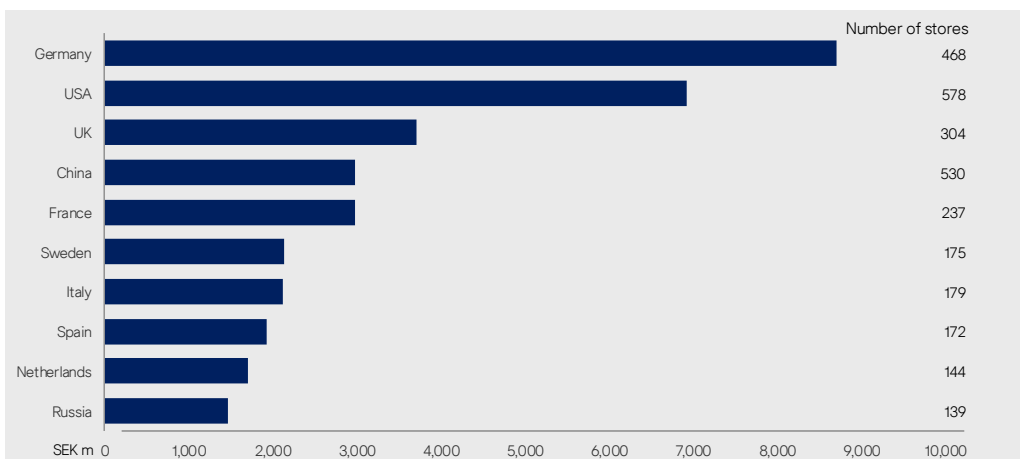


SALES

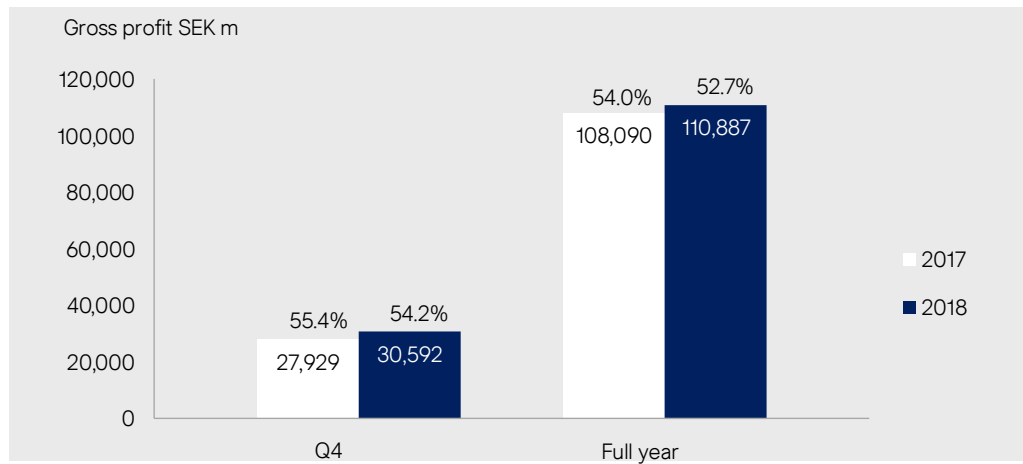


SALES PER MARKET

TEN LARGEST MARKETS - FOURTH QUARTER

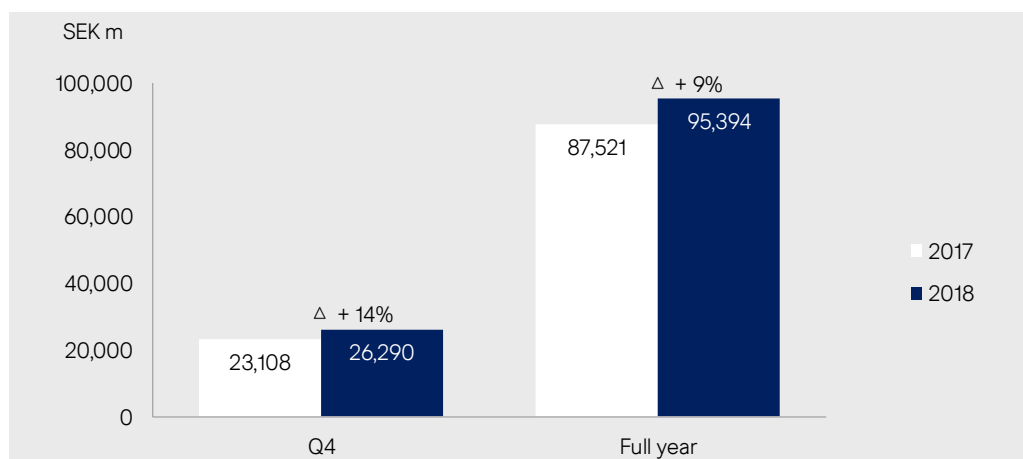


GROSS PROFIT AND GROSS MARGIN



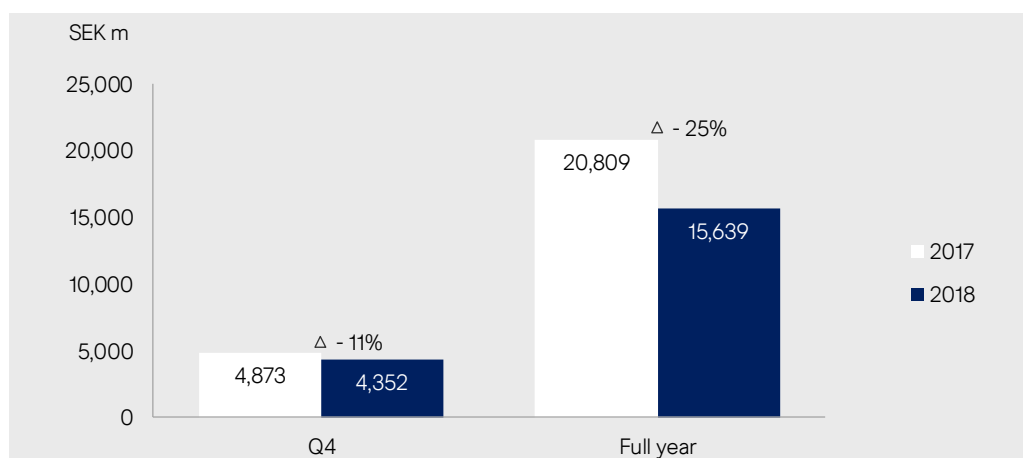
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SELLING AND ADMINISTRATIVE EXPENSES



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PROFIT AFTER FINANCIAL ITEMS



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SALES AND PROFITS

FOURTH QUARTER

SEK m	2018	2017
Net sales	56,414	50,407
Gross profit	30,592	27,929
<i>gross margin, %</i>	54.2	55.4
Operating profit	4,302	4,821
<i>operating margin, %</i>	7.6	9.6
Net financial items	50	52
Profit after financial items	4,352	4,873
Tax	-809	-880
Profit for the period	3,543	3,993
<i>Earnings per share, SEK</i>	2.14	2.41

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SALES AND PROFITS

FULL YEAR

SEK m	2018	2017
Net sales	210,400	200,004
Gross profit	110,887	108,090
<i>gross margin, %</i>	52.7	54.0
Operating profit	15,493	20,569
<i>operating margin, %</i>	7.4	10.3
Net financial items	146	240
Profit after financial items	15,639	20,809
Tax	-2,987	-4,625
Profit for the period	12,652	16,184
<i>Earnings per share, SEK</i>	7.64	9.78



KEY DATA

SEK m	30 Nov 2018	30 Nov 2017
Stock-in-trade	37,721	33,712
Cash flow from current operations	21,287	21,587
Investments	12,828	12,471
Cash and cash equivalents and short-term investments	11,590	9,718
Dividend (SEK)	9.75*	9.75
Return on shareholders' equity, %	21.4	26.8
Average number of employees**	123,283	120,191

* proposed dividend

** converted to full-time positions



STRATEGIC FOCUS AREAS



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STRATEGIC FOCUS AREAS

- Strategic focus areas for the H&M group transformation work
 - best customer offering
 - fast, efficient and flexible product flow
 - tech foundation of stable and scalable infrastructure
 - new growth

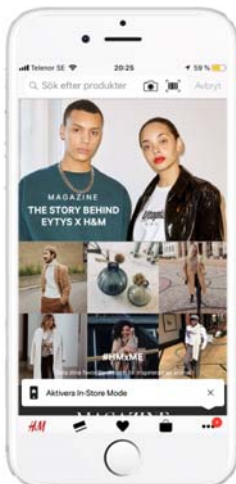
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BEST CUSTOMER OFFERING

– ASSORTMENT

- Improvement of H&M assortment
 - increased full-price sales and customer satisfaction
 - investments in customer offering
 - fashion and quality at the best price, in a sustainable way
- Continued increase in share of sustainable materials in 2018



BEST CUSTOMER OFFERING

– SHOPPING EXPERIENCE

- Continued tests to improve shopping experience in H&M's stores
- Upgrades of hm.com and H&M's mobile app
- Continued integration of physical stores and online
 - click-and-collect and online returns in store
 - scan-and-buy in 47 markets
 - roll-out of in-store-mode and find-in-store to more markets
- H&M Home Gift Guide – voice app





FAST, EFFICIENT AND FLEXIBLE PRODUCT FLOW

- Continued investments in supply chain
- Three new fulfilment centres in the fourth quarter
 - Kamen in Germany
 - Stryków and Boleslawiec in Poland
- New fulfilment centres planned to open in Madrid and London around year-end 2019/2020
- AI for trend detection, quantification, allocation, pricing and personalisation
- Differentiated buying for increased precision and shorter lead times



TECH FOUNDATION

- Stable and scalable infrastructure
- All H&M's 47 online markets now on the new online platform
 - successful online transition in Germany in January 2019
 - enables further improvements for customers
- Ramped-up initiatives in the fourth quarter to secure upcoming transitions of logistics systems
- Faster development of customer-facing technologies





NEW GROWTH

- For 2019 approx 175 new stores net planned
 - approx 335 new stores to open, of which 240 H&M stores, with a focus on growth markets
 - Intensified store portfolio optimisation, including approx 160 store closures
- Option to renegotiate almost 1,000 store contracts in 2019
- Global roll-out of online continues
 - Mexico and (via franchise) Egypt new online markets for H&M in 2019

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H&M GROUP BRANDS

- COS, Monki, Weekday, H&M Home, & Other Stories, ARKET and Afound
 - continued growth opportunities for all brands
- Prioritising and focusing on core business
 - Cheap Monday to close down in 2019
 - part of ongoing transformation work



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