

H&M group

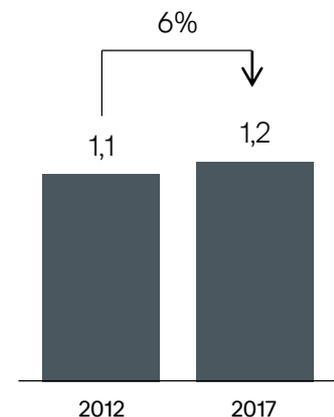
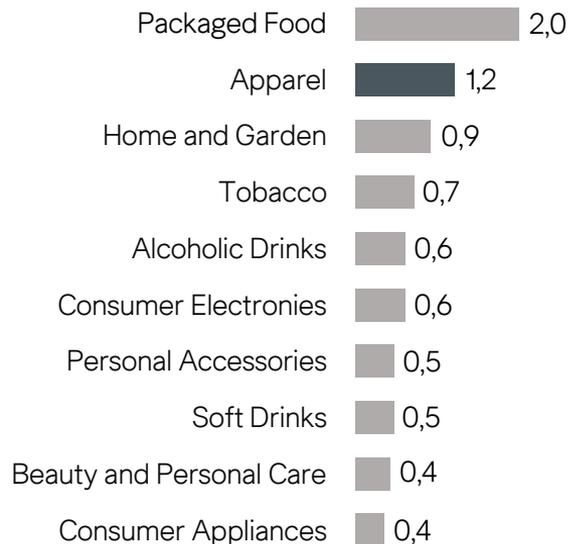
annual general meeting
2018



Apparel – a global market

Second largest
consumer
Industry

Global growth
6%
2012 – 2017



Note: Global retail value 2017 (€T)

Note: Overall growth, constant prices, fixed 2017 exchange rates

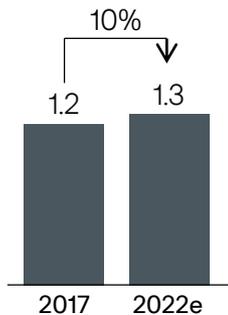
Source: Euromonitor

Market with big growth potential

Market growth outlook

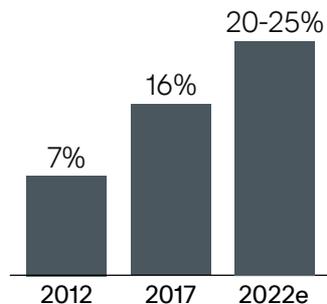
10%
2017 - 2022

apparel retail value (€T)



Strong online penetration and growth

online penetration (%)
apparel

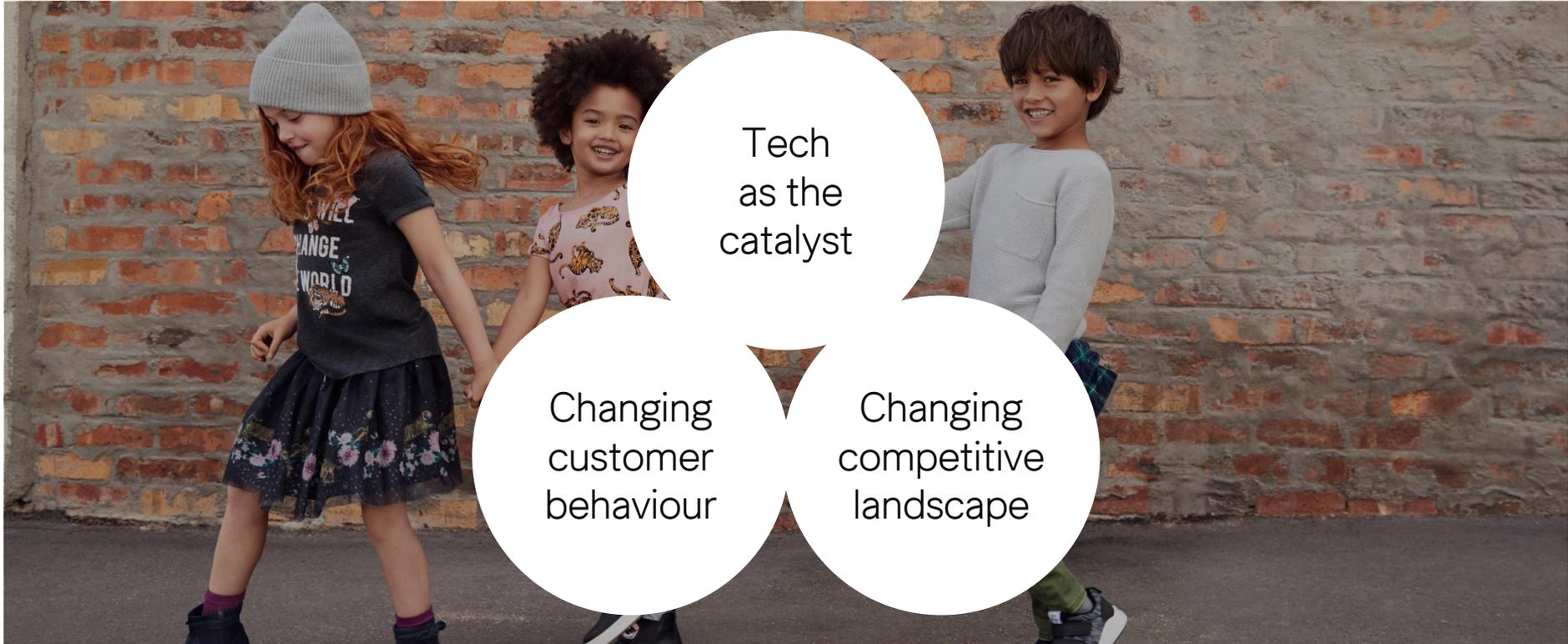


1.7%

H&M group
global market share

Note: overall growth, constant prices, fixed 2017 exchange rates
Source: Euromonitor

A market in transformation



Tech
as the
catalyst

Changing
customer
behaviour

Changing
competitive
landscape

Changing customer behaviour – higher expectations



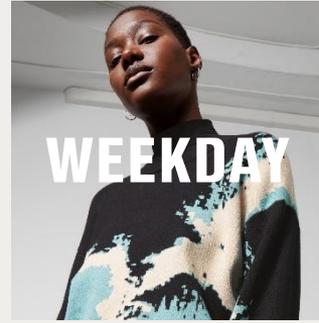
The competitive landscape is changing

A photograph of a clothing store interior. In the background, there are several racks of clothes. On the left, a rack is filled with dark, vertically striped shirts. In the center, a rack holds pink and white striped shirts and a dark, textured fur coat. On the right, a mannequin is dressed in a dark fur coat and a pink and white striped skirt. A sign on the wall in the background reads "New in". Three large white circles are overlaid on the image, each containing text.

Big online
platforms

New
business
models

Niche online
players



H&M group



ARKET





ARKET

- ARKET new brand 2017
 - essential products for women, men, children and the home
 - café based on the New Nordic Food Manifesto
- Online on arket.com in 18 European countries
- Stores in London, Brussels, Copenhagen, Munich, Amsterdam and Berlin
 - ARKET's first store in Sweden to open in Stockholm early summer 2018

Shared group assets



global store
network

country organisations

multibrand
central functions

online platforms

global
sourcing

large data assets

financial
resources

talent & skills

demand driven supply chain

advanced analytics & AI

tech foundation

Our way



Customer first



Values-driven
culture



Sustainability



Long-term view

Sustainable development



Sustainable development

- Sustainability key part in the H&M group's success
 - sustainability targets for all group functions, brands and countries
- Longt-term, responsible and ethical way
- Read more about our sustainability work
 - sustainability report in accordance with the annual accounts act
 - H&M group sustainability report 2017 on [sustainability.hm.com](https://www.sustainability.hm.com)

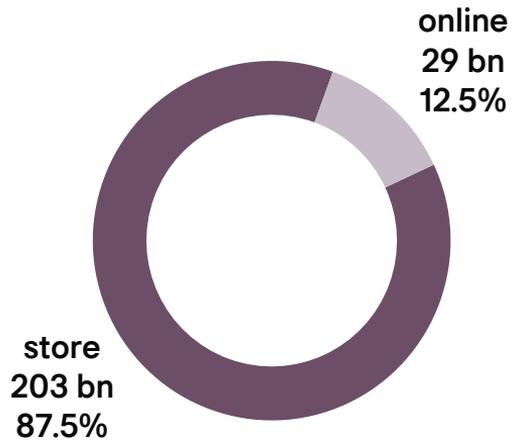




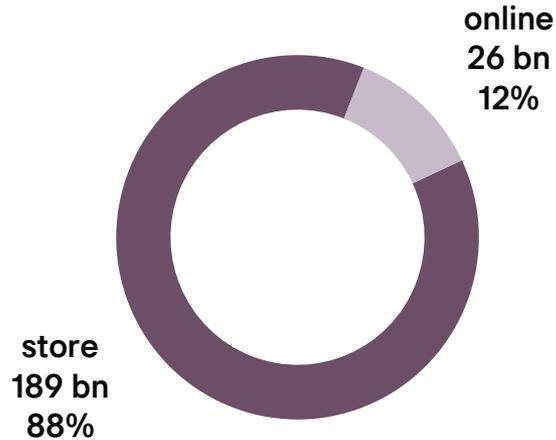
IN IT FOR THE LONG RUN

Sales 2017

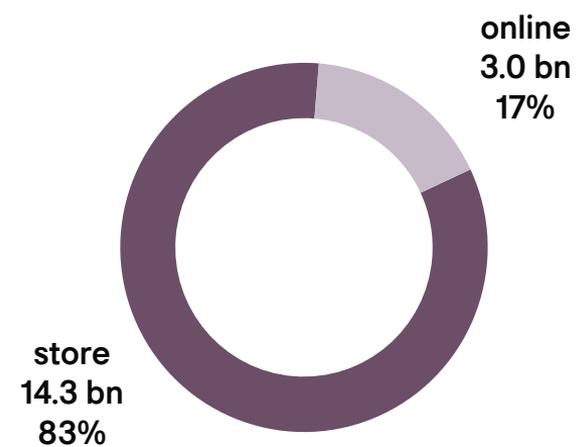
H&M group 232 bn SEK



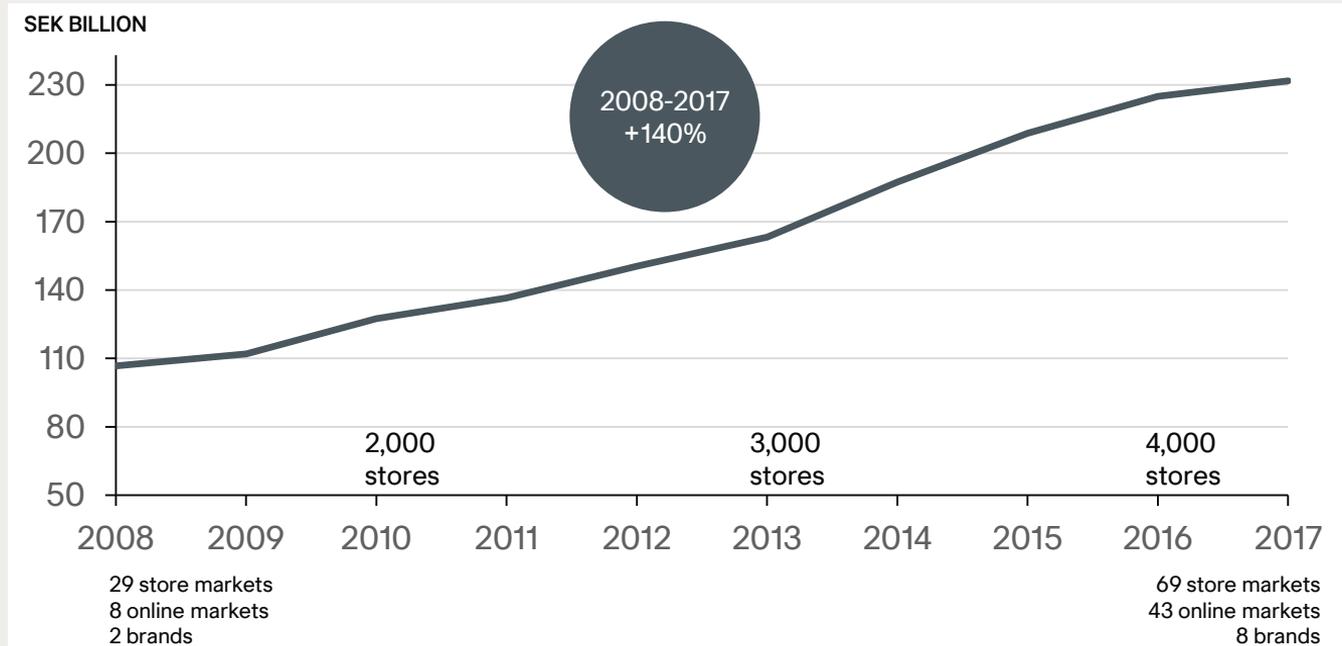
H&M 215 bn SEK



New business 17.3 bn SEK



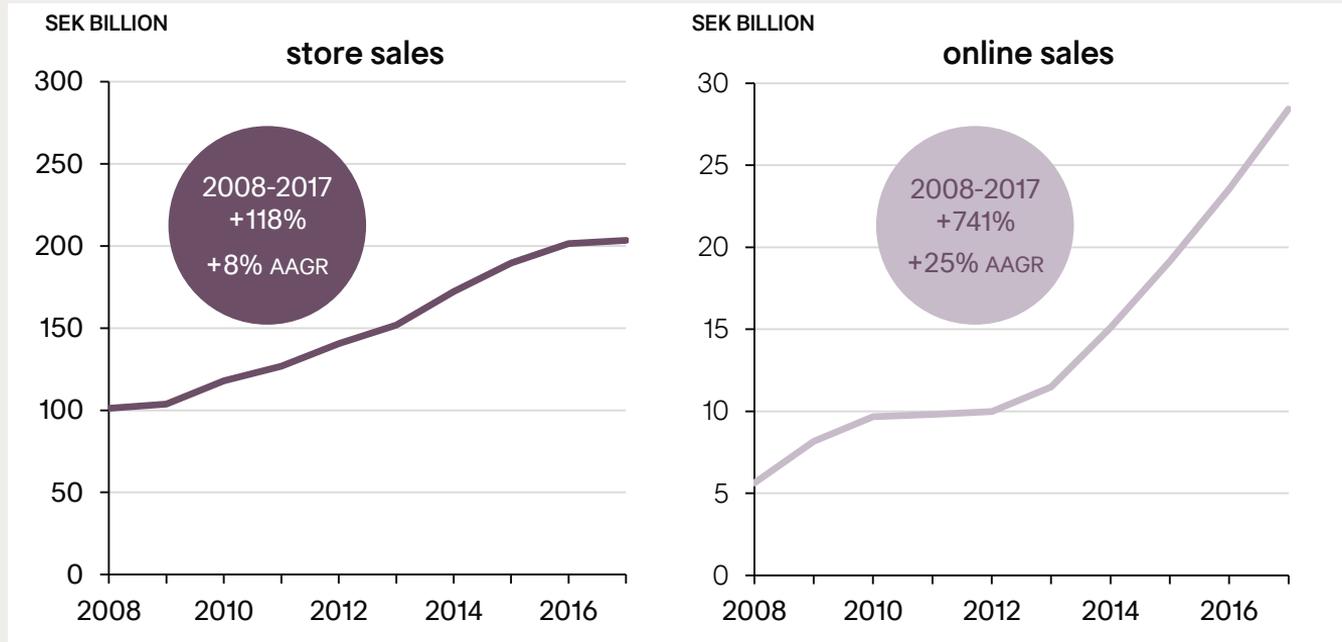
Sales development



CONSTANT CURRENCIES INCL. VAT

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

Sales growth per channel



CONSTANT CURRENCIES INCL. VAT

COMPARISON TO FINANCIAL YEAR ENDING 30 NOV 2007

Sales and results

MSEK	2017	2016
Sales including VAT	231,771	222,865
Sales excluding VAT	200,004	192,267
Gross profit	108,090	106,177
<i>gross margin, %</i>	54,0	55,2
Operating profit	20,569	23,823
<i>operating margin, %</i>	10,3	12,4
Net financial items	240	216
Profit after financial items	20,809	24,039
Tax	-4,625	-5,403
Profit for the year	16,184	18,636
<i>Earnings per share, SEK</i>	9:78	11:26

Our priority action areas

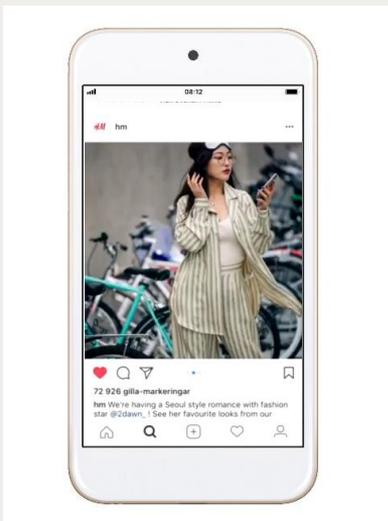
- Restlessly develop our brands, focusing on H&M
- Accelerate our key enablers
- New growth
- Good cost control and efficiencies

Restlessly develop our
brands, focusing on
H&M





H&M





Restlessly develop our brands, focusing on H&M

- Product and assortment
- Physical stores
 - develop new concepts and new formats at the same time as optimising our existing store portfolio
- Online store – further enhanced through additional testing and faster development
- Seamless
 - friction-free customer experience across physical and digital stores

Product and assortment

- Design, quality, price and sustainability
- Always be relevant for the customer
- Composition and balance
 - right products in the right volume in the right channels





Physical stores

- Improve shopping experience
 - inspiring, relevant and convenient
 - for the local customer
- Develop new store concepts and formats
- Optimise the stores portfolio
 - approximately 170 store closures 2018
 - renegotiations, rebuilds, relocations and adjustment of store space
 - adapt to customers' needs in each individual market

Online store

- Continued development of the online store
 - personalisation, improved experience and faster development
- Digital features and social media
 - image search
 - #HMxME
 - personalised product feeds
- Faster deliveries
- Free online deliveries and returns for H&M Club



Seamless

- Seamless – continued integration of the physical and digital stores
 - friction-free customer experience across channels
- Omni features for the connected customer
 - click-and-collect
 - online returns in store
 - scan-and-buy
 - mobile in store
- Faster and more flexible deliveries and easy payments

**Accelerate our
key enablers**





Accelerate our key enablers

- Demand driven supply chain
- Advanced analytics and AI
- Continued investments in our tech foundation

Supply chain

- Demand driven supply chain
 - faster, more flexible and efficient
- Product segmentation
- Optimised logistic network
- Digitalisation and automation
 - 3D and RFID
 - global roll-out of RFID for increased availability
 - new highly automated warehouses



Advanced analytics and AI

- Expanded initiatives in advanced analytics and AI
 - empower the creation of the right products and the best customer experience
- Trend detection and design support
- Demand forecasting, quantification and allocation
- Price management
- Personalisation





Tech foundation

- Investments in our tech foundation
 - robust and scalable backbone
- Faster development of consumer-facing technologies and applications
 - for a further improved experience

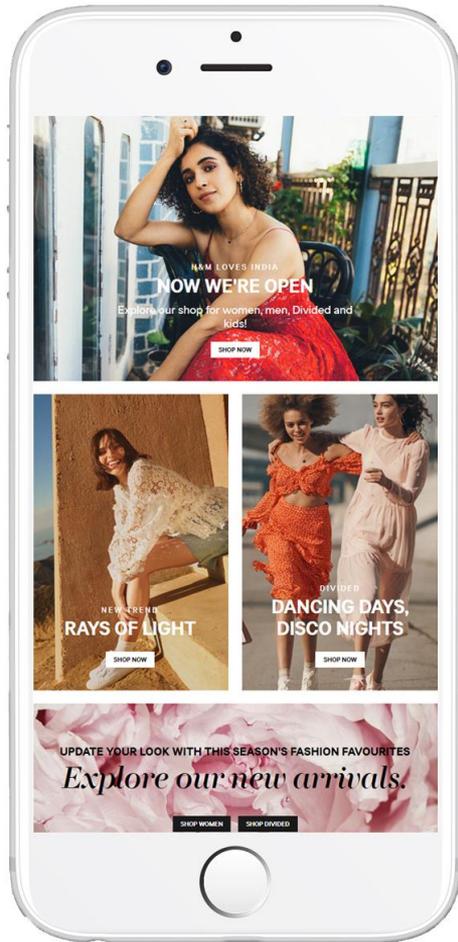
New growth



New growth

- Continued digital expansion for existing brands
- New stores for existing brands
- New concepts, brands and initiatives





Digital expansion

- Continued digital expansion for existing brands
 - new markets
 - widening the assortment
 - partnerships; online platforms and social commerce
- H&M and H&M Home opened on Tmall in mainland China
- H&M online opened in India
 - H&M online in 45 markets (March 2018)

New stores

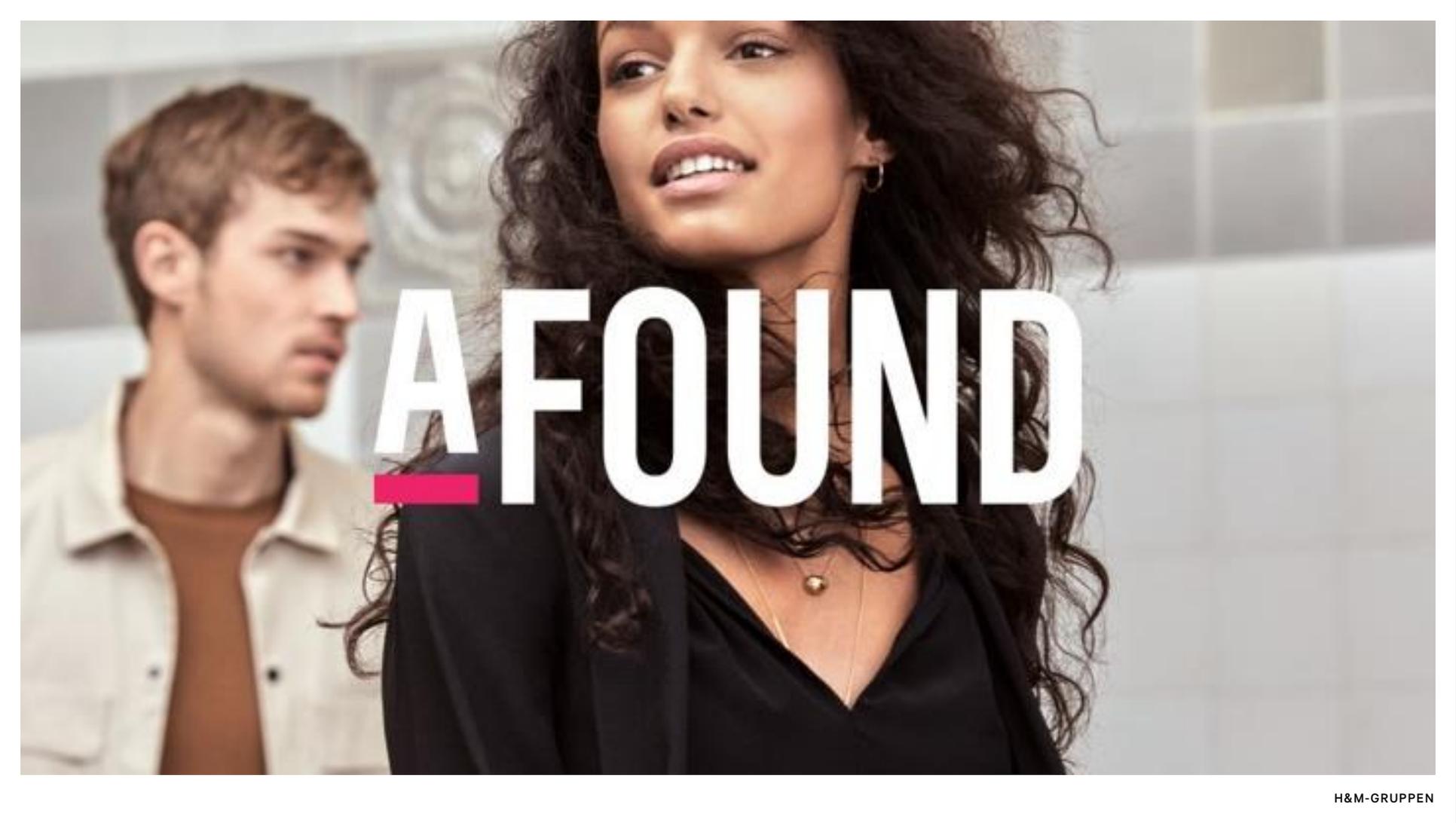
- New stores for existing brands
 - emerging markets focus for H&M
 - H&M to open in Uruguay and Ukraine in 2018
- For 2018 approximately 220 new stores net are planned for the H&M group





COS





A FOUND

Afound

- Afound, a new marketplace for off-price
- Carefully selected, broad and diverse range of attractively discounted products
 - well-known fashion and lifestyle brands for women and men
 - external brands and H&M group brands
- Afound to open in Sweden in 2018 online and with physical stores
 - first stores to open in Malmö and Stockholm



Good cost control and efficiencies





Good cost control and efficiencies

- With good cost control, operating costs are expected to continue to increase at a slow rate
- Weaker US dollar is currently having a favourable impact on purchasing costs
- Great potential for lower markdown costs in relation to sales from 2019 onwards

