

H & M Hennes & Mauritz AB

Three-month report

First quarter (1 December 2016 – 28 February 2017)

- The H&M group's sales including VAT amounted to SEK 54,369 m (50,624), an increase of 7 percent. Sales excluding VAT amounted to SEK 46,985 m (43,691), an increase of 8 percent. Sales in local currencies increased by 4 percent in the first quarter.
- Continued strong and profitable online growth for all the brands within the group.
- COS, & Other Stories, Monki, Weekday and H&M Home continued to develop very well.
- Gross profit increased to SEK 24,466 m (22,699). This corresponds to a gross margin of 52.1 percent (52.0).
- Profit after financial items amounted to SEK 3,212 m (3,327). The group's profit after tax amounted to SEK 2,457 m (2,545), corresponding to SEK 1.48 (1.54) per share. Profits in the quarter were negatively affected by lower sales growth than planned as well as higher mark-downs.

SEK 54 billion
Sales incl VAT

- The H&M group's sales including VAT in the period 1 March to 28 March 2017 increased by 7 percent in local currencies compared to the same period the previous year. Total sales in March, April and May should be viewed together, since Easter and weather effects during this period affect the comparability of an individual month.
- Five new physical store markets will open during the year: Kazakhstan, Colombia, Iceland, Vietnam and Georgia. The first H&M store in Kazakhstan opened in Almaty in mid-March.
- In addition, H&M plans to continue its online roll-out into six new markets: Turkey, Taiwan, Hong Kong, Macau, Singapore and Malaysia which are planned to open during the first half of 2017.
- ARKET will be launched as a new brand in early autumn 2017.
- H&M Home will open its first standalone stores in 2018.

4,400
stores in 65 markets

	Q1 2017	Q1 2016
SEK m		
Net sales	46,985	43,691
Gross profit	24,466	22,699
<i>gross margin, %</i>	52.1	52.0
Operating profit	3,159	3,270
<i>operating margin, %</i>	6.7	7.5
Net financial items	53	57
Profit after financial items	3,212	3,327
Tax	-755	-782
Profit for the period	2,457	2,545
Earnings per share, SEK	1.48	1.54



H&M

Comments by Karl-Johan Persson, CEO

“We have seven brands today – H&M, COS, & Other Stories, Monki, Weekday, Cheap Monday and H&M Home – and soon it will be time for our next exciting launch, ARKET. H&M remains our largest brand with a presence in 65 markets. This means a wide geographical spread involving a mix of both established and new markets with significant competition locally, globally and digitally. Retail is going through a challenging period of change in which customers’ shopping behaviour and expectations are changing at a fast pace as a result of growing digitalisation. This is an accelerating development which also brings great opportunities.

In the first quarter sales including VAT increased to just over SEK 54 billion, an increase of 7 percent, which was below our plan. For fashion retail in general, market conditions were very tough in many of our large markets in central and southern Europe and in the US, and this was reflected in our sales. In other markets, such as Sweden and the other Scandinavian countries, eastern Europe, Turkey, Russia, China and Japan our sales developed well and we continued to take market share. Sales at COS, & Other Stories, Monki, Weekday and H&M Home continued to develop very well both in stores and online, as did H&M’s online sales.

To meet the rapid change that is going on in fashion retail we need to be even faster and more flexible in our work processes, for example as regards buying and allocation of our assortment. We are therefore investing significantly in our supply chain, such as in new logistics solutions with greater levels of automation, but also in optimising our lead times. In the changes we are making, advanced analytics will provide important support for decision making.

In parallel with this intensified change work we are continuing with our omni-channel strategy, i.e. the integration of our stores with online sales in order to give customers a more seamless shopping experience. The optimisation of our store portfolio also continues, particularly in those markets that did not perform sufficiently well. Among other things, this includes closures, the addition of more store space and rebuilds. We are also in the process of developing a new and upgraded version of our H&M stores with a new visual look.

We are making these changes at a fast pace in order to reach our desired outcome. This will gradually have an effect and thus enhance our opportunities to achieve good performance during the remainder of 2017 and going forward.

Ten years ago the first COS store opened, and since then we have added a number of new brands to the H&M group. Each with its own unique profile, our brands attract customers in various different segments. We are now looking forward to launching ARKET after the summer this year.

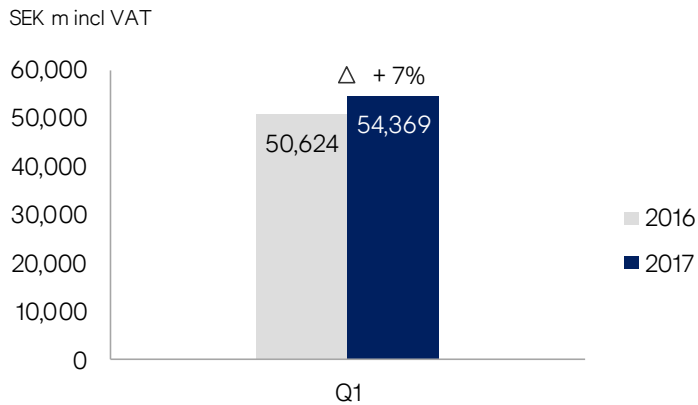
ARKET will offer a broad yet selected range of essentials for men, women and children, as well as a smaller, curated assortment for the home. The overall direction and focus is quality in simple, timeless and functional designs. There will be products in a broad price range, however in a slightly higher price segment than H&M with emphasis on materials, function and fit. The range will be supported by a selection of external brands. ARKET stores will also include a café where location permits. The café will be based on the New Nordic Kitchen and its vision of quality ingredients and healthy living. The first store will open in London and online in 18 European markets in early autumn 2017, followed by stores in Brussels, Copenhagen and Munich.”



COS

Sales

For fashion retail in general, market conditions were very tough in many of the H&M group's large markets in central and southern Europe and in the US, and this was reflected in the group's sales. In other markets, such as Sweden and the other Scandinavian countries, eastern Europe, Turkey, Russia, China and Japan sales developed well.



H&M

Sales including VAT converted into SEK increased by 7 percent to SEK 54,369 m (50,624) in the first quarter.

Sales excluding VAT increased by 8 percent to SEK 46,985 (43,691) in the first quarter.

The H&M group's sales in local currencies including VAT increased by 4 percent.

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

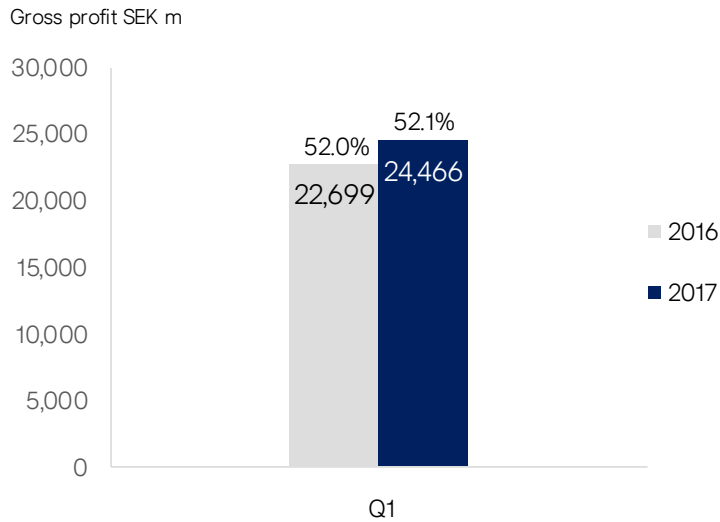
Currency translation effects arise when sales and profits in local currencies are translated into the company's reporting currency, which is SEK. A negative currency translation effect arises when the Swedish krona strengthens and a positive currency translation effect arises when the Swedish krona weakens.

Sales in top ten markets, first quarter

	Q1 - 2017	Q1 - 2016	Change in %		28 Feb - 17	Q1 - 2017
	SEK m inc. VAT	SEK m inc. VAT	SEK	Local currency	Number of stores	New stores (net)
Germany	8,413	8,661	-3	-5	455	-4
USA	6,790	6,377	6	0	484	16
UK	3,395	3,546	-4	5	280	-1
France	3,354	3,206	5	2	235	-3
China	2,755	2,301	20	19	455	11
Sweden	2,372	2,324	2	2	172	-4
Italy	2,145	2,062	4	1	168	2
Spain	1,882	1,831	3	0	169	0
Netherlands	1,630	1,737	-6	-9	143	-2
Switzerland	1,494	1,492	0	-4	99	1
Others*	20,139	17,087	18	12	1,733	26
Total	54,369	50,624	7	4	4,393	42
<i>* Of which franchises</i>	<i>1,220</i>	<i>1,228</i>	<i>-1</i>	<i>-8</i>	<i>193</i>	<i>5</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.



H&M Beauty

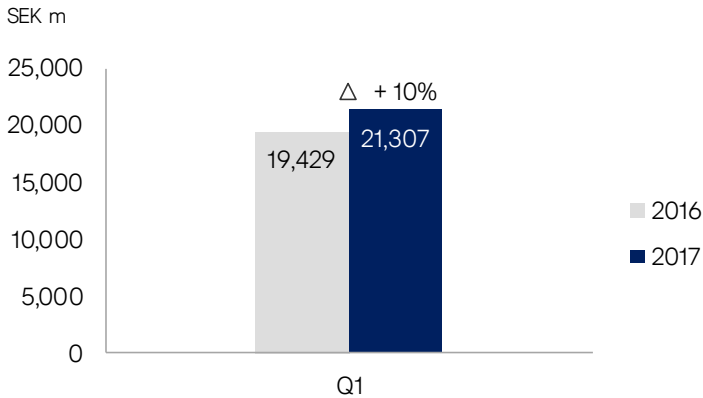
Gross profit increased to SEK 24,466 m (22,699) in the first quarter, corresponding to a gross margin of 52.1 percent (52.0).

Mark-downs in relation to sales increased by 0.3 percentage points in the first quarter 2017 compared to the corresponding quarter in 2016.

Overall, the market situation as regards external factors such as purchasing currencies and raw materials continued to be slightly negative during the purchasing period for the first quarter compared to the corresponding purchasing period in the previous year.

For purchases made for the second quarter 2017, the overall market situation for the external factors is also considered slightly negative overall compared to the corresponding purchasing period the previous year.

Selling and administrative expenses

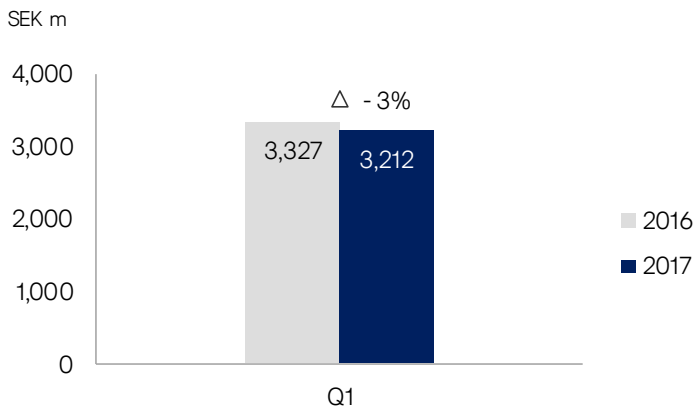


Cost control in the group remains good. For the first quarter of 2017, selling and administrative expenses increased by 10 percent in SEK and by 7 percent in local currencies compared to the first quarter last year.



H&M Man

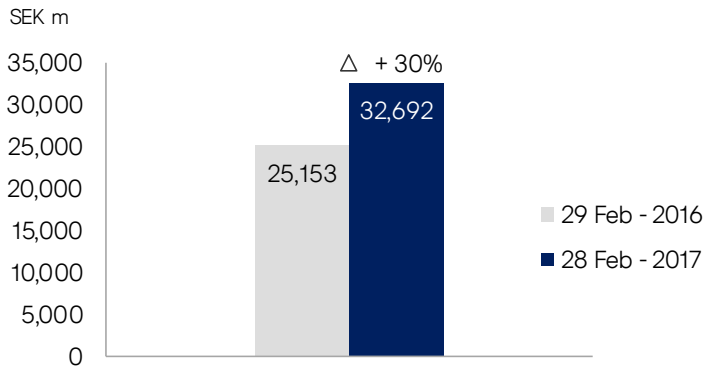
Profit after financial items



Profit after financial items in the first quarter 2017 amounted to SEK 3,212 m (3,327), a decrease of 3 percent.

Development of profits in the first quarter is mostly explained by the fact that sales did not increase as much as planned and by higher mark-downs.

Stock-in-trade



Stock-in-trade amounted to SEK 32,692 m (25,153), an increase of 30 percent in SEK and 28 percent in local currencies compared to the end of February last year.

The increase in the stock-in-trade is explained by the group's continued strong expansion, but also by the fact that the sales increase in the quarter was below plan. As a result, stock-in-trade as of 28 February 2017 was higher than planned – but other than this, the composition of the stock-in-trade is deemed to be good.

The stock-in-trade amounted to 16.7 percent (13.6) of sales excluding VAT, rolling twelve months and 33.4 percent (28.5) of total assets.



& Other Stories

Expansion

The growth target of the H&M group is to increase sales in local currencies by 10 – 15 percent per year with continued high profitability.

In 2017 new markets for H&M stores will be Kazakhstan, Colombia, Iceland, Vietnam and Georgia. The first H&M store in Kazakhstan opened in Almaty on 18 March and was very well received.

Six new H&M online markets are planned to open in the first half of 2017: Turkey, Taiwan, Hong Kong, Macau, Singapore and Malaysia.

For full-year 2017 a net addition of approximately 430 new stores is planned. Most of the new stores in 2017 will be H&M stores and approximately 70 to 80 stores will consist of COS, & Other Stories, Monki, Weekday and ARKET.

H&M Home will also continue its rapid expansion, with approximately 60 new H&M Home departments planned for 2017. The first standalone H&M Home stores are planned to open in 2018.

In parallel with the expansion, the store portfolio is being optimised as regards the number of stores, store space, rebuilds and relocations in order to continually ensure that the store portfolio is right for each market.

Brand	Number of markets		Expansion 2017
	28 Feb - 2017		
	Store	Online	New markets
H&M	64	35	Store: Kazakhstan**, Colombia, Iceland, Vietnam, Georgia Online: Turkey, Taiwan, Hong Kong, Macau, Singapore, Malaysia
COS	34	19	Store: Malaysia*, Israel (franchise)
Monki	13	19	-
Weekday	7	18	Store: France, UK
& Other Stories	13	14	Store: Ireland*, Finland*, South Korea**, United Arab Emirates (franchise)
Cheap Monday	2	18	-

* Opened by 28 Feb - 2017

** Opened in March - 2017



H&M Home

Store count by brand

In the first quarter, the group opened 68 (59) stores and closed 26 (13) stores, i.e. a net increase of 42 (46) new stores. The group had 4,393 (3,970) stores as of 28 February 2017, of which 193 (161) are operated by franchise partners.

Brand	New Stores (net)	Total No of stores	
	Q1 - 2017	28 Feb - 2017	29 Feb - 2016
H&M	39	4,001	3,650
COS	5	199	159
Monki	-3	115	106
Weekday	-1	27	19
& Other Stories	3	48	31
Cheap Monday	-1	3	5
Total	42	4,393	3,970

Store count by region

Region	New Stores (net)	Total No of stores	
	Q1 - 2017	28 Feb - 2017	29 Feb - 2016
Europe & Africa	1	2,885	2,724
Asia & Oceania	25	902	720
North & South America	16	606	526
Total	42	4,393	3,970

Tax

The H&M group's tax rate for the 2016/2017 financial year is expected to be 22.5 – 23.5 percent. However, during the first three quarters of the year an estimated tax rate of 23.5 percent will be 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.

Financing

In the first quarter, the H&M group signed a revolving credit facility (RCF) of EUR 700 m in order to increase financial flexibility.

Current quarter

Sales including VAT in the period 1 March to 28 March 2017 increased by 7 percent in local currencies compared to the same period the previous year.

Sales in March, April and May should be viewed together, partly because the Easter holiday falls in different months in different years and partly because the weather during this period can vary greatly from year to year.

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 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 28 February 2017, forward contracts with a positive market value amount to SEK 439 m (337), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 562 m (305), 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 18.

Risks and uncertainties

A number of factors may affect the H&M group'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, macroeconomic and geopolitical changes, sustainability issues, foreign currency, tax and different regulations but also in connection with expansion into new markets, the launch of new concepts 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

10 May 2017	Annual General Meeting 2017, in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna at 15.00 CET.
29 June 2017	Six-month report, 1 Dec 2016 – 31 May 2017
28 September 2017	Nine-month report, 1 Dec 2016 – 31 Aug 2017
31 January 2018	Full-year report, 1 Dec 2016 – 30 Nov 2017

This three-month report has not been audited by the company's auditors.

Stockholm, 29 March 2017
Board of Directors

Contact

The financial market and media are welcome to call Nils Vinge, Head of Investor Relations, who, together with Jyrki Tervonen, CFO, will be available for questions during an open call on 30 March between 09.00 – 10.00 CET. For log-in details and registration please visit:

<http://about.hm.com/en/media/calendar/three-month-report.html>

Registration can be made until 30 March 10.00 CET. 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

To book an interview please contact:
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Information in this interim report is that which H & M Hennes & Mauritz AB (publ) is required to disclose under the EU Market Abuse Regulation (596/2014/EU). The information was submitted for publication by the abovementioned persons at 8.00 (CET) on 30 March 2017. This interim report and other information about H&M, is available at www.hm.com

GROUP INCOME STATEMENT IN SUMMARY (SEK m)

	Q1 2017	Q1 2016	1 Dec 2015- 30 Nov 2016
Sales including VAT	54,369	50,624	222,865
Sales excluding VAT	46,985	43,691	192,267
Cost of goods sold	-22,519	-20,992	-86,090
GROSS PROFIT	24,466	22,699	106,177
<i>Gross margin, %</i>	52.1	52.0	55.2
Selling expenses	-19,553	-17,771	-75,729
Administrative expenses	-1,754	-1,658	-6,625
OPERATING PROFIT	3,159	3,270	23,823
<i>Operating margin, %</i>	6.7	7.5	12.4
Net financial items	53	57	216
PROFIT AFTER FINANCIAL ITEMS	3,212	3,327	24,039
Tax	-755	-782	-5,403
PROFIT FOR THE PERIOD	2,457	2,545	18,636

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

Earnings per share, SEK*	1.48	1.54	11.26
Number of shares, thousands*	1,655,072	1,655,072	1,655,072
Depreciation, total	2,106	1,819	7,605
of which cost of goods sold	204	206	847
of which selling expenses	1,760	1,490	6,256
of which administrative expenses	142	123	502

* Before and after dilution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q1 2017	Q1 2016	1 Dec 2015- 30 Nov 2016
PROFIT FOR THE PERIOD	2,457	2,545	18,636
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Translation differences	-502	-976	1,186
Change in hedging reserves	268	-285	-578
Tax attributable to change in hedging reserves	-64	68	139
<i>Items that will not be classified to profit or loss</i>			
Remeasurement of defined benefit pension plans	-	-	-78
Tax related to the above remeasurement	-	-	19
OTHER COMPREHENSIVE INCOME	-298	-1,193	688
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,159	1,352	19,324

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	28 Feb - 2017	29 Feb - 2016	30 Nov 2016
Fixed assets			
Intangible fixed assets	5,727	4,445	5,347
Property, plant and equipment	38,220	32,578	38,693
Financial assets	3,822	3,067	3,876
	47,769	40,090	47,916
Current assets			
Stock-in-trade	32,692	25,153	31,732
Current receivables	8,882	8,525	9,485
Short-term investments, 4-12 months	-	1,119	-
Cash and cash equivalents	8,437	13,452	9,446
	50,011	48,249	50,663
TOTAL ASSETS	97,780	88,339	98,579
EQUITY AND LIABILITIES			
Equity	63,395	59,401	61,236
Long-term liabilities*	5,647	4,754	5,638
Current liabilities**	28,738	24,184	31,705
TOTAL EQUITY AND LIABILITIES	97,780	88,339	98,579

* Interest-bearing long-term liabilities amounts to SEK 737 m (472).

** Interest-bearing current liabilities amounts to SEK 1,313 m (0).

CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)

	28 Feb - 2017	29 Feb - 2016	30 Nov 2016
Shareholders' equity at the beginning of the period	61,236	58,049	58,049
Total comprehensive income for the period	2,159	1,352	19,324
Dividend	-	-	-16,137
Shareholders' equity at the end of the period	63,395	59,401	61,236

GROUP CASH FLOW STATEMENT (SEK m)

	Q1 - 2017	Q1 - 2016
Current operations		
Profit after financial items*	3,212	3,327
Provisions for pensions	1	31
Depreciation	2,106	1,819
Tax paid	-1,397	-408
Other	4	-
Cash flow from current operations before changes in working capital	3,926	4,769
Cash flow from changes in working capital		
Current receivables	358	-1,281
Stock-in-trade	-1,084	-511
Current liabilities	-839	1,345
CASH FLOW FROM CURRENT OPERATIONS	2,361	4,322
Investment activities		
Investment in intangible fixed assets	-500	-433
Investment in tangible fixed assets	-1,918	-2,098
Change in short-term investments, 4 - 12 months	-	-1,119
Other investments	-33	-8
CASH FLOW FROM INVESTMENT ACTIVITIES	-2,451	-3,658
Financing activities		
Short-term loans	-833	-
CASH FLOW FROM FINANCING ACTIVITIES	-833	-
CASH FLOW FOR THE PERIOD	-923	664
Cash and cash equivalents at beginning of the financial year	9,446	12,950
Cash flow for the period	-923	664
Exchange rate effect	-86	-162
Cash and cash equivalents at end of the period**	8,437	13,452

* Interest paid for the group amounts to SEK 1 m (1).

** Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 8,437 m (14,571).

SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES

Q1, 1 December - 28 February

Market	Q1 - 2017	Q1 - 2016	Change in %		28 Feb - 17	Q1 - 2017	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	2,372	2,324	2	2	172	1	5
Norway	1,492	1,316	13	4	127		
Denmark	1,338	1,283	4	1	101	1	2
UK	3,395	3,546	-4	5	280	1	2
Switzerland	1,494	1,492	0	-4	99	1	
Germany	8,413	8,661	-3	-5	455		4
Netherlands	1,630	1,737	-6	-9	143		2
Belgium	1,110	1,043	6	4	91	1	
Austria	1,285	1,279	0	-2	83		
Luxembourg	111	113	-2	-5	10		
Finland	688	681	1	-2	62	1	
France	3,354	3,206	5	2	235	1	4
USA	6,790	6,377	6	0	484	17	1
Spain	1,882	1,831	3	0	169	2	2
Poland	1,178	1,047	13	10	168	2	
Czech Republic	355	314	13	10	48		
Portugal	317	295	7	4	31		
Italy	2,145	2,062	4	1	168	2	
Canada	1,074	863	24	12	85		
Slovenia	124	120	3	0	12		
Ireland	275	262	5	2	24	1	
Hungary	392	340	15	11	42		
Slovakia	169	156	8	6	19		
Greece	444	408	9	6	35		
China	2,755	2,301	20	19	455	12	1
Hong Kong	479	502	-5	-10	28		
Japan	1,022	803	27	16	66		
Russia	1,094	712	54	17	118	5	
South Korea	427	295	45	33	36	1	
Turkey	667	575	16	34	62	1	1
Romania	532	468	14	11	52	1	1
Croatia	190	174	9	5	15		
Singapore	273	267	2	-3	13		
Bulgaria	148	135	10	7	20	1	
Latvia	83	67	24	22	8		
Malaysia	346	297	16	15	37	2	
Mexico	546	389	40	54	25		
Chile	368	244	51	31	4		
Lithuania	88	66	33	29	9	1	
Serbia	90	71	27	25	9		
Estonia	88	69	28	24	8		
Australia	673	396	70	53	23	1	
Philippines	289	237	22	21	22	1	
Taiwan	224	174	29	15	12	2	
Peru	250	123	103	87	6		
Macau	41	48	-15	-20	2		
India	288	83	247	229	14	2	
South Africa	246	144	71	39	9	1	
Puerto Rico	36				2		
Cyprus	26				1		
New Zealand	53				1		
Franchise	1,220	1,228	-1	-8	193	6	1
Total	54,369	50,624	7	4	4,393	68	26

FIVE YEAR SUMMARY

Q1, 1 December - 28 February

	2013	2014	2015	2016	2017
Sales including VAT, SEK m	33,146	37,524	46,791	50,624	54,369
Sales excluding VAT, SEK m	28,392	32,143	40,276	43,691	46,985
Change sales excl. VAT from previous year in SEK, %	2	13	25	8	8
Change sales excl. VAT previous year in local currencies, %	6	12	15	9	4
Operating profit, SEK m	3,130	3,401	4,637	3,270	3,159
Operating margin, %	11.0	10.6	11.5	7.5	6.7
Depreciations for the period, SEK m	1,030	1,208	1,556	1,819	2,106
Profit after financial items, SEK m	3,234	3,486	4,723	3,327	3,212
Profit after tax, SEK m	2,458	2,649	3,613	2,545	2,457
Cash and cash equivalents and short-term investments, SEK m	18,959	18,226	20,026	14,571	8,437
Stock-in-trade, SEK m	13,825	15,865	20,266	25,153**	32,692**
Equity, SEK m	45,625	47,586	56,933	59,401	63,395
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	1.49	1.60	2.18	1.54	1.48
Equity per share, SEK*	27.57	28.75	34.40	35.89	38.30
Cash flow from current operations per share, SEK*	2.28	1.61	2.98	2.61	1.43
Share of risk-bearing capital, %	78.4	76.2	73.0	72.1	69.9
Equity/assets ratio, %	75.1	72.1	68.9	67.2	64.8
Total number of stores	2,818	3,192	3,551	3,970	4,393
Rolling twelve months					
Earnings per share, SEK*	10.02	10.48	12.65	11.98	11.21
Return on equity, %	36.3	37.2	40.1	34.1	30.2
Return on capital employed, %	47.3	48.5	51.5	44.1	38.2

* Before and after dilution.

** The booked value of stock-in-trade for 2016 and 2017 is approximately 5 percent higher than previous years as a result of improved invoicing processes. Accounts payable have increased with the corresponding amount.

For definitions of key figures see page 18

SEGMENT REPORTING (SEK m)

	Q1 - 2017	Q1 - 2016
Asia and Oceania		
External net sales	7,327	6,031
Operating profit	-46	-161
Operating margin, %	-0.6	-2.7
Europe and Africa		
External net sales	31,251	30,194
Operating profit	-1,247	-985
Operating margin, %	-4.0	-3.3
North and South America		
External net sales	8,407	7,466
Operating profit	-397	-237
Operating margin, %	-4.7	-3.2
Group Functions		
Net sales to other segments	18,036	17,976
Operating profit	4,849	4,653
Eliminations		
Net sales to other segments	-18,036	-17,976
Total		
External net sales	46,985	43,691
Operating profit	3,159	3,270
Operating margin, %	6.7	7.5

PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)

	Q1 2017	Q1 2016	1 Dec 2015- 30 Nov 2016
Internal sales excluding VAT*	916	898	3,985
GROSS PROFIT	916	898	3,985
Administrative expenses	-44	-50	-173
OPERATING PROFIT	872	848	3,812
Net financial items**	418	63	12,750
PROFIT AFTER FINANCIAL ITEMS	1,290	911	16,562
Year-end appropriations	-	-	18
Tax	-190	-200	-876
PROFIT FOR THE PERIOD	1,100	711	15,704

* Internal sales in the quarter consists of royalty of SEK 914 m (896) and other SEK 2 m (2) received from group companies.

** Dividend income from subsidiaries in the quarter consists of SEK 426 m (0).

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q1 2017	Q1 2016	1 Dec 2015- 30 Nov 2016
PROFIT FOR THE PERIOD	1,100	711	15,704
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	-	-	-4
Tax related to the above remeasurement	-	-	1
OTHER COMPREHENSIVE INCOME	-	-	-3
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,100	711	15,701

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	28 Feb - 2017	29 Feb - 2016	30 Nov 2016
ASSETS			
Fixed assets			
Property, plant and equipment	425	472	440
Financial fixed assets	1,619	1,770	1,420
	2,044	2,242	1,860
Current assets			
Current receivables	16,614	15,397	16,186
Short-term investments, 4-12 months	-	1,000	-
Cash and cash equivalents	112	265	376
	16,726	16,662	16,562
TOTAL ASSETS	18,770	18,904	18,422
EQUITY AND LIABILITIES			
Equity	17,957	18,005	16,857
Untaxed reserves	429	447	429
Long-term liabilities*	191	195	191
Current liabilities**	193	257	945
TOTAL EQUITY AND LIABILITIES	18,770	18,904	18,422

* 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 measurement

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.

Profit and yield measurements

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.

Gross profit: Net sales minus cost of goods sold.

Gross margin: Gross profit in relation to net sales.

Operating profit: Net sales minus all costs attributable to operations but excluding net financial items and income tax.

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

Capital measurements

Share of risk-bearing capital, %: Shareholders' equity plus deferred tax liability in relation to the balance sheet total.

Equity/assets ratio: Shareholders' equity in relation to the balance sheet total.

Capital employed: Shareholders' equity plus interest-bearing liabilities.

Share-related measurements

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

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.

Earnings per share: Net 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.