

Nine-month report

Nine months (1 December 2018 – 31 August 2019)

- The H&M group's net sales increased by 11 percent to SEK 171,061 m (153,986) during the first nine months of the financial year. In local currencies, net sales increased by 6 percent. The ongoing transformation work has contributed to continued positive sales development with more full-price sales, lower markdowns and increased market share.
- Profit after financial items increased by 6 percent to SEK 11,988 m (11,287). The group's profit after tax increased to SEK 9,231 m (9,109), corresponding to SEK 5.58 (5.50) per share. Profit after tax in the previous year was positively affected by one-off tax income of SEK 418 m as a result of the US tax reform (Tax Cuts & Jobs Act).

Third quarter (1 June 2019 – 31 August 2019)

- With well-received summer collections, the H&M group's net sales increased by 12 percent to SEK 62,572 m (55,821) in the third quarter. In local currencies, net sales increased by 8 percent compared with the corresponding quarter the previous year.
- Online sales in the third quarter increased by 30 percent in SEK and by 25 percent in local currencies.
- Gross profit increased by 13 percent to SEK 31,815 m (28,091). This corresponds to a gross margin of 50.8 percent (50.3).
- Profit after financial items increased by 25 percent to SEK 5,011 m (4,012). The group's profit after tax increased to SEK 3,859 m (3,099), corresponding to SEK 2.33 (1.87) per share.
- The stock-in-trade continues to improve. As a proportion of sales, the book value of the stock-in-trade in SEK was lower than at the same point in time the previous year. Adjusted for currency effects the stock-in-trade decreased somewhat.
- H&M was successfully launched on India's leading ecommerce platform Myntra in August. The reception has exceeded the company's high expectations.

Nine months 2019
SEK 171 billion
in net sales

Operating profit Q3
+26%



- Sales in local currencies in September 2019 increased by 8 percent compared to September the previous year.
- The H&M group is ranked as one of the world's best retailers for sustainability in the Dow Jones Sustainability World Index.
- The integration of the online and physical stores continues at full speed.
- The H&M group continues to actively optimise the store portfolio through increased consolidation in established markets while continuing its expansion in growth markets. The net addition of new stores for full-year 2019 will be around 120, somewhat fewer than previously communicated.

"Well-received summer collections and increased market share show that we are on the right track with our transformation work to meet customers' ever-increasing expectations. The continued development of more full-price sales and reduced markdowns contributed to a 26 percent increase in operating profit in the third quarter, all while maintaining a high level of activity in our transformation work."

Karl-Johan Persson, CEO

Comments by Karl-Johan Persson, CEO

“Well-received summer collections and increased market share show that we are on the right track with our transformation work to meet customers’ ever-increasing expectations. Continued increases in full-price sales and decreases in markdowns contributed to a 26 percent increase in operating profit in the third quarter, all while maintaining a high level of activity in our transformation work.

Growth was good in many markets, including the US where sales in local currencies rose by 19 percent, Poland by 20 percent, Italy by 15 percent, Russia by 12 percent and India by 29 percent. Sales also developed strongly in South America – in Chile, for example, where we grew by 32 percent. However, things were a bit tougher in some of our franchise markets due to challenging macro factors.

Total sales in the group increased by 12 percent in SEK and 8 percent in local currencies in the third quarter. The sales growth was driven by both stores and online, with a very strong increase in online sales of 30 percent in SEK and 25 percent in local currencies.

Customer focus is our highest priority. We are therefore continuing to invest in the best combination of fashion, quality, price and sustainability. And to make the customer experience even more inspiring and easy, we are integrating our digital and physical channels more and more – including through the continued rollout of Click & Collect and online returns in store, along with improved search functions, more flexible payment options and faster deliveries. We are also developing innovative new features, including services aimed at sustainability and reuse.

In parallel with the integration of stores and online shopping we keep optimising the store portfolio, including more consolidation in established markets and expansion in growth markets. We are also expanding via new channels. At the end of the quarter H&M launched on Myntra, India’s leading ecommerce platform, while & Other Stories opened on Tmall in China and H&M online was launched in Indonesia, followed by Thailand in September. H&M also opened its first store in Belarus, bringing us to a total of 73 markets. All the launches and openings got a good reception. Through our continued investments in tech and the supply chain we also plan later this year to offer our customers the chance to shop online from COS, Weekday, Monki, & Other Stories and ARKET in up to 70 or so new markets.

Our ongoing transformation work to meet customers’ ever-increasing expectations is bearing fruit. The new season has got off to a promising start, with a positive reception for our early autumn collections. Looking ahead, we remain humble considering the challenges brought by the rapid shift in fashion retail. Our transformation work is therefore continuing at a fast pace in all parts of the company. We are convinced that this will contribute to positive development for the H&M group for many years to come.”



& Other Stories

Strategic focus areas

The rapid shift in fashion retail continues. We are driving our transformation work based on our strategic focus areas in order to meet customers’ ever-increasing expectations and to future-proof the H&M group.

Create the best customer offering

Product assortment – secure the best combination of fashion, quality, price and sustainability for all the brands.

Physical stores – continued development of new concepts and optimisation of the store portfolio.

Online stores – improvements such as faster and more flexible delivery and payment options.

Continued integration of our physical stores and online stores to enhance the customer experience.

Fast, efficient and flexible product flow

Make the supply chain even faster, more flexible and more efficient.

Initiatives within advanced data analytics and AI.

Investments in infrastructure – our tech foundation

Continued investments in our tech infrastructure including robust scalable platforms that enable faster development of various customer apps and new technologies.

Adding growth

Digital expansion into new markets.

Physical stores – continued expansion with a focus on growth markets.

Develop new concepts and business models.

Read more about our initiatives and our sustainability work on the next page and at hmgroupp.com.

Initiatives for an improved customer experience

Here are some examples of new and ongoing initiatives for creating the best offering and experience for customers wherever we meet them. Mobiles are key as digital and physical channels become increasingly integrated. We are continuing to upgrade hm.com and H&M's mobile app with simpler navigation, improved product visuals and integrated search functions, as well as more payment and delivery options.

- **Pay Later.** Members of H&M's customer loyalty programme can now shop and pay later against invoice, whether shopping in store or online. The launch in Switzerland and the UK went very well and it is clear that customers appreciate the new payment solution. Rollout will continue in 2019 when the service is integrated into the H&M app in Sweden, Austria, the Netherlands, Denmark, Finland and the US.
- **Digital receipts.** Today customers can get digital store receipts in the H&M app instead of being given a physical receipt in the store. The service has been launched in the US, UK and Switzerland, to be followed by further markets in autumn 2019.
- **Visual Search** is available in 31 markets and uses image recognition to help customers move directly from inspiration to purchase.
- **Next day delivery** is offered in 15 markets and more will be added in 2019.
- **Same day delivery** is available in countries such as the Netherlands and the UK, and will be rolled out to more markets during the year.
- **Find in Store** is available in 21 markets and more will be added during the year, including the US and Peru. This function lets customers use their mobile to find an item they have seen online in the right size and at the right store.
- **Scan & Buy** is available in all 50 online markets. The customer scans the QR code on a product in store to find and buy the item online in the size and colour they want.
- **In-Store Mode** shows customers which items are in the store they are currently in, as well as online. This mobile service is available in 11 markets and will be launched in two more in 2019.
- **Click & Collect** is available in 12 markets, to be joined by two more markets in 2019.
- **Online returns in store** is available in 15 markets and will be rolled out further in 2019.
- **#HMxME** is a gallery that invites customers to share their own fashion stories from Instagram while also providing an easy way to buy the items in the images. #HMxME is available in 44 markets.
- **Recommended Size** helps customers find the right size online based on previous purchases. This function is available in five markets and is scheduled for rollout to more markets in 2019.
- **Rate & Review**, which allows customers to rate and review H&M products, is offered in 19 markets and will be rolled out to several new markets in 2019.
- **H&M's customer loyalty programme** is now in 19 markets following its successful launch in the US, Canada and Russia. During the autumn the customer loyalty programme will be integrated into the Chinese communications app WeChat, which has around a billion users.
- **RFID** is currently in 15 H&M markets. The global roll-out will continue to more markets in 2019.
- **H&M Beauty Bar by DASHI**, offering beauty treatments, is being launched as a new collaboration in Sweden. Customers in the store can book and enjoy treatments for hair, nails and make-up.
- **H&M's collaboration with Instagram** in the US, where customers can shop directly from inspirational images, is being developed further. Customers can now get notifications on Instagram when H&M releases new collections.
- **Monki live shopping** is launching on monki.com during the autumn. Fans of #monkistyle get a real-time shopping experience that lets them interact with a live stream along with other customers, and shop for the products they see live. All without having to leave the live stream. Monki will also be launching Monkisphere, a new digital chat forum on monki.com where members can ask and answer questions and share knowledge. Monkisphere also lets people rate, review and style the latest Monki looks.



MONKI

Product flow

The supply chain is one of the H&M group's focus areas where speed, flexibility and efficiency are keywords for providing an even better customer experience. The ongoing work encompasses the entire flow of goods and how we ensure that we have the right product in the right place at the right time, at the right cost. An important part of this is our logistics centres and our logistics systems – where changes this autumn include:

- **UK:** In Milton Keynes, just north of London, we are opening a brand new high-tech logistics centre for both stores and online.
- **China:** Replacement of the group's logistics system continues with preparations for the implementation of the new system in the logistics centre outside Shanghai. Planned go-live at the end of November.

Sustainability

We continue to add value for our customers through our sustainability work, such as our goal to be climate positive throughout our value chain by 2040. We are consistently increasing the use of sustainable materials in our product range and aim for all our cotton to be sourced in a more sustainable way by 2020. The H&M group has a circular approach and endeavours to use only renewable energy.

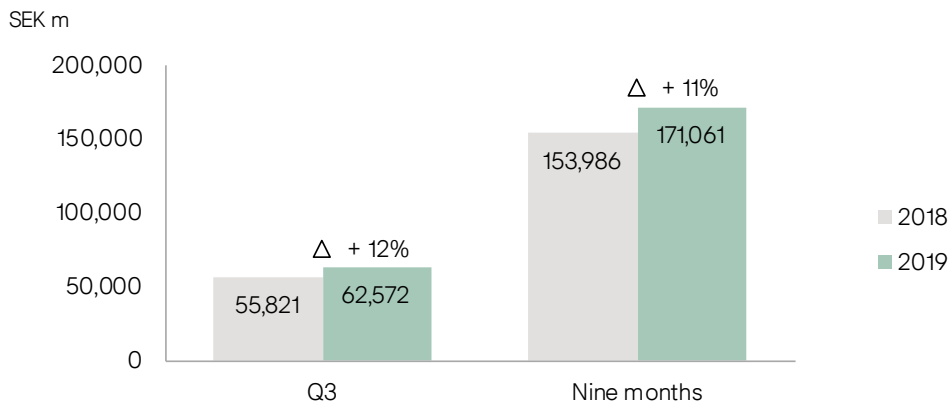
- **Circular use of resources** The H&M group's brands are offering customers new collections, innovations and collaborations enabling a more circular use of resources:
Restore – COS' collection of carefully restored garments.
Recommerce – & Other Stories sells second-hand via Sellpy, which is co-owned by the H&M group.
Remade – redesigned garments at Weekday, which also offers on-demand printing on t-shirts and reusable online packaging in partnership with RePack.
Rental – H&M garment rental will be tested out at a store in Stockholm this autumn.
Repair – mending and alterations through H&M Take Care.
- **More sustainable shipping options** We have more and more climate-smart transport in our supply chain, with vehicles that run on electricity, biofuel or biogas. Customers in the Netherlands will shortly be able to choose green home deliveries using cars that run on biogas and cycles.
- **Dow Jones Sustainability World Index.** The H&M group is ranked as one of the world's best retailers for sustainability in the Dow Jones Sustainability World Index. Moreover, the H&M group is ranked top in its sector in a number of areas such as human rights, environmental reporting, packaging and supply chain management.
- **Fashion Pact** The H&M group is one of the signatories to Fashion Pact, joining other fashion and textiles companies in committing to concrete action to deal with environmental challenges facing the industry in respect of the climate, biodiversity and oceans. This commitment is in line with the H&M group's ambitious environmental goals, such as becoming climate positive throughout our value chain by 2040.

Read more about many of these initiatives and our sustainability work at hmgroupp.com.



H&M

Sales



Net sales increased by 12 percent to SEK 62,572 m (55,821) in the third quarter. Net sales in the nine-month period increased by 11 percent to SEK 171,061 m (153,986). In local currencies the H&M group's net sales increased by 8 percent in the third quarter and by 6 percent in the nine-month period.

Online sales in the third quarter increased by 30 percent in SEK and in local currencies the increase was 25 percent.

New Business increased sales in the third quarter by 18 percent in SEK and by 16 percent in local currencies.



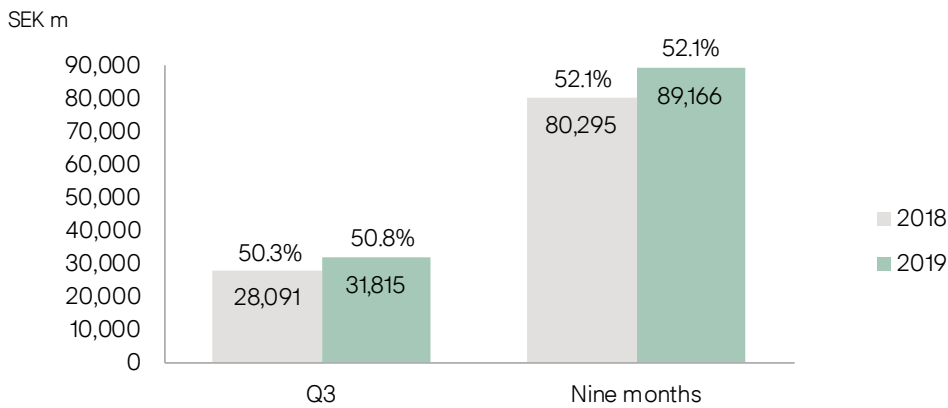
COS

Sales in top ten markets, third quarter

	Q3 - 2019	Q3 - 2018	Change in %		31 Aug - 19	Q3 - 2019
	SEK m net sales	SEK m net sales	SEK	Local currency	Number of stores	New stores (net)
Germany	8,955	8,287	8	5	462	0
USA	8,232	6,503	27	19	580	5
UK	3,863	3,734	3	1	300	-1
France	3,468	3,124	11	8	232	-2
China	3,075	2,785	10	8	524	-9
Sweden	2,387	2,260	6	6	178	0
Italy	2,236	1,900	18	15	178	-2
Spain	2,177	2,086	4	1	168	1
Russia	2,047	1,735	18	12	142	1
Poland	1,817	1,471	24	20	189	2
Others*	24,315	21,936	11	9	2,019	-2
Total	62,572	55,821	12	8	4,972	-7
<i>* Of which franchise</i>	<i>1,464</i>	<i>1,570</i>	<i>-7</i>	<i>-10</i>	<i>256</i>	<i>-1</i>

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 with the same period last year.

Gross profit and gross margin



#MHOME

Gross profit increased by 13 percent to SEK 31,815 m (28,091) in the third quarter, corresponding to a gross margin of 50.8 percent (50.3). For the nine-month period, gross profit increased to SEK 89,166 m (80,295), corresponding to a gross margin of 52.1 percent (52.1).

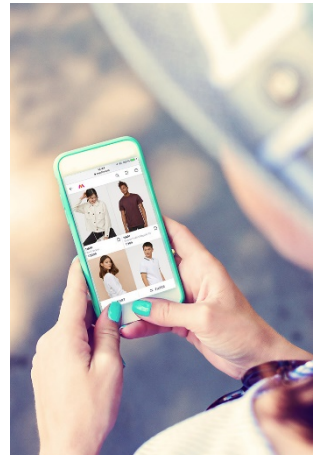
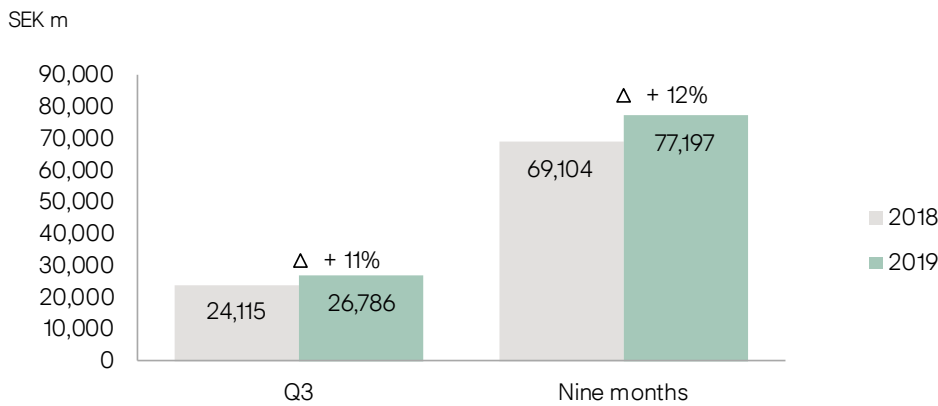
Costs for markdowns in relation to sales decreased by around 2 percentage points in the third quarter of 2019 compared with the corresponding quarter in 2018.

The gross profit and gross margin are a result of many factors, internal as well as external, and are mostly affected by the decisions that the H&M group 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.

For the third quarter the external factors influencing purchasing costs were negative, above all as a result of the more expensive US dollar compared with the same purchasing period the previous year. The gross margin was also affected by continued investments in an even stronger customer offering and by the costs of the ongoing transformation work.

For purchases made for the fourth quarter 2019 the overall market situation as regards external factors is expected to remain negative compared with the same purchasing period the previous year.

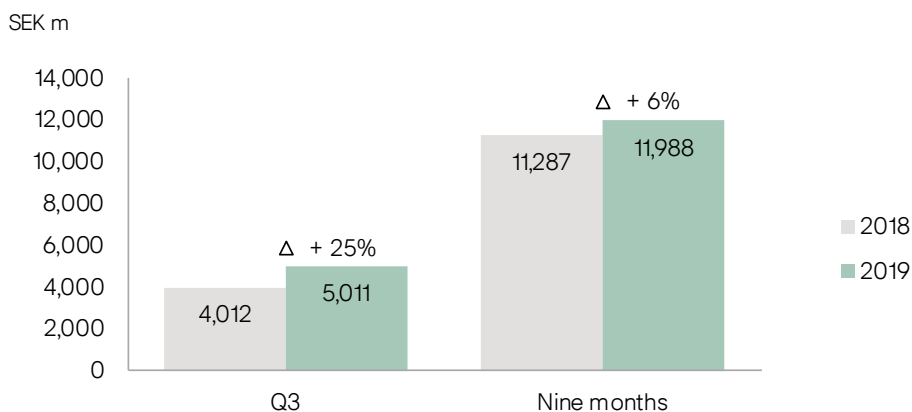
Selling and administrative expenses



In the third quarter of 2019, selling and administrative expenses increased by 11 percent in SEK and by 8 percent in local currencies compared with the corresponding period the previous year. For the nine-month period, selling and administrative expenses increased by 12 percent in SEK and by 8 percent in local currencies compared with the corresponding period the previous year. Cost control in the group remains good.

The cost increase in the quarter is mainly explained by store and online expansion, but also by the group's ongoing transformation work with investments in focus areas such as AI, tech, logistics and H&M's customer loyalty programme.

Profit after financial items



Profit after financial items increased by 25 percent to SEK 5,011 m (4,012) in the third quarter. Profit in the nine-month period increased by 6 percent to SEK 11,988 m (11,287).

Despite a continued high level of activity in the ongoing transformation work, profits were up both in the third quarter and in the nine-month period, driven mainly by increased full-price sales and lower costs for markdowns.

Stock-in-trade

The composition and the level of the stock-in-trade continues to improve. Adjusted for currency effects the stock-in-trade decreased by 1 percent. However, the book value of the stock-in-trade in SEK is subject to a substantial currency effect due to the continued weakening of the Swedish krona. Expressed in SEK, therefore, the stock-in-trade increased by 9 percent to SEK 42,044 m (38,719).

The book value of stock-in-trade in SEK represented 18.5 percent (18.9) of sales for the rolling 12 months, which amounted to SEK 227,475 m (204,393).

Expansion

The integration of stores and online continues. Work is continuing at full speed to roll out online globally to all existing H&M markets and to other markets as well.

So far in 2019 H&M and H&M HOME have opened online in Mexico, and H&M via franchise in Indonesia and Thailand. This means H&M's online store is available in 50 markets and in addition, H&M has launched on India's leading ecommerce platform Myntra. COS, Monki, Weekday, & Other Stories and ARKET have opened online in Norway, and & Other Stories has also opened on Tmall in China. Later in the year H&M plans to launch online in Egypt via franchise and Afound plans to launch online in the Netherlands.

New store markets for H&M in the year to date are Bosnia-Herzegovina and Belarus, bringing the total number of markets to 73, with Tunisia to be added later in the year via franchise. In 2019 Iceland has become a new store market for COS, Weekday and Monki. The brands Weekday, & Other Stories and ARKET have also opened their first stores in Luxembourg, COS has opened in Lithuania and Monki has opened in Poland and also via franchise in the United Arab Emirates. New markets to be added later in 2019 are Slovakia for COS, Switzerland for Weekday and Latvia for & Other Stories.

Later in 2019 customers in up to 70 or so new markets will be able to shop online at COS, Weekday, Monki, & Other Stories and ARKET. The exact number of markets for each brand may vary for this new service.

As the company communicated in conjunction with the six-month report, adaptation to customers' changed shopping patterns has been accelerated and therefore the net addition of new stores has been revised down. The net addition of new stores for full-year 2019 will be around 120, somewhat fewer than previously communicated.

For the 2019 financial year around 290 new stores including franchise are planned to open, the majority of which will open in the fourth quarter. More than 220 of the openings will be H&M stores and the remainder will be COS, & Other Stories, Monki, Weekday, ARKET and standalone H&M HOME stores.

Approximately 170 stores will be closed, i.e. consolidated in 2019 as part of the intensified store optimisation which also includes renegotiations, rebuilds and adjustment of store space to ensure that the store portfolio is the best fit for each market.



ARKET

No. of markets 31 Aug - 2019			Expansion 2019
Brand	Store	Online	New markets
H&M	72	49	Store: Bosnia-Herzegovina*, Belarus**, Tunisia (franchise) Online: Mexico*, Indonesia (franchise)*, Thailand (franchise)**, Egypt (franchise)
COS	42	22	Store: Iceland*, Lithuania**, Slovakia Online: Norway*, Global selling***
Monki	19	19	Store: Iceland*, Poland*, United Arab Emirates (franchise)* Online: Norway*, Global selling***
Weekday	12	19	Store: Iceland*, Luxembourg*, Switzerland Online: Norway*, Global selling***
& Other Stories	19	16	Store: Luxembourg*, Latvia Online: Norway*, China (Tmall)*, Portugal, Slovenia, Slovakia, Hungary, Czech Republic, Global selling***
ARKET	7	19	Store: Luxembourg* Online: Norway*, Global selling***
Afound	1	1	Online: Netherlands
H&M HOME	51	41	Store: Kazakhstan* Online: Mexico*

* Opened until 31 August 2019

** Opened in September 2019

*** Global selling: later in 2019 customers in up to 70 or so new markets will be able to shop online from COS, Weekday, Monki, & Other Stories and ARKET. For this new service, the exact number of markets for each brand may vary.



WEEKDAY

Store count by brand

In the nine-month period, the H&M group opened 138 (201) stores including franchise and closed, i.e. consolidated, 132 (99) stores, making a net increase of 6 (102) stores. Of the group's total 4,972 (4,841) stores as of 31 August 2019, 256 (247) were operated by franchise partners.

Brand	New Stores 2019 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2019	31 Aug - 2018
H&M	-15	-17	4,414	4,353
COS	9	13	283	255
Monki	-1	-1	126	119
Weekday	1	7	45	34
& Other Stories	-1	-1	69	63
Cheap Monday	0	-1	0	1
ARKET	0	3	19	12
Afound	0	1	6	3
H&M HOME*	0	2	10	1
Total	-7	6	4,972	4,841

* Concept stores. H&M HOME is also included with 370 shop-in-shop in H&M stores.

Store count by region

Region	New Stores 2019 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2019	31 Aug - 2018
Europe & Africa	-9	-18	3,049	3,008
Asia & Oceania	-4	18	1,176	1,115
North & South America	6	6	747	718
Total	-7	6	4,972	4,841

Tax

The H&M group's tax rate for the 2018/2019 financial year is expected to be approximately 22.0 – 23.0 percent. In the first, second and third quarters of 2019 a tax rate of 23.0 percent have been used to calculate tax expense on the result of each quarter. The 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

Sales in local currencies in September 2019 increased by 8 percent compared to September the previous year. Activity levels for the company's transformation work will remain high, including continued upgrades in the supply chain, among other things.

Financing

As of 31 August 2019 the group had SEK 7,665 m (14,309) in loans with a term of up to 12 months, SEK 6,495 m (1,064) in loans with a term of between 12 months and three years, SEK 2,165 m (0) in loans with a term of between three and five years and SEK 2,000 m (0) in loans with a term of over five years.

Net debt in relation to EBITDA amounted to 0.2 (0.1).

In 2019 the H&M group has carried out financing activities aimed at improving liquidity and increasing the average term. As previously communicated H & M Hennes & Mauritz AB launched a Swedish commercial paper programme in May 2019. In the third quarter SEK 1,190 m was issued under the programme with terms of between three and six months.

The strong credit profile of the H&M group enables cost-effective financing. The group continuously reviews opportunities to complement this with further sources of funding on the credit market.

Total cash and cash equivalents as well as unutilised committed credit facilities amounted to SEK 25,641 m (21,409) and the average term of loans from credit institutions was 2.0 years (0.3).

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 2018 and which are described in Note 1 – Accounting principles, other than the application of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, which are being applied with effect from 1 December 2018. IFRS 9 and 15 and their effects on H&M are commented on below. A description of the H&M group's accounting principles as a result of the introduction of IFRS 9 and 15 can be found in the H&M group's annual report for 2018.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from 1 December 2018. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 classifies financial assets in three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The asset is classified upon initial recognition, based on the characteristics of the asset and the company's business model. In the case of financial liabilities, there are no significant changes compared to IAS 39.

With effect from 1 December 2018 the H&M group is applying hedge accounting in accordance with IFRS 9. All the hedging relationships that existed upon transition to IFRS 9 qualified for continued hedge accounting, with no transitional effect. The group has not restated the comparative year, which is reported according to IAS 39. Finally, new principles have been introduced regarding impairment of financial assets using a model based on expected losses. One of the aims of the new model is that provision for credit losses will be made at an earlier stage. For the H&M group, the measurement of doubtful receivables is not affected by the transition to any significant degree. Overall, the introduction of IFRS 9 has not had any significant effect on the consolidated accounts.

IFRS 15 Revenue from Contracts with Customers is being applied by the H&M group from the financial year beginning 1 December 2018. The standard replaces all previously issued standards and interpretations dealing with revenue (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue: Barter Transactions Involving Advertising Services).

IFRS 15 contains an overall model for reporting revenue arising from contracts with customers. Everything starts with an agreement between two parties concerning the sale of a good or service. Initially a customer agreement is to be identified, which generates an asset (rights, a promise that compensation will be received) and a liability (commitments, a promise to deliver goods/services) for the seller. Under the model the company then reports a revenue item and thereby demonstrates that the company is meeting a commitment to deliver promised goods or services to the customer, which in the H&M group's case mainly takes place at the same time. The revenue consists of the amount that the company expects to receive as payment for the goods or services delivered. To assess how the introduction of IFRS 15 impacts the group, a preliminary study of the company's revenue streams was carried out in 2018. The preliminary study showed that the group's income statement is not significantly affected by the introduction of IFRS 15. The only exception is that as of 1 December 2018 the group reports provisions for expected returns gross. The group has elected to use a prospective method of transition and consequently comparative figures have not been restated.

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 IFRS 9 to the measurement of financial instruments; nor does it capitalise development expenditure.

For definitions see the annual report and consolidated accounts for 2018.

Future accounting principles

A number of new standards, revisions and interpretations of existing standards have been published but have not yet entered into force for the H&M group. Of these, only the standards below are expected to have any effect on the consolidated financial statements.

IFRS 16 Leases. In the H&M group's case this standard enters into force from the financial year beginning 1 December 2019, superseding IAS 17 Leases and its associated interpretations. The standard requires lessees to recognise assets and liabilities for all leases with a term of less than 12 months and/or where the underlying asset has a low value. The introduction of the new standard will result in recognition of significant assets and liabilities associated with the group's leases for premises. Information on the quantitative effects of the transition will be provided in conjunction with the full-year report.

Financial instruments

H & M Hennes & Mauritz AB's financial instruments consist mainly of accounts receivable, other receivables, cash and cash equivalents, accounts payable, accrued trade payables, interest-bearing securities and liabilities, and currency derivatives. Currency derivatives are measured at fair value based on Level 2 inputs in the IFRS 13 hierarchy. As of 31 August 2019, forward contracts with a positive market value amount to SEK 620 m (712), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 881 m (1,202), which is reported under other current liabilities. Other financial assets and liabilities have short terms and are measured at amortised cost. It is therefore judged that the fair values of these financial instruments are approximately equal to their book values.

Risks and uncertainties

A number of factors may affect the H&M group's result 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 for the H&M group related to the major shift within the industry, fashion, weather conditions, macroeconomic and geopolitical changes, sustainability issues, foreign currency, cyber-attacks, tax, customs and different regulations but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed.

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 2018.

Calendar

16 December 2019	Sales development in fourth quarter, 1 Sep 2019 – 30 Nov 2019
30 January 2020	Full-year report, 1 Dec 2018 – 30 Nov 2019
16 March 2020	Sales development in first quarter, 1 Dec 2019 – 29 Feb 2020
3 April 2020	Three-month report, 1 Dec 2019 – 29 Feb 2020
7 May 2020	Annual general meeting
15 June 2020	Sales development in second quarter, 1 March 2020 – 31 May 2020
26 June 2020	Six-month report, 1 Dec 2019 – 31 May 2020

Stockholm, 2 October 2019
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 2019 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, 2 October 2019

Ernst & Young AB
Åsa Lundvall
Authorised Public Accountant

Telephone conference in conjunction with the nine-month report

The nine-month report for 2019, i.e. 1 December 2018 – 31 August 2019, will be published at 08:00 CEST on 3 October 2019. A telephone conference for the financial market and media will be held in English at 09:00 CEST, hosted by CEO Karl-Johan Persson, CFO Jyrki Tervonen and Head of IR Nils Vinge. For login details to the telephone conference please register at hmgroupp.com or via this link:

<http://emea.directeventreg.com/registration/1794716>

To book interviews with CEO Karl-Johan Persson and Head of IR Nils Vinge in conjunction with the nine-month report on 3 October, please contact:

Kristina Stenvinkel, Communications Director
Phone +46 8 796 39 08
Email: stenvinkel@hm.com

Contact

Nils Vinge, Head of IR	+46 8 796 52 50
Karl-Johan Persson, CEO	+46 8 796 55 00 (switchboard)
Jyrki Tervonen, CFO	+46 8 796 55 00 (switchboard)

H & M Hennes & Mauritz AB (publ)
SE-106 38 Stockholm
Phone: +46-8-796 55 00, fax: +46-8-24 80 78, e-mail: info@hm.com
Registered office: Stockholm, Reg. No. 556042-7220

For more information about the H&M Group visit hmgroupp.com.

Information in this nine-month 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 08:00 (CEST) on 3 October 2019. This nine-month report and other information about the H&M group, is available at hmgroupp.com.

H & M Hennes & Mauritz AB (publ) was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. In addition to H&M, the group includes the brands COS, Monki, Weekday, & Other Stories, H&M HOME and ARKET as well as Afound. The H&M group has 50 online markets and more than 4,900 stores in 73 markets including franchise markets. In 2018, net sales were SEK 210 billion. The number of employees amounts to approximately 177,000. For further information, visit hmgroupp.com.

GROUP INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	1 Dec 2017- 30 Nov 2018
Net sales	62,572	55,821	171,061	153,986	210,400
Cost of goods sold	-30,757	-27,730	-81,895	-73,691	-99,513
GROSS PROFIT	31,815	28,091	89,166	80,295	110,887
<i>Gross margin, %</i>	50.8	50.3	52.1	52.1	52.7
Selling expenses	-24,659	-22,192	-70,735	-63,263	-87,512
Administrative expenses	-2,127	-1,923	-6,462	-5,841	-7,882
OPERATING PROFIT	5,029	3,976	11,969	11,191	15,493
<i>Operating margin, %</i>	8.0	7.1	7.0	7.3	7.4
Net financial items	-18	36	19	96	146
PROFIT AFTER FINANCIAL ITEMS	5,011	4,012	11,988	11,287	15,639
Tax	-1,152	-913	-2,757	-2,178	-2,987
PROFIT FOR THE PERIOD	3,859	3,099	9,231	9,109*	12,652

* Profit after tax in nine month 2018 was affected by a one-off positive tax income of SEK 418 m as a result of the US tax reform (Tax Cuts & Jobs Act).

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

Earnings per share, SEK**	2.33	1.87	5.58	5.50	7.64
Number of shares, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	2,745	2,378	8,216	7,081	9,671
of which cost of goods sold	110	133	428	420	558
of which selling expenses	2,513	2,113	7,358	6,243	8,566
of which administrative expenses	122	132	430	418	547

** Before and after dilution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	1 Dec 2017- 30 Nov 2018
PROFIT FOR THE PERIOD	3,859	3,099	9,231	9,109	12,652
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Translation differences	541	353	2,052	2,374	1,895
Change in hedging reserves	-176	-405	-368	-39	535
Tax attributable to change in hedging reserves	41	93	85	9	-123
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-	-	-	-	14
Tax related to the above remeasurement	-	-	-	-	-3
OTHER COMPREHENSIVE INCOME	406	41	1,769	2,344	2,318
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	4,265	3,140	11,000	11,453	14,970

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 - 2019	31 Aug - 2018	30 Nov 2018
Fixed assets			
Intangible fixed assets	11,023	8,625	9,618
Property, plant and equipment	42,022	42,234	42,439
Financial fixed assets	553	278	478
Other fixed assets	4,563	3,317	4,679
	58,161	54,454	57,214
Current assets			
Stock-in-trade	42,044	38,719	37,721
Current receivables	14,657	11,431	12,265
Cash and cash equivalents	13,064	13,963	11,590
	69,765	64,113	61,576
TOTAL ASSETS	127,926	118,567	118,790
EQUITY AND LIABILITIES			
Equity	53,409	55,029	58,546
Long-term liabilities*	15,937	6,130	16,025
Current liabilities**	58,580	57,408	44,219
TOTAL EQUITY AND LIABILITIES	127,926	118,567	118,790

* Interest-bearing long-term liabilities amounts to SEK 11,453 m (1,933).

** Interest-bearing current liabilities amounts to SEK 7,810 m (14,442).

CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)

	31 Aug - 2019	31 Aug - 2018	30 Nov 2018
Shareholders' equity at the beginning of the period	58,546	59,713	59,713
Total comprehensive income for the period	11,000	11,453	14,970
Dividend	-16,137	-16,137	-16,137
Shareholders' equity at the end of the period	53,409	55,029	58,546

GROUP CASH FLOW STATEMENT (SEK m)

	Nine months 2019	Nine months 2018
Current operations		
Profit after financial items*	11,988	11,287
- Provisions for pensions	56	63
- Depreciation	8,216	7,081
- Tax paid	-2,568	-1,385
- Other	32	37
Cash flow from current operations before changes in working capital	17,724	17,083
Cash flow from changes in working capital		
Current receivables	99	-798
Stock-in-trade	-3,508	-4,295
Current liabilities	2,954	2,930
CASH FLOW FROM CURRENT OPERATIONS	17,269	14,920
Investing activities		
Investment in intangible fixed assets	-2,233	-2,083
Investment in tangible fixed assets	-5,210	-6,422
Other investments	-122	-201
CASH FLOW FROM INVESTING ACTIVITIES	-7,565	-8,706
Financial activities		
Change in interest-bearing liabilities	-1,109	5,535
Dividend	-8,110	-8,110
CASH FLOW FROM FINANCIAL ACTIVITIES	-9,219	-2,575
CASH FLOW FOR THE PERIOD	485	3,639
Cash and cash equivalents at beginning of the financial year	11,590	9,718
Cash flow for the period	485	3,639
Exchange rate effect	989	606
Cash and cash equivalents at end of the period**	13,064	13,963

* Interest paid for the group amounts to SEK 224 m (62).

** Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 13,064 m (13,963).

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

	2015	2016	2017	2018	2019
Net sales, SEK m	132,167	139,547	149,597	153,986	171,061
Change net sales from previous year in SEK, %	22	6	7	3	11
Change net sales previous year in local currencies, %	12	8	4	1	6
Operating profit, SEK m	19,858	16,469	15,748	11,191	11,969
Operating margin, %	15.0	11.8	10.5	7.3	7.0
Depreciations for the period, SEK m	4,708	5,535	6,324	7,081	8,216
Profit after financial items, SEK m	20,094	16,630	15,936	11,287	11,988
Profit after tax, SEK m	15,372	12,722	12,191	9,109	9,231
Cash and cash equivalents and short-term investments, SEK m	10,963	8,680	9,665	13,963	13,064
Stock-in-trade, SEK m	25,205	31,231	33,583	38,719	42,044
Equity, SEK m	52,030	54,146	54,521	55,029	53,409
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	9.29	7.69	7.37	5.50	5.58
Equity per share, SEK*	31.44	32.72	32.94	33.25	32.27
Cash flow from current operations per share, SEK*	10.76	10.60	9.81	9.01	10.43
Share of risk-bearing capital, %	68.5	63.6	59.6	50.0	45.3
Equity/assets ratio, %	64.2	59.3	54.5	46.4	41.7
Total number of stores	3,675	4,135	4,553	4,841	4,972
Rolling twelve months					
Earnings per share, SEK*	13.05	11.03	10.94	7.92	7.72
Return on equity, %	44.7	34.4	33.3	23.9	23.6
Return on capital employed, %	57.3	42.9	39.8	25.0	23.1

* Before and after dilution.

For definitions of key figures see the annual report

SEGMENT REPORTING (SEK m)

	Nine months 2019	Nine months 2018
Asia and Oceania		
External net sales	26,509	23,382
Operating profit	940	194
Operating margin, %	3.5	0.8
Europe and Africa*		
External net sales	113,274	105,431
Operating profit	2,593	2,330
Operating margin, %	2.3	2.2
North and South America		
External net sales	31,278	25,173
Operating profit	906	-269
Operating margin, %	2.9	-1.1
Group Functions		
Net sales to other segments	61,755	46,756
Operating profit	7,530	8,936
Eliminations		
Net sales to other segments	-61,755	-46,756
Total		
External net sales	171,061	153,986
Operating profit	11,969	11,191
Operating margin, %	7.0	7.3

* South Africa

PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	1 Dec 2017- 30 Nov 2018
External net sales	7	6	24	16	22
Internal net sales*	1,241	1,070	3,222	3,085	4,262
GROSS PROFIT	1,248	1,076	3,246	3,101	4,284
Administrative expenses	-34	-35	-130	-124	-156
OPERATING PROFIT	1,214	1,041	3,116	2,977	4,128
Net financial items**	772	1,494	745	3,807	13,846
PROFIT AFTER FINANCIAL ITEMS	1,986	2,535	3,861	6,784	17,974
Year-end appropriations	-	-	-	-	-1,164
Tax	-268	-232	-681	-675	-673
PROFIT FOR THE PERIOD	1,718	2,303	3,180	6,109	16,137

* Internal sales in the quarter consists of royalty of SEK 1,236 m (1,066) and other SEK 5 m (4) received from group companies and for the nine-month period of royalty of SEK 3,206 m (3,076) and other SEK 16 m (8).

** Dividend income from subsidiaries in the quarter consists of SEK 769 m (1,483) and in the nine-month period of SEK 771 m (3,717).

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2019	Q3 2018	Nine months 2019	Nine months 2018	1 Dec 2017- 30 Nov 2018
PROFIT FOR THE PERIOD	1,718	2,303	3,180	6,109	16,137
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	-	-	-	-	-9
Tax related to the above remeasurement	-	-	-	-	2
OTHER COMPREHENSIVE INCOME	-	-	-	-	-7
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,718	2,303	3,180	6,109	16,130

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	31 Aug - 2019	31 Aug - 2018	30 Nov 2018
ASSETS			
Fixed assets			
Property, plant and equipment	243	307	289
Other fixed assets	1,891	1,828	1,621
	2,134	2,135	1,910
Current assets			
Current receivables	28,470	23,548	30,233
Cash and cash equivalents	80	348	93
	28,550	23,896	30,326
TOTAL ASSETS	30,684	26,031	32,236
EQUITY AND LIABILITIES			
Equity	3,513	6,450	16,471
Untaxed reserves	96	417	96
Long-term liabilities*	10,448	182	9,294
Current liabilities**	16,627	18,982	6,375
TOTAL EQUITY AND LIABILITIES	30,684	26,031	32,236

* All long-term liabilities are interest-bearing.

** Interest-bearing current liabilities amounts to SEK 6,140 m (10,000). Dividend to be paid amounts to SEK 8,027 m (8,027).