

The H&M logo is displayed in a large, white, stylized font in the top right corner of the image.

ANNUAL REPORT
2017

Top
€19.99









& other stories



COS





MONKI



WEEKDAY





ARKET

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H & M Hennes & Mauritz AB's annual accounts and consolidated accounts for the financial year 2016/2017 comprise pages 65–100.



Read more on about.hm.com.
Follow this reference throughout the annual report for more information online.



The H&M group

We are driven by a desire to always create the best offering for our customers – and to do so in a sustainable way. With our unique brands, we make it possible for people around the world to express their own personal style.

Our values

The H&M group is guided by strong shared values.

We are one team

We believe in people

Entrepreneurial spirit

Constant improvement

Cost-conscious

Straightforward and open-minded

Keep it simple

Read more about how we live our values to create an open and inclusive workplace, on pages 36–39.

Our brands

The H&M group includes eight clearly defined brands, each with their own unique identity.



More information on pages 18–29.

69
markets in 2017
43 online
markets
4,739 stores

For customers the world over

The H&M group grows online as well as with new stores and digital marketplaces. We are integrating our physical stores and digital channels to create an easy, inspiring and convenient shopping experience for our customers.

Read more on pages 30–35.

232
billion
Swedish kronor
in sales
including VAT
in 2017

Our sustainability strategy

The H&M group wants to lead the change towards a circular, fair and equal fashion industry.

Read more about our sustainability work on pages 40–45 and 70–73.

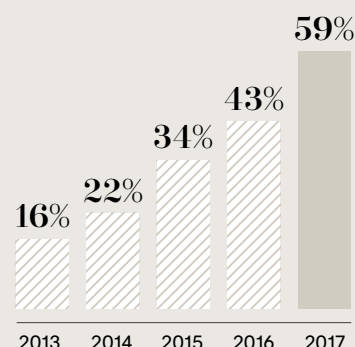
96% renewable electricity in the H&M group's own operations in 2017

Our goal is to become climate-positive across the entire value chain by 2040.

We are
171,000
colleagues
globally

Cotton from sustainable sources

The H&M group is one of the world's largest users of organic and recycled cotton.



Our goal is for 100 percent of all the cotton used in our ranges to come from more sustainable sources by 2020.

Diversity and equality

The H&M group's social policies build on our respect for human rights and are based on UN and ILO conventions.

Read more on pages 36–39 and 70–73.

Accelerating our transformation to meet customers' new expectations

Fashion retail is in rapid change. To succeed when digitalisation is changing customer behaviour and the competitive landscape is being redrawn requires speed, innovation and continued transformation. We are now accelerating our transformation to seize the opportunities offered by a large and growing market.



CEO Karl-Johan Persson.

The fashion industry is changing fast. Digitalisation is driving the need to transform and rethink faster and faster. Consumer behaviour is changing, customers' expectations are increasing and the competitive landscape is being redrawn. This is presenting many challenges, but we believe we are well positioned to adjust to the new dynamics and take advantage of the opportunities in front of us.

Part of this opportunity is to do with the size of the market. While the H&M group is a big player, our total market share is still relatively small. It is also a growing market. So, while the H&M group has come a long way, we are looking forward to going a lot further.

Our performance during 2017 was mixed, with progress in some areas but also difficulties in others. In 2017 we delivered growth of 3 percent in local currencies in sales including VAT, which was clearly below our expectations. In Swedish kronor, sales increased by 4 percent to SEK 232 billion. Sales online and for our newer brands developed well, including our latest brand ARKET that we launched in August. On the other hand, sales in many of our physical H&M stores were weak, particularly in mature markets where customers' new shopping behaviour can be clearly seen in the form of declining traffic to stores and increased online shopping. Sales development was also affected by imbalance in parts of the H&M brand's assortment composition, particularly in the latter part of the year.

Although our sales growth was disappointing, it needs to be seen in a wider context including the whole transformation that the industry is going through. We are a company with many strengths and assets, including our brands, which work globally, and our long-term view. I would also like to highlight our sustainability work, where we raised our ambitions further in 2017 – including our new goal to be climate-positive throughout the value chain by 2040.

Our most important strength and asset is our engaged employees and our unique company culture, and I would like to take this opportunity to thank all my colleagues throughout the H&M group around

the world for their fantastic engagement during the year. We have great teams in all our markets who meet customers every day and are always working to give customers the best value for money.

We can see that there are things that we need to improve, however, and therefore we need to accelerate our transformation even more.

We have three main action areas: restlessly develop our brands, accelerate key enablers and drive new growth.

RESTLESSLY DEVELOP OUR BRANDS

We must always have the best product assortment in terms of the right mix, design, value for money and sustainability. The best customer offering always wins.

New consumer behaviour is changing the role of the stores. Our physical stores must offer a more inspiring and convenient customer experience, and be more customised to local needs. To meet customers' increased expectations, we are testing among other things new store concepts for H&M, and we are also adding new services to enhance the customer experience.

The digital store is continually developing. The online offering needs to be constantly improved and broadened to ensure an engaging customer experience and to maximise sales. The mobile is central for searching, discovering and shopping fashion, as well as for sharing inspiration. Starting from customers' needs, we are offering new digital features – everything from image recognition and personalised product feeds to fashion shopping via social media.

We are integrating our physical and digital stores to offer our customers a great shopping experience. The stores' proximity to the customers will be beneficial for meeting demand for fast, flexible service. Among other things, we offer services such as click-and-collect, scan-and-buy and online returns in store, and we are using mobiles to provide increased service in stores.

ACCELERATE KEY ENABLERS

The efficiency of our supply chain has always been one of our strengths, but it must better mirror our customers' fast-changing behaviour and needs. We are therefore investing further to become even faster, more flexible and more efficient.

We will invest even more in advanced analytics and AI. We see



ARKET.

huge potential across the board here – in everything from assortment planning to supply chain and sales.

We will continue to invest in our tech foundation. Thanks to the investments we have made in scalable and stable platforms, we can now accelerate the development of customer-facing technologies and digital experiences. Our strategy for this is to use technical structures such as the cloud, APIs and microservices. We are also expanding our use of technical solutions such as RFID and 3D. In 2018 and over the next few years we will be rolling out RFID on a large scale, for example.

NEW GROWTH

We are accelerating our digital expansion. We will be broadening our assortments, rolling out digital to new markets and linking to external platforms to make our brands even more accessible.

H&M's online store is today in 44 markets and will open in further markets in 2018, including in India. In the longer term the plan is to roll out the online store to all our markets and additional markets too.

In spring 2018 we will expand our collaboration with Alibaba when both H&M and H&M Home launch on Tmall in China, where our brand Monki is already trading. We are also in discussions with Alibaba concerning the launch of our other brands on Tmall too.

We are also continuing to open new stores because we can see that there is still great growth potential for physical stores in many regions and countries, for example in Asia and Latin America. For the H&M brand, we are focusing mainly on emerging markets. In parallel, there is a need to review and close stores in established markets in other parts of the world. Consequently, we are continually optimising and refining our physical store network to ensure that both it and our other channels are adapted to customers' needs in each individual market. For 2018 we are planning to open around 390 stores in total and to close 170, making a net total of 220 new stores for the H&M group during the year.

An important part of the H&M group's growth strategy is to develop new brands for new customer needs and new segments. Our new brands benefit from the group's economies of scale and infrastructure, enabling them to grow successfully – and we can already see several examples of this, such as COS, & Other Stories and Monki. Today we have eight brands, all of which are scalable, and we will soon be launching our ninth, Afound.



AFOUND – A NEW MARKETPLACE

Afound will be an innovative off-price marketplace offering a carefully selected, broad and diverse range of attractively discounted products from well-known popular fashion and lifestyle brands, both external brands and the H&M group's own. To offer a new and engaging shopping experience there will be a strong focus on inspiring styling and presentation. We see great potential for Afound, which will open in 2018 starting in Sweden. The first store will open in Stockholm, in parallel with the launch of the digital marketplace in Sweden.

Alongside this, we are always working on new ideas and innovations that will take us further and that we look forward to telling you more about in 2018 and beyond.

LOOKING AHEAD

All in all, we feel 2017 was a year where we took more steps forward and did more groundwork for the future, but we also made some mistakes that slowed us down. Looking ahead, we can see the industry changes are challenging everyone and this will continue in 2018.

The growth target of the H&M group to increase sales in local currencies by 10–15 percent per year with continued high profitability is a long-term target. In view of our transformation work to face the major shift in the industry, however, we do not expect to reach the growth target in the current financial year.

We have the long-term view and the experience needed to be able to navigate our way through these turbulent times, and we have the skills and the resources needed to seize the new opportunities that these rapid developments are bringing. Through our long-term investments, we have built a solid platform for many years of continued growth. □

Karl-Johan Persson, CEO
H & M Hennes & Mauritz AB

Highlights of the year

We continue to make fashion and design accessible to more and more people the world over. In 2017 we launched new collaborations, as well as innovations for greater sustainability and smart features enhancing the shopping experience. One of the highlights of the year was the launch of ARKET, another new brand from the H&M group.



H&M Studio S/S 2017 during Paris Fashion Week.

H&M continued expanding into new online markets in 2017: Turkey in March, followed by Hong Kong, Taiwan, Macau, Malaysia and Singapore in May, and Cyprus and the Philippines in October. With the addition of Kuwait via franchise in December, H&M has 44 online markets.

APRIL

The Global Change Award is the H&M Foundation's annual innovation challenge that aims to speed up the shift to a circular fashion industry. The five winning ideas in 2017 included making vegan leather using grape waste from wine production, turning cellulose from cow manure into textile fibres, and a digital thread to facilitate the sorting and recycling of clothes.



MARCH

H&M Studio S/S 2017 was launched at H&M's show during Paris Fashion Week as a "see now, buy now" collection. With models such as Gigi and Bella Hadid, Adwoa Aboah, Amber Valletta, Jordan Barrett and Luis Borges, the show could be watched live at studio.hm.com and in virtual reality on YouTube. The collection was available to buy online straight after the show.

For the seventh year in a row Ethisphere Institute named the H&M group as one of the world's most ethical companies.

South Korea was a new online market for & Other Stories in 2017, while the brand's first store in Asia opened in Seoul. The United Arab Emirates and Qatar were other new markets for & Other Stories this year, with its first store opening in Dubai and Doha via franchise.



& OTHER
STORIES
IN ASIA

H&M's regular Conscious Exclusive collection combines high fashion with sustainable and innovative materials. For spring 2017 it offered exclusive pieces and accessories in a material made from recycled shoreline plastic.

The H&M group won the 2017 Freedom House Corporate Award for its leadership in advancing global supply chain transparency. The award was given by the American organisation Freedom House, which recognises businesses for their principled policies and strong leadership with regard to human rights.

Weekday's first store in Paris opened on Rue Vieille du Temple in April. Later in 2017 the brand's first store in London opened on Regent Street. Both France and the UK have been online markets for Weekday since 2013.



Weekday, Paris.

◇ H&M was named as one of "The Best Companies to Work for in Fashion" in the 2017 report produced by trade website The Business of Fashion, which surveyed more than 2,600 industry professionals from 190 companies across the globe.

◇ Organisations Ethical Consumer and Fashion Revolution ranked the H&M group third in the Fashion Transparency Index 2017, which evaluates supply chain transparency among the world's 100 largest fashion companies and their social and environmental impact.

MAY

Image Search in the H&M app is based on image recognition and helps customers quickly find the items they want in H&M's wide product range. It gives customers recommendations based on photos they have taken themselves or pictures they have been inspired by, for example on social media. Launched in May, Image Search was available in 13 markets by year-end 2017.

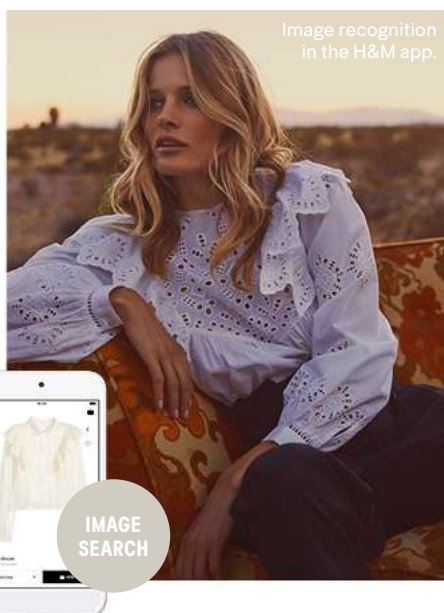


Image recognition in the H&M app.

IMAGE SEARCH



ARKET, Brussels.

ARKET IS LAUNCHED

AUGUST

The H&M group's new brand ARKET was launched on 25 August with a store on London's Regent Street and online at arket.com in 18 European countries. This was followed by autumn store openings in Copenhagen, Brussels and Munich.

H&M teamed up with iconic Parisian concept store Colette to launch an exclusive edition of the H&M Studio A/W 2017 collection. The collaboration included nine pieces in a colour palette based on Colette's signature blue.

From Reykjavik to Ho Chi Minh City: Iceland became a new H&M market in August, followed by Vietnam in September. This year H&M also opened its first stores in Kazakhstan, Colombia and Georgia, and at the end of 2017 H&M was present in 69 markets.

SEPTEMBER

COS celebrated its 10th birthday with a party at the National Gallery in London, the city where its first store opened in 2007. Today COS is in 37 markets, having added Malaysia, Israel, Slovenia and Qatar in 2017.



COS 10 years.



A new method of separating and recycling different fibres from blend textiles was presented jointly by the H&M Foundation and the Hong Kong Research Institute of Textiles and Apparel.



ERDEM x H&M.

NOVEMBER

ERDEM x H&M, the 2017 collaboration with London-based designer Erdem, had a fantastic reception. For H&M customers Erdem created a romantic, tailored ladies' collection and – for the first time – also a collection for men. Film director Baz Luhrmann visualised the collaboration.

DECEMBER

◇ The H&M group was nominated for The Circulars, an award programme that offers recognition to individuals and organisations across the globe that are making notable contributions to the circular economy. The Circulars is an initiative of the World Economic Forum and the Forum of Young Global Leaders and is run in collaboration with Accenture Strategy. □



H&M summer 2017.

Our brands

The H&M group offers fashion and design through eight clearly defined brands, each with their own unique identity.

The H&M group includes eight clearly defined brands – H&M, COS, Monki, Weekday, & Other Stories, Cheap Monday, H&M Home and ARKET. Together our brands offer customers a wealth of styles and trends in fashion, beauty, accessories and homewares – as well as experiences that now also include modern, healthy food.

Our brands complement each other well, each having its own unique identity. Every brand has a design and buying department, in which teams of people from differing backgrounds and with wide-ranging experience and skills work together to create collections to suit customers' wishes. The H&M group has a circular approach which is reflected in the increased use of recycled and sustainable materials.

Aiming for a relevant and well-curated offering at all times, the brands work constantly to make their product ranges even better. Digitalisation and new technology are enabling new ways of working and

improvements, right the way from product development and buying to meeting with customers. Advanced analytics and automated processes provide support that is being increasingly used in the business, giving deeper customer insight and contributing to a faster, more flexible and more responsive supply chain. These investments let us strengthen the customer offering, enhance the shopping experience and offer more personalised communication – which in the longer term will benefit customers of all the H&M group's brands.

All our brands share the joy of giving customers the best value for money and inspiring them to make sustainable choices. Read more about each brand's offering on pages 20–29. Pages 30–35 give further information on how we create an easy, inspiring and convenient shopping experience for customers – regardless of where, when and how they shop.





H&M's business idea is to offer fashion and quality at the best price in a sustainable way.

With a broad and varied product range, H&M makes it easy for anyone who is into fashion to express their own personal style. Present in 69 markets around the world, the brand offers everything from the latest trends to lasting classics that can be worn season after season. With collections for women, men, teenagers, children and babies, the H&M product range also includes sportswear, underwear, cosmetics, accessories and shoes.

H&M aims to be always up-to-date, modern and relevant. A strong digital presence together with stores create a proximity to customers around the globe that is unique to H&M. Meeting with customers is a constant source of inspiration, as is dialogue with H&M's engaged followers. On social media, in the H&M app and on [hm.com](https://www.hm.com) – one of the most visited fashion sites in the world – the brand's broad customer offering is complemented with inspiration, videos and tips: everything from eco-smart clothes care to yoga instructions, hairstyling and travel. Welcome to H&M!

[hm.com](https://www.hm.com)

“H&M makes it easy to express your own personal style.”





#HMxME



“H&M’s business idea is to offer fashion and quality at the best price in a sustainable way.”



H&M Club

H&M Club, the digital loyalty programme, is attracting more and more members. H&M Club is accessed via mobile and customers collect points on everything they buy, as well as having access to both personalised offers and unique experiences to share and be inspired by. Offers might include anything from exclusive preview shopping and special club prices to joining H&M fashion shows in Paris and Los Angeles, or being styled for a photo shoot with friends. Club members can spend their points on the club offers that are right just for them. Starting in 2018, all H&M Club members also get free online deliveries and free returns. At present the programme reaches 14 markets in Europe and Asia, which together account for a large share of H&M’s sales. Roll-out of the H&M Club to more H&M markets is planned in 2018.

& other Stories

& OTHER STORIES offers a wide range of shoes, bags, accessories, beauty products, stationery and ready-to-wear for women. In design ateliers in Paris, Stockholm and Los Angeles & Other Stories creates collections with great attention to detail and quality – always at a good price.

Successfully launched 2013, & Other Stories is present with 60 stores in 16 markets in Europe, US and Asia along with an online store at [stories.com](https://www.stories.com) in 15 markets. 2017 saw the release of a new natural beauty collection from France as well as a stationery concept. South Korea, the United Arab Emirates and Qatar were new markets and in Los Angeles, & Other Stories launched its third design atelier.

[stories.com](https://www.stories.com)



Showroom in & Other Stories' atelier in Los Angeles.



& Other Stories, Covent Garden in London.

#otherstories





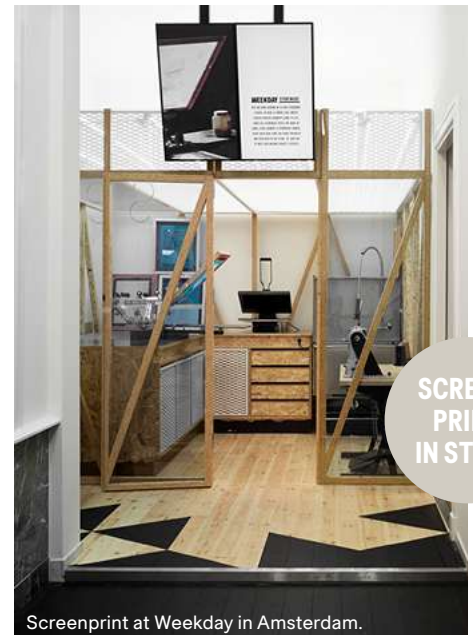
WEEKDAY

WEEKDAY is a Swedish denim and fashion brand influenced by youth culture and street style. Founded in 2002, Weekday currently ships to 18 markets and has 33 stores in nine countries, offering a unique retail experience and a curated mix of women's and men's assortments as well as a small selection of external brands. Weekday has been part of the H&M group since 2008.

weekday.com



Weekday in Hamburg.



Screenprint at Weekday in Amsterdam.

COS

COS is a fashion brand for women and men who want modern, functional, considered design. Offering reinvented classics and wardrobe essentials, COS creates pieces that are made to last beyond the season. Traditional methods and new techniques merge to form timeless, understated collections.

Since launching in 2007, COS has opened stores worldwide in carefully considered locations, applying an architectural design concept that preserves buildings' original features whilst creating a modern, welcoming space.

Committed to supporting the world of art and design through collaboration, COS partners with established and emerging artists, studios and galleries all over the world, creating unique brand projects alongside its seasonal collections. In 2017, COS collaborated with London-based artist duo Studio Swine to create 'New Spring', an interactive, multi-sensory installation presented during Salone del Mobile Design Fair in Milan and Design Miami/.

COS is available at cosstores.com in 20 markets and in 231 stores in 37 markets.

cosstores.com





Above: one of COS' stores in Turkey is on the Bagdat Caddesi shopping street in Istanbul. Left: COS x HAY, in 2017 COS collaborated again with Danish design brand Hay, which designed furniture and everyday essentials for the modern home, handpicked by COS. Below: COS in collaboration with Studio Swine at Salone del Mobile in Milan. Far below: 'Creating with Shapes', a collaboration with Usha Doshi, a Fellow at the Royal College of Art and long-term COS collaborator.





CHEAP MONDAY is a Swedish jeanswear brand founded in Stockholm in 2004 and has been part of the H&M group since 2008. Cheap Monday strives to offer “No Bullshit Jeanswear: sustainable fits at a great price!” 2017 marked a key milestone for the brand as all regular cotton used in its collections was replaced by organic or recycled cotton. That was just the first step for Cheap Monday which is committed to increase the use of sustainable materials in all its garments.

Cheap Monday is primarily sold via selected retailers around the world, through its website cheapmonday.com in 18 markets and its icon store located at 39 Carnaby Street, London.

cheapmonday.com



SUSTAIN-
ABLE
JEANS



#itscheapmonday



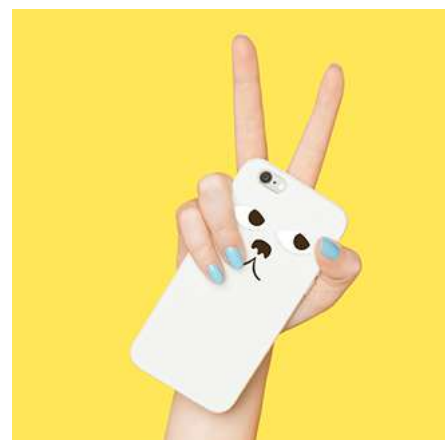
MONKI

MONKI is a storytelling brand that offers great fashion at competitive prices. The brand mixes Scandinavian cool with creative street style and is all about being brave, friendly and fun while empowering young women to stand up for themselves – and others. Besides shopping online in 19 markets, you can experience Monki in 119 stores in 14 markets throughout Europe and Asia.

monki.com



#monkistyle



Above: as part of "The Cup", a collaboration with Lunette, Monki donated 5,000 menstrual cups to The Cup Foundation, a non-profit organisation with a mission to educate and empower girls in Kenya.

Left: in one of its campaigns Monki encouraged people to go eco the "lazy way" by demonstrating how doing less actually can help the environment, such as not washing your clothes too often.

Right: five necklaces with "Words to live by" lifted five important issues for young women around the world. 20 percent of the proceeds went to development and humanitarian organisation Plan International and their work to support young women to be leaders of change.





H&M HOME is a design driven interior brand offering fashionable decorations and interior for living rooms, kitchens, bedrooms, bathrooms and children's rooms. H&M Home aims to always offer contemporary collections in a variety of different styles. With design and quality at the best price, customers can easily create a modern and personal home.

H&M Home is sold via shop-in-shops in selected H&M stores in 46 markets as well as online in 37 markets. In 2018, H&M Home will also open standalone concept stores.

[hm.com](https://www.hm.com)



H&M HOME
LAB STORE



H&M Home Lab store in Stockholm, Sweden.





ARKET

ARKET is a modern-day market that offers essential products for men, women, children and the home. Most ARKET stores also include a café based on the New Nordic Food Manifesto. ARKET creates widely accessible, well-made, durable products, designed to be used and loved for a long time.

Based in Stockholm, ARKET opened its first store on Regent Street, London in August 2017 as well as online in 18 European markets.

For all ARKET collections, the archive is the starting point – a solid foundation of the pieces you want to find again and again, offering room for play from season to season through varying materials, colours and proportions. Clothes are refined and versatile, to be combined in many ways to suit different needs and occasions allowing customers to create their ideal everyday uniform.

arket.com



ARKET in Copenhagen.





The H&M group reaches customers around the world

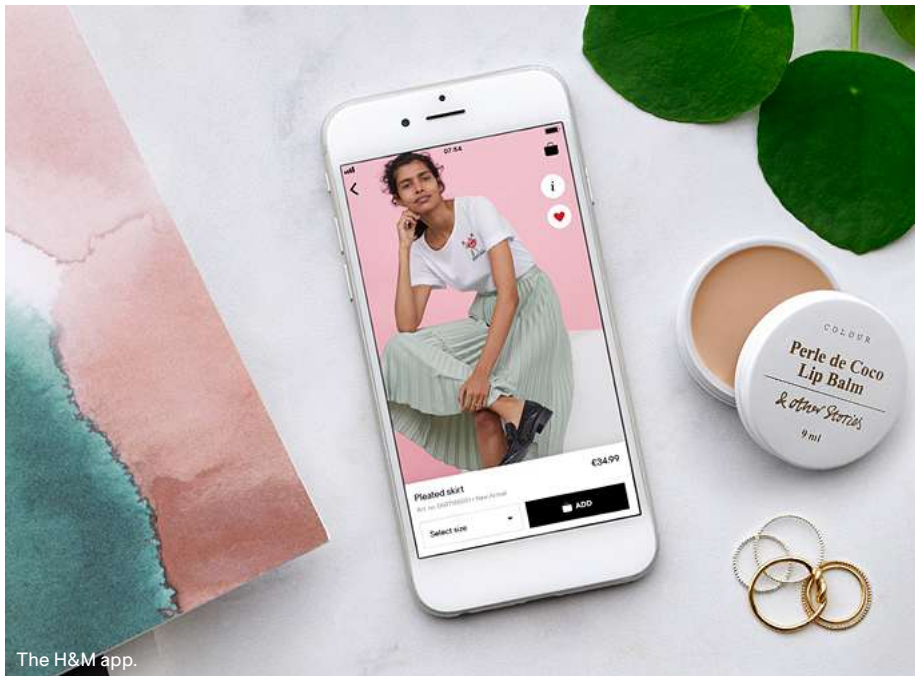
We are integrating our physical stores and digital channels to give customers an easy, inspiring and convenient shopping experience no matter where, when and how they shop. The combination of a strong digital presence and stores globally gives the H&M group a unique proximity to customers.



H&M in Ho Chi Minh City, Vietnam.



ARKET in London.



The H&M app.



& Other Stories in Seoul, South Korea.

With a global presence and several unique brands, the H&M group makes fashion and design accessible to people the world over. Regardless of where, when and how customers want to shop, our brands will always be there for them. As increased digitalisation in society is creating new consumer behaviours, the H&M group is evolving at a faster pace in response to changes in customers' expectations and shopping habits. Digital and physical channels are being integrated more and more; new technology and automated processes are enabling improvements throughout the value chain – from product development to how we interact with customers – and opportunities are arising to expand in new ways. The H&M group is growing both online and through new stores and digital marketplaces.

RAPID ONLINE EXPANSION

In the 2016/2017 financial year H&M's online store opened in eight new markets – Turkey, Taiwan, Hong Kong, Macau, Singapore, Malaysia, Cyprus and the Philippines – and in December Kuwait was added via franchise, making e-commerce available in 44 of H&M's total 69 markets. During the year H&M also opened physical stores in five new markets: Kazakhstan, Colombia, Iceland, Vietnam and Georgia. The

reception has been very positive in all the new markets.

The group's other brands are also reaching more and more customers. COS expanded in 2017 into Malaysia, Slovenia and, via franchise, into Israel and Qatar, as well as online into South Korea. & Other Stories also opened in South Korea, becoming the brand's first market in Asia, and via franchise in the United Arab Emirates and Qatar. Weekday had a very positive reception for its first stores in the UK and France, both of which are among the 18 markets in which Weekday already trades online. The Monki and H&M Home brands also opened in new markets.

ARKET – A NEW BRAND IN 2017

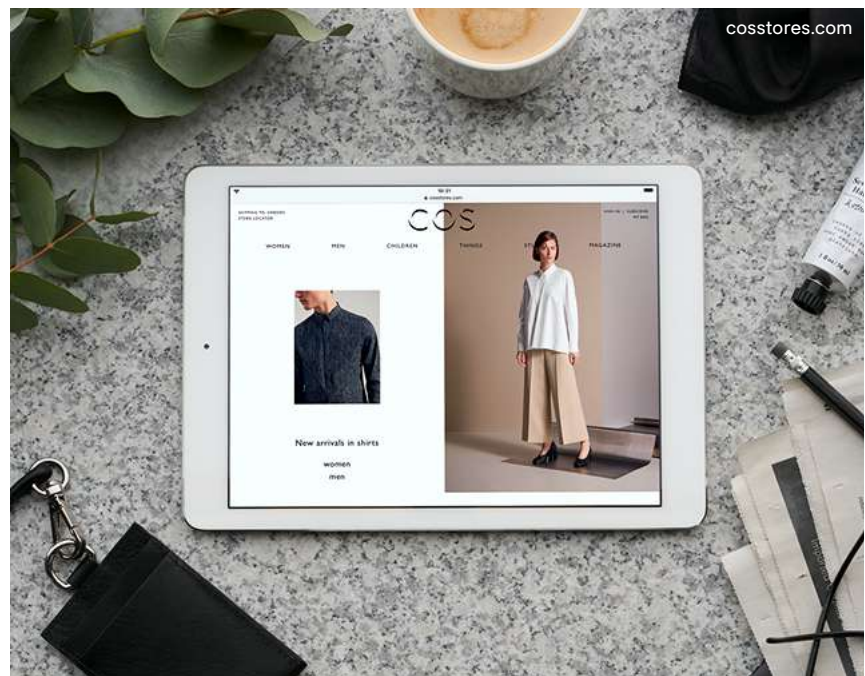
Developing and launching new brands is part of the H&M group's global growth strategy. In August 2017 ARKET was launched, a modern marketplace offering timeless products for men, women and children as well as for the home. ARKET opened its first store on Regent Street in London and also opened online in 18 European markets. Since then more stores have been added, including in Copenhagen, Brussels and Munich. Most ARKET stores also have a café based on the New Nordic Kitchen with an emphasis on quality, natural ingredients and wellbeing.



H&M in Stockholm, Sweden.



“The H&M group is growing both online and through new stores and digital market-places.”



OMNI-CHANNEL FOR A SEAMLESS SHOPPING EXPERIENCE

In 2017 the H&M group opened 388 new stores net. In total, there are around 4,700 stores, the majority of which are H&M stores – meeting places where H&M greets customers every day. By integrating physical stores with digital platforms, the aim is to create an easy, inspiring and convenient shopping experience for customers. The aim is for customers to be able to move freely between the various channels and choose whether they want to shop and experience the offering in store, online or for example via social media. The omni-channel strategy benefits the entire H&M group, and over time will enable all the brands to offer a seamless shopping experience across the channels.

IMAGE SEARCH FINDS FAVOURITE STYLES

The mobile is central to shopping, being inspired by and sharing fashion. H&M's mobile app has various features that contribute to a seamless experience. Image Search is a tool that helps customers move directly from inspiration to purchase. Powered by image recognition technology, it uses self-learning algorithms to recognise styles from the user's own photos or from downloaded images, for example

from social media. Based on the images, the customer is given recommendations of similar products that can be bought directly in the app. Image Search was launched in spring 2017 and is available in around 15 markets. The feature has been well received and roll-out to more countries is planned.

RELEVANT AND PERSONAL

My Style and #HMxME are examples of tools that are both available in nearly all H&M's online markets, providing inspiration through visual content – including from social media. My Style is a partly personalised image feed in which products in H&M's images can be bought directly in the app. H&M has over 24 million followers on Instagram and the users are highly engaged. With #HMxME, H&M invites customers to share their own fashion stories from Instagram while also providing an easy way to buy the items in the images. Solutions for shopping directly in social media are being tested in parallel.

Mobiles also allow store employees to give customers greater service, for example by being able to help customers find the garments they are looking for quickly, in stores or online. The H&M app also has a scan-and-buy function which allows customers to scan an item



COS x Studio Swine, Design Miami/.



H&M Beauty.



H&M Home.



With mobile the right garment can be found quickly in stores or online.

MOBILE
IN STORE

in store themselves and buy it directly in the app if the colour or size they want is not available in the store.

ROLL-OUT OF RFID

RFID (Radio Frequency Identification) technology means items with a digital price tag can be located quickly, always providing precise information on an item's availability. The technology, which uses radio waves to transmit information, also makes the work involved in stocktaking and product handling quick and easy – freeing up time for staff to spend with customers. In the longer term, RFID can contribute to an even better customer experience. Following successful tests in Denmark, among other places, roll-out of RFID to more European markets is planned in 2018, followed by a gradual roll-out globally.

MOBILE PAYMENT SOLUTIONS

Paying by mobile helps make the shopping experience easier. This is possible in around half of the H&M group's stores, with continued roll-out planned. Online, too, payment needs to be easy and secure. For example, many H&M customers choose the option to order the garments, try them on at home and then pay.

SMOOTH DELIVERIES AND RETURNS

As boundaries between the digital and physical world continue to blur, the stores' proximity to customers is important to meet the demand for fast and flexible services. Click-and-collect allows customers to pick up in store products that they have ordered online. The service is available in many H&M stores in the UK, with the aim of offering this option in more countries. The option of returning goods ordered online to any H&M store is already offered in 14 markets.

We also aim to cut the standard delivery time for online purchases. H&M is expanding the number of markets offering next-day delivery and in certain countries is also offering time-slot deliveries.

ENHANCED CUSTOMER EXPERIENCE IN STORE

To boost the customer experience H&M is also testing various new store concepts; among other things, new technology is being used to adapt the product range and the way the products are presented to local customers' preferences. Adding new services also invites customers to spend more time in the stores. H&M's café It's Pleat in Stockholm and the partnership with the Flax & Kale restaurant in Barcelona are examples of initiatives launched in 2017.





Monki in Metropolis, Moscow.



Monki.



COS in Toronto, Canada.



H&M in Tbilisi, Georgia.



It's Pleat.

EXPANSION IN 2018

The H&M group is continuing to expand, in both traditional and new ways. New online markets in 2018 will include India, Saudi Arabia and the United Arab Emirates. The plan for the future is to offer e-commerce in all H&M store markets as well as in other markets. In China, one of H&M's biggest markets, both H&M and H&M Home will be opening on Tmall in spring 2018. As the world's biggest e-commerce platform, Tmall will be an important complement to existing channels and make both H&M and H&M Home even more accessible in China. Monki is already on Tmall and there are also far advanced discussions concerning the launch of other H&M group brands on Tmall.

The potential for more physical stores remains good in many regions and countries. For full-year 2018 approximately 390 new stores are planned to open, with a primary focus for H&M on emerging markets. In 2018 the first H&M stores in Uruguay and Ukraine will open, for example.

In parallel with new stores being established in various parts of the world there is a need to optimise the existing store portfolio, to ensure that the store network is adapted to customers' needs and shopping patterns in each market. Approximately 170 store closures are planned, which is part of the intensified store optimisation being carried out that also includes rebuilds, renegotiation and adjustment

of store space. The net addition of new stores in 2018 will thus be around 220.

Most of the new stores in 2018 will be H&M stores, of which 45 will have H&M Home shop-in-shops, while approximately 95 stores will consist of the brands COS, & Other Stories, Monki, Weekday, ARKET and Afound. Standalone H&M Home stores are also planned to open in 2018.

AFFOUND – AN INNOVATIVE MARKETPLACE

Afound, which will be the H&M group's ninth brand, will be an off-price marketplace offering a carefully selected, broad and diverse range of attractively discounted products from well-known quality fashion and lifestyle brands for women and men, from external brands as well as the H&M group. With a big focus on styling and inspiring presentation, as well as offerings from brands in different price segments, Afound will offer a new and engaging shopping experience. Afound's marketplace will be launched in 2018, initially in Sweden, both online and through physical stores. □

Engagement and collaboration create new opportunities

An open and inclusive workplace lets H&M group employees grow together. Collaboration allows colleagues to share inspiration, ideas and knowledge with each other – to create the best offering for customers.

With 171,000 employees around the world, united in a desire to always create the best offering and the best experience for our customers, the H&M group is keen to offer an attractive workplace where committed employees enjoy working and develop together. Our way of working comes from our shared values and is based on great respect for the individual and a belief in people's ability to use their initiative.

By working actively and consciously in line with these values an open, down-to-earth corporate culture is maintained that encourages collaboration and focus on customers. As a global fashion and design company, the H&M group reaches customers the world over. With a presence in 69 markets and eight unique brands, our long-term expansion offers many exciting career paths for employees and at the same time attracts new talent to the H&M group.

In the recruitment process, great emphasis is placed on bringing in people with the right attitude who share the H&M group's values. Through individual support, encouragement and dialogue employees receive regular feedback on performance and results achieved, as well as – to an equally great extent – on how they live the company's shared values in their daily work with colleagues. Individual development plans provide employees with access to various kinds of training and further development programmes.

LEADERSHIP AND MOTIVATION

Many employees choose to stay with the H&M group for a long time, either specialising in their roles or moving on to exploring new areas. Switching between different areas of responsibility, markets, functions and brands develops employees and adds to their qualifications.

When employees are given opportunities to share their experience and test their skills in a new setting, they learn from each other and develop both professionally and on a personal level – which helps build an organisation that is strong long-term.

The many career options are one reason why most leaders in the company are recruited internally. Being a leader within the H&M group means setting an example and living the company's shared values. By inspiring, delegating, challenging, motivating and giving feedback, leadership is aimed at making both employees and the company grow. The important thing is to highlight each individual's strengths, and at the same time building strong teams where people can work together at a fast pace to achieve shared goals and deliver results.

STRONG TEAMS

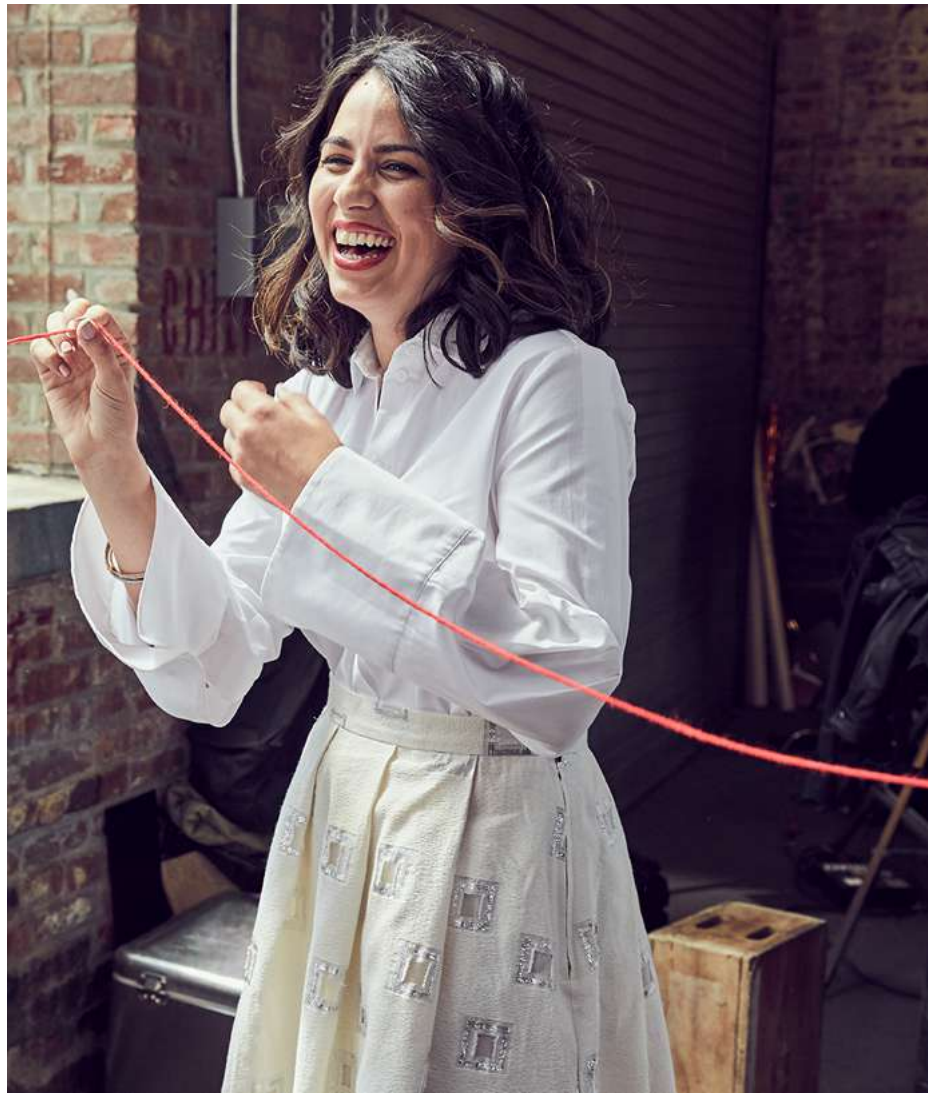
In all teams the aim is to have a good balance of different skills, experience and personalities. In 2018 this work is strengthened further in order to make the most of the diversity that exists within the H&M group globally and to ensure a customer offering that always reflects the H&M group's shared values. Our diversity makes us understand our customers better, makes us more able to manage change, while also fostering innovation and creativity.

Like many other industries, fashion retail is undergoing major change. Driven strongly by digitalisation, customers' expectations and behaviour are changing fast. The rapid change brings challenges, but also great opportunities for the H&M group's brands to inspire and reach out to more customers around the world. Engaged employees will be the key to long-term success for the H&M group also in the future.

Shared values lead the way

The H&M group's shared values bring employees together and guide them in their daily work. Together, the values are a common thread running throughout the H&M group, creating an open, dynamic, down-to-earth corporate culture where everything is possible.

- We are one team
- We believe in people
- Entrepreneurial spirit
- Constant improvement
- Cost-conscious
- Straightforward and open-minded
- Keep it simple



“Why I love this company is because we’re so many different kinds of people, but at the same time we’re all connected through the values.”

Andres Jimenez



POLICIES FOR AN INCLUSIVE AND EQUAL WORKPLACE

Our social policies, such as the “Global Policy on Diversity, Inclusiveness and Equality” and the “Global Policy on Non-Discrimination and Non-Harassment”, build on our respect for human rights and are based on UN and ILO conventions, among other things. They establish our internal minimum requirements and act as a complement to our values. The H&M group's policies contain clear guidelines that help employees to meet the daily needs of the operations, to ensure fair and equal working conditions and to create a safe and secure work environment.



“This company takes me as I am. You can do it all here.”

Ashley Barkley



At about.hm.com there is more to read about what it is like to work and make a career within the H&M group and the benefits offered. One example is the H&M Incentive Program, the internal reward programme for all employees within the H&M group which encourages long-term commitment within the company. Information about various professional roles and career opportunities at H&M and H&M Home can be found at career.hm.com. More about working at COS, & Other Stories, Weekday, Monki, Cheap Monday and ARKET can be found on each brand's website.

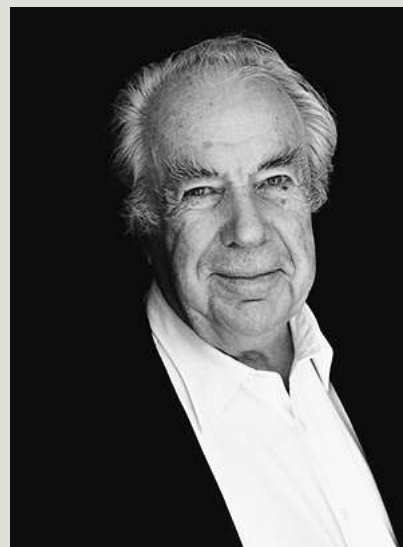


**“From my first day at work
I have felt welcomed. My ideas
have been valued and I’ve been
encouraged to be innovative
and to challenge myself.”**

Maxim Sokolov



THE
**ERLING
PERSSON**
AWARD



The Erling Persson Award is given annually to recognise colleagues around the world who are living our shared values, achieving fantastic results and inspiring others. The award was initiated in 2017 in honour of Erling Persson, founder of the H&M group, who right from the start in 1947 combined the entrepreneurial spirit and values-driven way of working that characterises our corporate culture.



New goals for a sustainable future

The H&M group wants to lead the change towards a circular, fair and equal fashion industry. In 2017 we raised our ambitions further, to contribute to long-term positive change for people and the environment throughout the value chain.

The Earth has finite resources and an ever-growing population to support. Meeting the needs of current and future generations in a way that is sustainable for people and the environment requires a move from a linear to a circular use of resources.

The H&M group works to make fashion and design accessible to the many, so it is commercially vital to have a sustainable supply of materials and stable sourcing markets where people work and live in good conditions.

THE UN GLOBAL GOALS

The H&M group's operations are to contribute to Agenda 2030 – the UN's Sustainable Development Goals. In 2015 all the UN member states agreed on 17 global goals to be achieved by 2030, including ending poverty and hunger, creating decent work and economic growth, achieving equality and combating climate change. These goals are among the starting points of the H&M group's new sustainability strategy, launched in 2016.

OUR SUSTAINABILITY VISION

Our vision is for the H&M group to lead the change towards a sustainable fashion industry based on a fully circular approach and using only renewable energy. With customers around the world, we can create large-scale demand for sustainable materials and circular solutions. Our long-term approach means we can support innovations and make them scalable. We also use our size and our position to drive increased traceability and transparency throughout the value chain. The vision also includes working to achieve a fair, equal workplace both at the H&M group and among suppliers, and contributing to good communities based on diversity and inclusion.

Read more on the following pages about our sustainability work in 2017, when we raised our ambitions further with a new climate goal, more clothes recycling and innovative new materials.



H&M Conscious Exclusive, spring 2018.

100% sustainable materials by 2030

The H&M group is working to achieve its goal that by 2030, all the group's brands will use only recycled or sustainably sourced materials in their collections – a goal that reflects the vision of a circular fashion industry. In 2017 the share of the overall product range made of recycled or sustainable materials was 35 percent.

According to the Textile Exchange Preferred Fiber Market Report, the H&M group is already one of the world's largest users of organic and recycled cotton, recycled polyester, lyocell and responsibly produced down. Responsible use of water and chemicals is another important element of sustainable textile production. The H&M group's chemical restrictions are among the strictest in the industry. The goal for 2020 is for suppliers' production processes to have no chemicals that we have identified as hazardous. The H&M group also has a global water strategy, produced jointly with conservation organisation WWF, aimed at better water resource management throughout the garment life cycle.

MORE SUSTAINABLE COTTON IN 2017

Another important interim goal is for 100 percent of the cotton used by our brands to come from sustainable sources by 2020. Sustainable cotton is defined as organic, recycled or certified by the Better Cotton Initiative (BCI). H&M was one of the founders of the BCI, which works to improve conditions for cotton growers from an environmental, social and economic perspective. In 2017 sustainable sources made up 59 percent of the H&M group's total cotton use – up from 43 percent in 2016.

RAISING THE TARGET FOR CLOTHES RECYCLING

Garment collecting in stores is one example of the H&M group's circular approach. Since 2013 customers have been able to bring in old clothing and home textiles – of any brand and in any condition – to H&M stores globally for reuse or recycling. Monki, & Other Stories and Weekday also have garment collecting in stores. In 2017 alone a total of 17,771 tonnes of textiles were collected, compared with 15,888 tonnes in 2016. The goal is to collect at least 25,000 tonnes a year by 2020.

“With customers around the world, we can create large-scale demand for circular solutions.”

LONG-TERM APPROACH PROMOTES INNOVATION

More research is needed if a greater proportion of recycled fibres are to be used in garments without compromising quality. To accelerate movement towards closing the loop, the H&M group collaborates with experts such as the Ellen MacArthur Foundation.

The H&M group also supports entrepreneurs who are developing ideas within fashion, design and sustainability. One example of a company that the H&M group supports both with capital and knowledge is re:newcell, which is developing technology for recycling cellulose-based textiles such as cotton and viscose. Re:newcell's technology produces a new, more sustainable textile pulp that can be used to create new fibres for use in textile production. In the longer term the technology has the potential to become a commercial, scalable solution for the whole of the textile industry. Another example of a company supported by the H&M group is Sellpy – that helps consumers sell what they no longer need.

A climate positive value chain by 2040

Climate change affects everyone and measures to slow down global warming are urgently needed, which is why in 2017 the H&M group introduced a new ambitious climate goal: to be climate-positive across the entire value chain by 2040. This means removing more greenhouse gas emissions from the atmosphere than the H&M group's value chain emits.

To achieve this there will be a focus on greater energy efficiency, renewable energy and carbon sinks capable of absorbing unavoidable greenhouse gas emissions.

CUTTING ELECTRICITY USE IN STORES

In 2017 the H&M group also set a new energy goal for its own operations: a 25 percent cut in electricity use in the stores – per square metre and opening hour – by 2030 compared with 2016 levels. Among other things, this means investing in new technology for lighting, heating, ventilation and cooling. In 2017 the reduction was 2.7 percent compared with 2016.

“96% renewable electricity in our own operations.”

A full 96 percent of the electricity used by the H&M group in its own operations came from renewable sources in 2017. The goal is to use 100 percent renewable electricity. By creating large-scale demand for renewable electricity, the H&M group can drive the development of sustainable energy solutions in more and more countries.

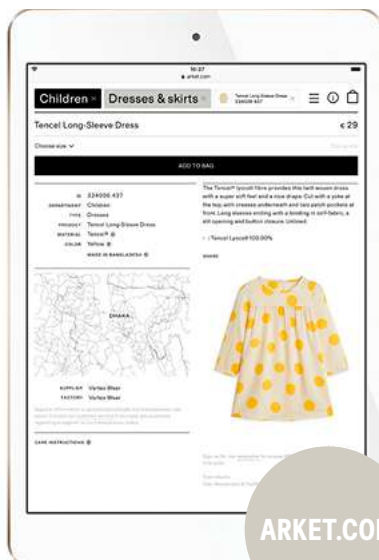
CUSTOMERS AND SUPPLIERS

A large part of the climate impact from a garment's life cycle is outside the company's own operations. To achieve its goal of a climate-positive value chain, the H&M group therefore has various partnerships and programmes aimed at increasing energy efficiency and the use of renewable energy among suppliers.

The H&M group also wants to inspire consumers to make more sustainable choices, telling them the best way to care for their clothes so as to look after both the garment and the environment – for example, by lowering the washing temperature from 60 degrees to 30 degrees. Climate-smart care labels are placed in the garments of all the group's brands.



The H&M group aims to reduce electricity consumption and to use only renewable energy. Above: campaign by Monki 2017. Left: COS store in Mall of Scandinavia in Solna, Sweden. Below: production of COS shoes at a supplier in Portugal. Far below: supplier information at arket.com



Openness and transparency

More transparency is needed so that customers can make sustainable choices. In 2013 the H&M group was one of the first fashion companies in the world to publish its supplier list, on sustainability.hm.com. The company is also a member of the Sustainable Apparel Coalition – an organisation that, among other things, is developing the Higg Index, an assessment tool that measures both social and environmental sustainability. The goal is to make the Higg Index an industry standard and to use it for labelling clothing and footwear, enabling customers to compare both products and brands and to make more sustainable choices easily.



Worker committee members at a supplier in Shanghai, China.

Working together for good conditions in the supply chain

Sustainable growth is essential if the UN goals for a sustainable world are to be achieved. As a buyer and seller in many markets, the H&M group contributes to trade that creates employment around the world – including in the textile industry, where export-led growth helps lift people and nations out of poverty.

Production of the H&M group's products is outsourced to independent suppliers, which together employ around 1.6 million people. The sourcing markets are mainly in Europe and Asia. With a strong local

“The H&M group wants to contribute to lasting improvements.”

presence, the H&M group works to achieve good, secure working conditions in the supply chain. The requirements that the company makes of partners are based on the UN Universal Declaration of Human Rights, the ILO conventions and legislation in the individual countries. All suppliers commit to fulfilling the social and environmental requirements set out in the H&M group's strict code of conduct, known as the

Sustainability Commitment. To bring about lasting improvements, the company also supports the suppliers in their own efforts to develop towards improved sustainability.

FAIR LIVING WAGES

Achieving structural changes in countries that do not have a history of good labour market dialogue is a major challenge for the industry. Well-functioning dialogue between the parties in the labour market is an important precondition for achieving long-lasting improvements in working conditions in the supply chain, including fair living wages. Through various partnerships, the H&M group conducts wide-ranging, active work to promote a textile industry in which all workers are able to organise and have their voices heard, where wages are revised regularly, where there are good relations between trade unions and employers, and where collective bargaining takes place. The H&M group's global framework agreement with the trade unions IndustriALL and IF Metall is one example of this.

At factory level, the H&M group works for fair living wages through what is known as the Fair Wage method and through training in social dialogue. Good progress has been made and to date 227 factories are included in the Fair Wage method compared with 140 in 2016, while 458 factories are included in social dialogue training, in a total of eight countries including China, Bangladesh and Cambodia.



Shanghai.

Awards and indexes

◇ The H&M group's sustainability work has been noted by those outside the company. In 2017 the H&M group was named as one of the world's most ethical companies by the Ethisphere Institute – for the seventh year in a row. The group also won the Freedom House Corporate Award for its leadership in advancing global supply chain transparency. The American organisation Freedom House gives the award to recognise businesses for their principled policies and strong leadership in the area of human rights.

The H&M group was ranked third in the Fashion Transparency Index, which evaluates supply chain transparency among the world's 100 largest fashion companies, as well as their social and environmental impact.

The company is included in the Dow Jones Sustainability Index World, the Dow Jones Sustainability Index Europe and the FTSE-4Good, among others, and is also listed among the Global 100 Most Sustainable Corporations in the World by analysis company Corporate Knights.



The H&M group conducts systematic, targeted sustainability work throughout the value chain. Pages 70–73 of the administration report provide information about follow-up, goals and key indicators for the H&M group's work in a number of important areas, including human rights and anti-corruption. The company's full Sustainability Report, which follows the framework provided by the Global Reporting Initiative (GRI) and is reported in line with the UN Guiding Principles Reporting Framework (UNGP RF), can be found at sustainability.hm.com. The code of conduct for suppliers (Sustainability Commitment), supplier list, policies and Code of Ethics can also be found here.



H&M FOUNDATION

The H&M Foundation is a non-profit global foundation with a mission to drive long-lasting positive change and improve living conditions by investing in people, communities and innovative ideas. Through partnerships with organisations around the world, the H&M Foundation works to drive change within four areas: Education, Water, Equality and Planet. The Foundation can also provide emergency relief. The H&M Foundation was formed with an original donation of SEK 60 million following a resolution passed at H&M's 2007 annual general meeting. Today the foundation is privately funded by the founders and main owners of the H&M group, the Stefan Persson family, who have donated SEK 1.3 billion to the foundation since 2013.

GLOBAL CHANGE AWARD

In spring 2017 vegan leather made using grape

waste from wine production was one of the five winning innovations to share the Global Change Award from the H&M Foundation. An annual innovation challenge initiated by the H&M Foundation to help protect our planet and living conditions, the Global Change Award aims to accelerate the shift to a circular fashion industry which eliminates waste.

The year's other winning ideas were: nylon that binds greenhouse gases, made from biomass using solar energy; a digital thread that stores information on a garment's content, making clothes recycling easier; using old jeans to dye new denim; and biodegradable textiles made of cellulose from cow manure. The winners of the Global Change Award share EUR 1 million and get access to a one-year acceleration programme run by the H&M Foundation, Accenture and KTH Royal Institute of Technology in Stockholm.

The award was presented at a ceremony in Stockholm on 5 April 2017.

The Global Change Award has attracted great interest since it was started in 2015. During autumn 2017 the H&M Foundation received 2,600 competition entries from 151 countries. The winners will be announced in spring 2018.

FOUNDATION 500

Women's economic empowerment is seen by the UN as one of the core contributing factors to overcoming poverty and increasing economic growth. In 2017 the H&M Foundation and the humanitarian organisation CARE jointly published Foundation 500, a list of female entrepreneurs growing their businesses in some of the world's harshest startup environments in 12 countries. Aiming to challenge stereotypes and change perceptions of what a business leader or entrepreneur looks like, the Foundation 500 initiative hopes to help achieve the United Nations Sustainable Development Goal on Women's Empowerment and Gender Equality.

Foundation 500 is based on what was learned in a global programme organised by

“500 female business leaders from some of the world's harshest startup environments.”

the H&M Foundation and CARE to empower women through enterprise, which ran from 2014 to 2017. In its first phase the programme reached over 100,000 women in Burundi, Côte d'Ivoire, Guatemala, Indonesia, Jordan, Nepal, Peru, the Philippines, Sierra Leone, Sri Lanka, Yemen and Zambia. The women in the list all took part in the programme. The H&M Foundation has extended its partnership with CARE for another three years to 2020.

RECYCLING BLEND TEXTILES

In 2017 the H&M Foundation and the Hong Kong Research Institute of Textiles and Apparel (HKRITA) presented a method of separating and recycling textile blends. The new method, produced jointly with Ehime University and Shinshu University in Japan, allows new materials and threads to be made from blend materials using a hydrothermal chemical process. The partnership between the H&M Foundation and HKRITA began in 2016 and will continue for four years. Visit hmfoundation.com for more information about the foundation, which can also be followed on Facebook and Instagram @hmfoundation. □






FOUNDATION
500



The H&M group in 69 markets

With eight brands and stores in 69 markets of which 43 markets with online, the H&M group has a strong global presence. In 2017, sales including VAT totalled SEK 232 billion.

BRAND	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2017	NUMBER OF MARKETS WITH STORES	NUMBER OF MARKETS ONLINE
	326	4,288	69	43
COS	37	231	37	20
WEEKDAY	5	33	9	18
MONKL	1	119	14	19
	-1	3	2	18
	**	**	46	37
<i>& other Stories</i>	15	60	16	15
ARKET	5	5	4	18

* Cheap Monday is offered mainly via 2,000 retailers in more than 35 countries.

** H&M Home is present in 46 markets with shop-in-shops in 332 of H&M's stores and 2 H&M Home Lab stores.

Market overview

MARKET	SALES 2017 INCL VAT (SEK M)	SALES 2016 INCL VAT (SEK M)	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2017
Germany*	36,789	37,174	4	463
USA*	27,807	26,874	68	536
UK*	14,580	15,058	11	292
France*	13,658	13,559	2	240
China*	11,030	10,842	62	506
Sweden*	10,284	10,151	-4	172
Italy*	9,180	9,081	9	175
Spain*	8,140	7,894	6	175
Netherlands*	7,484	7,898	0	145
Norway*	6,120	5,926	1	128
Switzerland*	5,909	6,328	2	100
Denmark*	5,782	5,682	8	110
Russia*	5,709	4,304	21	134
Austria*	5,591	5,557	3	86
Poland*	5,412	4,701	9	175
Japan*	4,819	4,600	16	82
Canada*	4,789	4,330	6	91
Belgium*	4,506	4,404	7	97
Turkey*	3,226	2,816	8	70
Finland*	2,838	2,866	3	64
Australia	2,621	1,999	10	32
Romania*	2,357	2,102	4	56
Mexico	2,307	1,561	12	37
South Korea*	1,988	1,675	6	41
Greece*	1,954	1,891	0	35
Hungary*	1,778	1,590	3	45
Hong Kong*	1,663	1,919	0	28
Czech Rep.*	1,619	1,428	2	50
Chile	1,488	1,129	4	8

MARKET	SALES 2017 INCL VAT (SEK M)	SALES 2016 INCL VAT (SEK M)	NEW STORES (NET) DURING THE YEAR	NUMBER OF STORES 30 NOV 2017
Portugal*	1,316	1,272	1	32
India	1,179	606	15	27
Malaysia*	1,175	1,130	9	44
Ireland*	1,142	1,103	1	24
Philippines*	1,037	869	11	32
Singapore*	961	1,030	0	13
South Africa	890	645	9	17
Croatia*	856	846	0	15
Peru	855	510	2	8
Taiwan*	778	665	2	12
Slovakia*	739	681	3	22
Bulgaria*	697	641	1	20
Slovenia*	551	542	1	13
Luxembourg*	463	464	0	10
Serbia	435	369	3	12
Estonia*	419	377	2	10
Latvia*	395	332	0	8
Lithuania*	393	317	1	9
Colombia	224		3	3
New Zealand	210	55	2	3
Kazakhstan	177		3	3
Macau*	135	166	0	2
Puerto Rico*	101	63	0	2
Cyprus*	96	35	0	1
Iceland	94		2	2
Vietnam	70		2	2
Georgia	8		1	1
Franchise**	4,947	4,808	31	219
TOTAL	231,771	222,865	388	4,739

* Market with e-commerce.

** United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Egypt, Bahrain, Oman, Lebanon, Israel, Morocco, Jordan, Thailand and Indonesia.

Five year summary

1 DECEMBER - 30 NOVEMBER

FINANCIAL YEAR	2017	2016	2015	2014	2013
Sales including VAT, SEK m	231,771	222,865	209,921	176,620	150,090
Sales excluding VAT, SEK m	200,004	192,267	180,861	151,419	128,562
Change sales excluding VAT from previous year in SEK, %	+4	+6	+19	+18	+6
Change sales excluding VAT previous year in local currencies, %	+3	+7	+11	+14	+9
Operating profit, SEK m	20,569	23,823	26,942	25,583	22,090
Operating margin, %	10.3	12.4	14.9	16.9	17.2
Depreciation and amortisation for the year, SEK m	8,488	7,605	6,399	5,045	4,191
Profit after financial items, SEK m	20,809	24,039	27,242	25,895	22,448
Profit after tax, SEK m	16,184	18,636	20,898	19,976	17,093
Cash and cash equivalents and short-term investments, SEK m	9,718	9,446	12,950	16,693	17,224
Stock-in-trade, SEK m	33,712	31,732	24,833	19,403	16,695
Equity, SEK m	59,713	61,236	58,049	51,556	45,248
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	9.78	11.26	12.63	12.07	10.33
Shareholders' equity per share, SEK*	36.08	37.00	35.07	31.15	27.34
Cash flow from current operations per share, SEK*	13.04	14.36	14.54	14.60	14.40
Dividend per share, SEK	9.75**	9.75	9.75	9.75	9.50
Return on equity, %	26.8	31.2	38.1	41.3	38.4
Return on capital employed, %	31.0	39.2	49.3	53.1	50.0
Share of risk-bearing capital, %	61.0	67.1	72.7	72.5	73.0
Equity/assets ratio, %	56.0	62.1	67.6	68.2	68.9
Total number of stores	4,739	4,351	3,924	3,511	3,132
Average number of employees	123,178	114,586	104,634	93,351	81,099

* Before and after dilution.

** Proposed by the Board of Directors.

For definition of key figures see page 99.

The H&M share

KEY RATIOS PER SHARE	2017	2016	2015	2014	2013
Shareholders' equity per share, SEK	36.08	37.00	35.07	31.15	27.34
Earnings per share, SEK	9.78	11.26	12.63	12.07	10.36
Change from previous year, %	-13	-11	+5	+17	+2
Dividend per share, SEK	9.75*	9.75	9.75	9.75	9.50
Share price on 30 November, SEK	197.10	267.90	323.50	319.40	278.00
P/E Ratio	20	24	26	26	27

* Proposed by the board.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2017

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1–500	215,207	80.0	28,131,248	1.7	131
501–1,000	25,123	9.3	19,892,844	1.2	792
1,001–5,000	22,776	8.5	50,343,439	3.0	2,210
5,001–10,000	2,850	1.1	20,790,473	1.3	7,295
10,001–15,000	876	0.3	10,997,212	0.7	12,554
15,001–20,000	480	0.2	8,508,102	0.5	17,725
20,001–	1,733	0.6	1,516,408,682	91.6	875,019
Total	269,045	100.0	1,655,072,000	100.0	6,152

MAJOR SHAREHOLDERS, 30 NOVEMBER 2017

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
The Stefan Persson family and related companies	670,723,738	71.1	40.5
The Lottie Tham family and related companies	88,880,400	2.6	5.4
Alecta Pensionsförsäkring	45,808,000	1.4	2.8
State Street Bank and Trust	42,439,708	1.2	2.6
Swedbank Robur Fonder	31,227,598	0.9	1.9
AMF – Försäkring och Fonder	28,111,461	0.8	1.7
Clearstream Banking S.A.	23,279,355	0.7	1.4
Mellon Omnibus 15%	20,486,242	0.6	1.2
Nordea Investment Funds	18,483,210	0.5	1.1
Didner & Gerge Fonder Aktiebolag	16,830,801	0.5	1.0



For more information see the investor relations section at about.hm.com.

Corporate governance report 2017

H & M Hennes & Mauritz AB

Good and sound corporate governance ensures that companies are managed as sustainably, responsibly and efficiently as possible in the interests of the shareholders. It is a matter of complying with external regulations and doing the right thing. In the H&M group, our values and global policies and guidelines are important tools in our approach to the world around us. Our Code of Ethics, which is signed by all our employees who have business relationships and by all business partners, clearly states our approach to doing business. Acting consistently and with a strong ethical compass is of great importance, because we operate in many different markets that have different challenges and where the laws, environmental requirements and social conditions may differ.

H & M Hennes & Mauritz AB is a Swedish public limited company. H&M's class B share is listed on Nasdaq Stockholm. H&M applies the Swedish Corporate Governance Code (the Code) and has prepared this corporate governance report in accordance with the Annual Accounts Act and the Code. H&M has applied the Code since 2005. The report was prepared by the company's board of directors and has been reviewed by the company's auditors.

The H&M group is governed by both external regulations and internal control documents.

Examples of external regulations that affect H&M:

- Swedish Companies Act
- Accounting legislation including the Swedish Bookkeeping Act and Annual Accounts Act
- EU Market Abuse Regulation (596/2014/EU)
- Nasdaq Stockholm Rules for Issuers
- Swedish Corporate Governance Code (the Code), which is available at corporategovernanceboard.se. The Code is based on the principle of “comply or explain”, which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation, describe the chosen alternative and provide the reasons for the deviation.

Examples of internal control documents:

- Articles of association
- The board's work plan including instructions for the CEO and auditing committee
- The H&M Way
- Code of Ethics
- Code of Conduct: Sustainability Commitment (formerly Code of Conduct)
- Insider Policy
- Financial Policy
- Communications Policy
- Human Rights Policy
- Tax Policy
- Whistleblowing Policy
- Other policies, guidelines and manuals

H&M's corporate governance is governed by values, since it is based both on external regulations and on our values – which, in brief, can be described as a sound, simple, straightforward, cost-conscious, entrepreneurial corporate culture that focuses on teamwork, our belief in people and constant improvement. Sustainability work is well integrated into every part of the business and forms a natural part of our employees' everyday life.

Today, H&M is present in nearly 70 retail markets and around 20 production countries. As a global company, it is of the utmost importance that we always act ethically, transparently and responsibly at every stage – from doing business with our suppliers to meeting with customers. Through good purchasing routines and close cooperation with our suppliers, our products should always be produced with the greatest possible consideration for people and the environment. Our risk management and internal control work ensure that we work purposefully in every part of the organisation, and the board of directors and auditing committee receive regular feedback from the organisation concerning how the internal control work is being conducted. Every year a thorough review is carried out of the company's risks, both operational and financial, with well-defined action plans to minimise risk. A long-term risk analysis is also performed, to provide supporting documentation for long-term commercial decisions.

Responsibility for management and control is shared between the shareholders, board, auditing committee and CEO. The board's work plan states how the work is to be distributed between the board, the auditing committee and the CEO, with the board having the ultimate responsibility for the company's organisation and administration and the CEO taking care of the ongoing management of the business, with regular feedback to the board.

The board of directors has seven members elected by the AGM, two employee representatives and two deputies for these. Overall, the board has 11 members – seven women and four men.

The composition of the board is characterised by breadth and diversity, and the various competencies of the board members complement each other well, providing experience within areas such as retailing, entrepreneurship, fashion, digitalisation, sustainability and communication which forms a good basis for valuable discussions with the CEO and management.

During the year the board held six board meetings, including a statutory meeting in conjunction with the AGM. As in previous years, there was a very high level of attendance by board members. The CEO, CFO and chief accountant also attend all the meetings. Generally, one or two functions/departments are invited to each meeting to give a status presentation concerning what their particular function is working on; for example, every six months the head of sustainability provides an update on the company's sustainability work, making reference to key indicators and targets. These presentations act as a complement to the CEO's status reports and provide opportunity for more in-depth discussions concerning specific areas of the operations. At each board meeting the chair of the auditing committee also gives an account of the matters addressed by the auditing committee at its most recent meeting within areas such as accounting, auditing, tax, internal control, risks, as well as various new regulations and legislation.

H&M has chosen to have the corporate governance report as a separate document to the annual report in accordance with chapter 6 § 8 of the Swedish Annual Accounts Act. The information that must be provided under chapter 6 § 6 items 3–6 of the Annual Accounts Act is included in the administration report on pages 67 of H&M's annual report for 2017 and is therefore not included in this corporate governance report. In accordance with chapter 6 § 9 of the Annual Accounts Act, the company's auditors have issued a statement on the corporate governance report that can be found on page 64.

In 2017 H&M deviated from the Code on the following point:

- 2.4 The fact that Stefan Persson, the chairman of the board, also chairs the nomination committee. The nomination committee is unanimous that, as the chairman of the board and the largest shareholder in H&M, Stefan Persson is the natural choice to chair H&M's nomination committee.

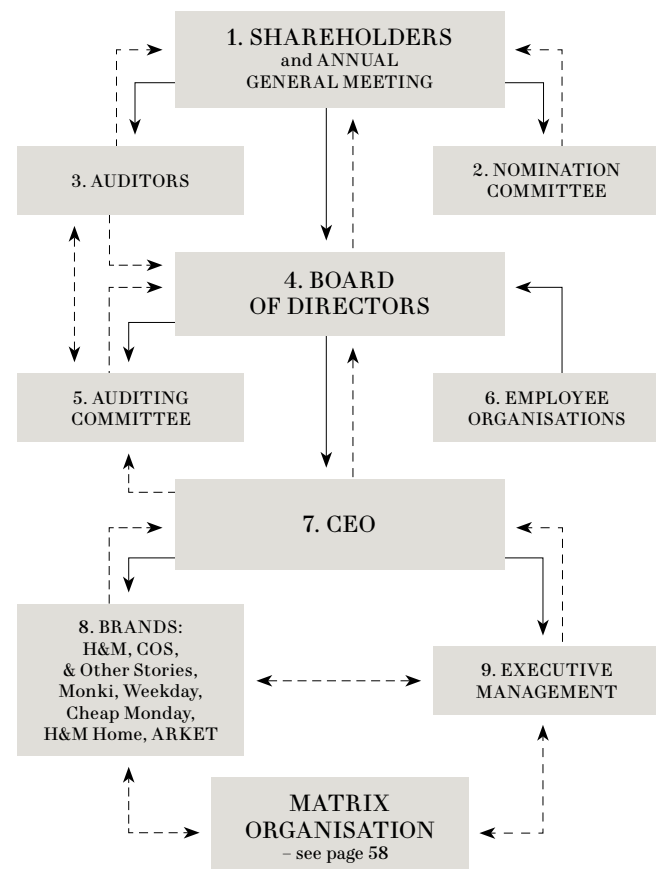
READ MORE about H&M's corporate governance at about.hm.com/corporategovernance.

Among other things, you will find here:

- Previous corporate governance reports
- Articles of association
- Information on the nomination committee, board of directors, CEO, auditors, auditing committee, guidelines and policies, executive management team etc.
- Information and material from previous AGMs
- Risks and uncertainties

The H&M group's corporate governance structure

The H&M group's corporate governance structure encompasses shareholders, the board of directors, the auditing committee, the CEO, the nomination committee, auditors, the executive management team, brands, employees and employee organisations – see the illustration below. The illustration summarises the group's corporate governance structure. H&M's shareholders ultimately decide the company's direction, since the shareholders at the general meeting appoint the board of directors and the chairman of the board. Proposals for the composition of the board, board fees and the election of auditors are prepared in advance within the nomination committee. The board in turn appoints the CEO to take care of day-to-day administration, and the CEO appoints members of the executive management team within the H&M group's matrix organisation. The board includes two employee representatives and two deputies for these, who are appointed by their respective employee organisations. The board appoints an auditing committee from among its members, which deals with accounting and auditing matters on an ongoing basis and which is the main channel of communication between the board and the auditors. Each year the auditors report to the board and the annual general meeting on their scrutiny.



--> REPORTS TO/PROVIDES INFORMATION
 —> APPOINTS/ELECTS/PROPOSES

1. SHAREHOLDERS AND ANNUAL GENERAL MEETING

It is H&M's shareholders who have the final decision on the company's governance by voting at the general meeting to adopt the articles of association, which decide what the business will focus on, and to appoint the board of directors and its chairman, whose task it is to administer H&M's affairs on behalf of the shareholders. The shareholders at the general meeting also elect auditors, decide on the principles of the nomination committee and select the members of this committee.

The general meeting is thus the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. H&M's ordinary general meeting (annual general meeting) is held once a year, in late April or early May.

The date and venue are announced in H&M's nine-month report as well as on about.hm.com, and the notice of the meeting is published in full usually five weeks before the meeting in Post- och Inrikes Tidningar and on about.hm.com, with an advertisement placed in Dagens Nyheter and Svenska Dagbladet. Shareholders registered directly in the register of shareholders who have given notice of their attendance on time are entitled to participate in the meeting and vote for the total number of shares that they hold. Shareholders who cannot be present in person may be represented by proxy.

Shareholders wishing to have a particular matter considered by the meeting may submit a written request to the board at least seven weeks before the meeting. H&M's email address is also given for those shareholders who wish to submit their questions to H&M in advance. All the material belonging to the meeting, including the minutes of the meeting, is available on the website in both Swedish and English. Extraordinary general meetings can also be held where there is a particular need to do so.

Shareholders' decision-making powers

Among other things, the general meeting makes decisions concerning:

- The election of board members and the chairman of the board
- Board fees including the compensation paid to members for work on the auditing committee
- Discharge of the members of the board and the CEO from liability
- Amendments to the articles of association
- The election of the auditor
- The adoption of the income statement and balance sheet
- The distribution of the earnings for the past financial year
- The election of members of the nomination committee and establishment of principles for the nomination committee
- Guidelines for remuneration to senior executives

Annual general meeting 2017

H&M's annual general meeting 2017 was held on 10 May in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna. A total of 1,609 shareholders were represented at the meeting, representing 83.7 percent of the votes and 66.6 percent of the capital. H&M's board of directors, executive management and nomination committee as well as the company's auditors attended the meeting.

The main resolutions passed were the following:

- The lawyer Sven Unger was elected as chairman of the meeting.
- Balance sheets and income statements for the parent company and for the group were adopted.
- A dividend to shareholders of SEK 9.75 per share was approved. It was resolved that the dividend would be paid in two instalments during the year: SEK 4.90 per share with a record date of 12 May 2017, to be paid out on 17 May 2017, and SEK 4.85 per share with a

record date of 14 November 2017, to be paid out on 17 November 2017.

- The board members and the CEO were discharged from liability for the 2015/2016 financial year.
- The number of board members elected by the meeting to serve until the next AGM was set at seven, with no deputies.
- The following ordinary board members were re-elected: Stina Bergfors, Anders Dahlvig, Lena Patriksson Keller, Stefan Persson, Christian Sievert, Erica Wiking Häger and Niklas Zennström. Melker Schörling did not stand for re-election. Stefan Persson was re-elected as chairman of the board.
- The AGM approved the proposal from the nomination committee, based on the number of board members, that the total board fees of SEK 5,775,000 were to be distributed as follows: chairman of the board SEK 1,675,000; board members elected by the AGM SEK 600,000; members of the auditing committee an extra SEK 150,000; and the chairman of the auditing committee an extra SEK 200,000.
- The proposed principles for the nomination committee were approved and members of the nomination committee were elected.
- The proposed guidelines for remuneration to senior executives were approved.

Votes and capital represented at H&M's annual general meeting

YEAR	% OF VOTES	% OF CAPITAL
2013	85.3	69.8
2014	84.2	67.5
2015	82.4	63.7
2016	83.3	65.5
2017	83.7	66.6

Number of shareholders and ownership structure

At the end of the financial year H&M had 269,045 shareholders. The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares (ten votes per share) and 1,460,672,000 are class B shares (one vote per share).

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.1 percent of the votes, as well as 476,323,738 class B shares, representing 14.0 percent of the votes. This means that as of 30 November 2017, Stefan Persson and family via Ramsbury Invest AB represent 71.1 percent of the votes and 40.5 percent of the total number of shares. Ramsbury Invest AB is thus the parent company of H & M Hennes & Mauritz AB.

Annual general meeting 2018

H&M's annual general meeting 2018 will be held on Tuesday, 8 May 2018 in the Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna.

To register to attend the 2018 AGM, see page 106 of H&M's annual report for 2017 or visit about.hm.com/agm.

2. NOMINATION COMMITTEE

The nomination committee prepares information that will be used as a basis for decisions at the general meeting concerning election of the board of directors, the chairman of the board, the auditors and the chairman of the annual general meeting, fees to the board and auditors, as well as principles for the nomination committee. The nomination committee's proposal for the composition of the board is characterised

by diversity and breadth as regards expertise, experience, background and gender balance. It also takes into consideration the H&M group's stage of development and future focus.

Before each general meeting the nomination committee's report is available to read as a separate document at about.hm.com/corporategovernance. The members of the nomination committee are elected by the AGM on the basis of principles for the nomination committee. Briefly, these state that the nomination committee is to be made up of the chairman of the board and four other members who are nominated by the four largest shareholders as of the last day of February that year, other than the shareholder that the chairman of the board represents.

Composition of the nomination committee following the 2017 AGM:

- Stefan Persson, chairman of the board
- Lottie Tham
- Liselott Ledin, Alecta
- Jan Andersson, Swedbank Robur Fonder
- Anders Oscarsson, AMF Pension

The nomination committee meets the requirements of the Code regarding the independence of members. Stefan Persson is the nomination committee's chairman. This deviates from section 2.4 of the Swedish Corporate Governance Code. The 2017 AGM resolved that unless the members of the nomination committee agree otherwise, the chairman of the nomination committee shall be the member representing the largest shareholder. The nomination committee has found no reason to decide otherwise. The nomination committee was unanimous that in view of H&M's ownership structure, Stefan Persson in his capacity as chairman of the board and principal shareholder is the natural choice to chair H&M's nomination committee.

Work of the nomination committee in preparation for the 2017 AGM including description of diversity policy for the board of directors

The nomination committee elected at the 2017 AGM, which was the same as that elected at the 2016 AGM, presented its proposals for the 2017 AGM. The proposal for the composition of the board was to re-elect Stina Bergfors, Anders Dahlgv, Lena Patriksson Keller, Stefan Persson, Christian Sievert, Erica Wiking Häger and Niklas Zennström. Melker Schörling did not stand for re-election.

In view of the large changes in the composition of the board of directors that have taken place over the past three years, with nearly half of the members of the board being recently elected, the nomination committee decided to prioritise continuity in the board work and therefore did not propose the election of any new members. Board members Stina Bergfors and Erica Wiking Häger, who were elected to the board at the 2016 AGM, have brought with them valuable expertise and experience particularly within media, digitalisation, entrepreneurship, commercial law, sustainability and risk management, complementing and enhancing very well the expertise provided by the rest of the board.

The nomination committee judged that the proposed composition of the board accorded well with section 4.1 of the Swedish Corporate Governance Code, which the nomination committee has applied as its diversity policy. The aim of the policy is that the proposed board is characterised by diversity and breadth of expertise, experience and background, and by gender balance. The nomination committee aims for gender balance and H&M's board has had a good gender balance for many years. The board members proposed, and subsequently elected, consisted of three women and four men (corresponding to 43 percent

and 57 percent respectively, excluding employee representatives).

The Swedish Corporate Governance Board wants owners to speed up developments towards achieving a share of around 40 percent for the less well represented gender overall on the boards of listed companies by 2020. Large companies should have achieved around 35 percent on average already in 2017. The board of H&M thus meets the Corporate Governance Board's level of ambition for major companies. To achieve continued gender balance, H&M's nomination committee discusses this each year and identifies future board candidates with relevant backgrounds and experience on a continuous basis.

It was felt that the proposed composition of the board more than satisfies the requirements made of expertise and experience, taking into account the company's operations and future development. The proposed composition was also considered to meet the applicable requirements well in respect of the independence of board members, their stock market experience and their expertise in accounting and auditing.

Work of the nomination committee in preparation for the 2018 AGM

Since the 2017 AGM the nomination committee has held three meetings so far at which minutes were taken and has also been in contact at other times. The work of the board and its composition are assessed on an ongoing basis over the year.

Stefan Persson gave a verbal account of this at the nomination committee's first meeting. The conclusion is that the board has worked effectively over the course of the year. The board's work is presented so that the nomination committee can make the best possible assessment of the board's collective competence and experience.

The nomination committee also discusses the size of the board, its composition, the election of a chairman for the AGM, fees for board members and, when appropriate, the election of auditors. No fees were paid to the nomination committee's chairman or to any other member of the nomination committee. The nomination committee's work in preparation for the next AGM is not yet complete and more information will be presented before and at the 2018 AGM.

3. AUDITORS

The auditors, who are independent and appointed by the shareholders at the AGM, scrutinise H&M's annual report, consolidated financial statements, accounts, sustainability report and corporate governance report, and examine whether these have been prepared in accordance with current laws and recommendations. The auditors also scrutinise the management of the H&M group by the board and CEO, and review compliance with the guidelines on remuneration to senior executives adopted by the AGM.

At the 2017 AGM the accounting firm Ernst & Young AB was elected as auditor of H&M for a one-year period of office, i.e. until the end of the 2018 AGM. Authorised public accountant Åsa Lundvall from Ernst & Young holds the main responsibility for the audit.

As previously, the 2017 AGM resolved that the auditors' fees should be paid based on invoices submitted and approved. The fees invoiced by the auditors over the past two financial years are reported in note 9 of the annual report for 2017.

Ernst & Young AB (EY) is a member of a global network used for auditing assignments for most of the group's companies and meets H&M's requirements with respect to competence and geographical coverage. The auditors' independent status is guaranteed partly by legislation and professional ethics rules, partly by the accounting firm's internal guidelines and partly by the fact that non-auditing assignments must be approved in advance by the auditing committee. Åsa Lundvall is an

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2017

NAME	YEAR ELECTED	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES (SEK) ³⁾	BOARD MEETINGS ⁴⁾	AUDITING COMMITTEE	SHARE-HOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson, chairman	1979	No	No	1,625,000	6/6			194,400,000 ⁵⁾ 459,923,449 ⁶⁾
Stina Bergfors	2016	Yes	Yes	575,000	6/6		1,000	6,000 ⁷⁾
Anders Dahlvig	2010	Yes	Yes	700,000	6/6	4/4	17,510	
Lena Patriksson Keller	2014	Yes	Yes	575,000	6/6			1,200 and 9,450 ⁸⁾
Melker Schörling	1998	Yes	Yes	575,000	2/2 ⁹⁾			228,000 ¹⁰⁾
Christian Sievert	2010	Yes	No ¹¹⁾	750,000	6/6	4/4	81,000	19,000 and 2,400 ¹²⁾
Erica Wiking Häger	2016	Yes	Yes	700,000	6/6	4/4		750 ¹³⁾
Niklas Zennström	2014	Yes	Yes	575,000	6/6		72,700	
Ingrid Godin employee rep.	2012				6/6			60
Margareta Welinder employee rep.	2007				5/6			
Rita Hansson deputy employee rep.	2014				6/6		300	
Alexandra Rosenqvist deputy employee rep.	2015				5/6			

1) Independent of the company and company management in accordance with the Swedish Corporate Governance Code.

2) Independent of major shareholders in the company in accordance with the Swedish Corporate Governance Code.

3) Fees as resolved at the 2016 annual general meeting. This means that the fees related to the period until the next AGM, i.e. the period 3 May 2016 to 10 May 2017. The amounts were paid out after the 2017 AGM.

4) Attendance via technology is equated with attendance in person.

5) Class A shares owned through Ramsbury Invest AB.

6) Class B shares owned through Ramsbury Invest AB as of 19 February 2018.

7) Shares held by spouse.

8) 1,200 shares are owned through Lena Patriksson Keller's private company Verdani Holding AB. 9,450 shares held by spouse.

9) Melker Schörling stepped down from the board at the 2017 AGM for health reasons.

10) Shares owned through Melker Schörling AB.

11) Christian Sievert is not considered independent of Ramsbury Invest AB since Ramsbury Invest AB is a major shareholder in a company of which Christian Sievert is CEO.

12) Shares held by related parties: 19,000 shares held through Christian Sievert's company Whitechris Industri AB and 2,400 shares held by spouse and children. Additional information: in addition to Christian Sievert's shareholding shown above, Christian Sievert holds 9,000 H&M shares via a pension plan.

13) 750 shares are owned through Erica Wiking Häger's company Erica Wiking Häger Advokattaktiebolag.

There are no outstanding share or share price related incentive programmes for the board of directors.

authorised public accountant who conducts auditing assignments for companies such as ATG, DGC One, Systemair and Swedavia.

The auditors attend all meetings of the auditing committee, and as in previous years, the chief auditor Åsa Lundvall also took part in the board meeting held in January 2017 in order to notify the board of the scope, focus, significant considerations and conclusions of the audit of the 2016 financial year. In addition to this involvement, the auditor meets regularly with the chairman of the board, the chairman and other members of the auditing committee, the executive management and other key individuals. The auditor also takes part in the AGM, reporting the conclusions drawn from the audit.

Alongside its mandate as elected auditor, EY has also carried out related tasks such as verification of the sustainability report. In addition, EY has assisted with other consulting services, primarily tax advice. EY has internal processes to ensure its independence before these tasks are begun. The auditing committee also has a process for approving non-auditing services in advance, before such assignments are begun. The auditing committee evaluates the auditor annually to gain assurance that the auditor's objectivity and independence cannot be questioned.

4. BOARD OF DIRECTORS

The task of the board of directors is to manage H&M's affairs in the interests of the company and all its shareholders. This means that the board has the overall responsibility for H&M's administration. This takes place in a long-term, sustainable way with a focus on the customer offering and growth.

In addition to laws and recommendations, H&M's board work is regulated by the board's work plan, which contains rules on the distribution of work between the board, its committees and the CEO and on financial reporting, investments and financing. The work plan, which also includes a work plan for the auditing committee, is updated when needed but is established at least once a year.

Composition of H&M's board and independence of its members

The board members are elected by the shareholders at the annual general meeting for the period up until the next AGM.

Since the 2017 AGM the board has consisted of seven ordinary members elected by the AGM and no deputies. There are also two employee representatives, with two deputies for these positions. The board is comprised of seven women and four men. Only the employee representatives are employed by the company. Since the 2017 AGM the board

has comprised the following members elected by the meeting: Stefan Persson (chairman), Stina Bergfors, Anders Dahlvig, Lena Patriksson Keller, Christian Sievert, Erica Wiking Häger and Niklas Zennström. Ingrid Godin and Margareta Welinder are the regular employee representatives, with Rita Hansson and Alexandra Rosenqvist as their deputies. For more facts about H&M's board members, see pages 62–63.

The board members are to devote the time and attention that their assignment for H&M requires. New board members receive introductory training which, among other things, includes meetings with the heads of various functions.

The composition of H&M's board during the year met the independence requirements set out in sections 4.4 and 4.5 of the Code. This means that the majority of the board members elected by the general meeting are independent of the company and company management. The majority of the board members are also independent of the company's major shareholders.

Number of board meetings

During the financial year H&M normally holds six regular board meetings, one of which is the statutory board meeting. Extraordinary board meetings are held when the need arises. The CEO attends all board meetings, except on the occasion of the board meeting when the CEO's terms of employment are being discussed. The CEO reports to the board on the operational work within the group and ensures that the board is given relevant and objective information on which to base its decisions.

The CFO and chief accountant also attend the board meetings in order to provide financial information. The board is assisted by a secretary who is not a member of the board.

During the 2017 financial year six board meetings were held. The level of attendance at board meetings is high, with each member's attendance shown in the table on page 54.

Work of the board in 2017

H&M's board meetings are generally structured as follows, which is then supplemented by one or more business presentations, e.g. by heads of functions or country managers.

The following areas are usually reviewed at each board meeting:

- Minutes of the previous meeting
- CEO's status report
- Report by CFO
- Strategic matters
- Feedback from latest auditing committee meeting
- Financial reporting, such as interim report and annual report
- Decisions on particular matters

During 2017 CEO Karl-Johan Persson provided information on the following, among other things: sales, costs, results, the customer offering for each brand and market performance, investments, store and online expansion, sustainability, external factors and development opportunities. The CEO also provided ongoing information on purchasing, production, the stock-in-trade, marketing and PR activities, organisational changes, the broadening of the product range, new initiatives and the development of new brands. In 2017, 388 new stores net were opened with Kazakhstan, Colombia, Iceland, Vietnam and Georgia as new H&M store markets for 2017. Decisions taken by the board during the year included a rapid online expansion, with eight new H&M online markets in 2017: Turkey, Taiwan, Hong Kong, Macau, Singapore, Malaysia, the Philippines and Cyprus.

The industry is undergoing interesting structural changes and rapid shifts in technology as a result of the increased digitalisation of society.

This creates great opportunities, but also puts demands on the organisation. The board therefore discusses the significance of this shift, with more and more shopping taking place online, and the transformation that the H&M group is undergoing in order to respond to these changed circumstances. Among other things, it discusses future growth plans, how the organisation should adapt to the new situation and which investments need to be made in order to be able to offer customers a shopping experience that is as complete and seamless as possible. The board receives ongoing updates on these projects. These might concern development of the online offering in terms of faster delivery options, mobile payment solutions, handling of returns, changes of platforms, advanced data analytics etc. The long-term investments being made aim to ensure the group's future expansion and position.

The group's integrated sustainability work is very important and is discussed regularly by the board. Every six months, the head of sustainability provides an update on the group's sustainability work with reference to key indicators and targets, such as compliance with the Code of Conduct, sustainable materials, climate impact, anti-corruption, etc.

At each board meeting the chairman of the auditing committee reports to the board on what the auditing committee discussed at its latest meeting. This primarily concerns areas such as accounting, auditing, tax, customs duties, internal control, risk, various new regulations and new legislation etc. The overall risk assessment, involving the very largest risks – in both the short and the long term – is then also discussed at subsequent board meetings. At four of the year's meetings the board goes through quarterly reports before they are published and at the January meeting the board discusses the annual report, with the auditor also reporting on the year's audit.

During the year the board takes various decisions, for example regarding the expansion and investment plan, the proposed dividend, which was SEK 9.75 per share for the 2016 financial year, as proposed to the 2017 AGM, the payment of the dividend in two instalments during the year, guidelines for remuneration of senior executives and the financial reports etc.

At the board meeting held on 30 January 2018 the board of directors decided that the growth target of the H&M group to increase sales in local currencies by 10–15 percent per year with continued high profitability is a long-term target. In view of the H&M group's transition work to face the major shift in the industry, the company does not expect the growth target to be reached in 2018.

During the board meeting in January 2018 the board of directors decided to propose to the annual general meeting on 8 May 2018 an unchanged dividend of SEK 9.75 (9.75) per share. The board notified that it intended to investigate the possibility of offering all shareholders an opportunity, but not an obligation, to reinvest the dividend received in newly-issued H&M shares in what is known as a Dividend Reinvestment Plan (DRIP). However, the investigation showed that the reinvestment plan would be difficult to implement, both from a technical perspective and because of time constraints, and consequently in mid-February the board of directors decided not to proceed further with the Dividend Reinvestment Plan idea and instead decided to propose to the annual general meeting on 8 May 2018 an unchanged cash dividend of SEK 9.75, to be paid in two instalments – one in the spring and one in the autumn.

Since H&M does not have a separate review function (internal audit) for work on internal control, but has instead established its own model for managing the company's risk and internal control (see pages 57–59), once a year the board assesses the need for a separate internal audit function. This year the board again reached the conclusion that the present model for monitoring internal control is working in a satisfactory way.

Before the 2017 annual general meeting the board carried out an assessment of the application of the guidelines for remuneration to senior executives that were adopted by the 2016 AGM. The results of this assessment were published on the website in good time before the 2017 AGM.

H&M has no remuneration committee, since the board of directors deems it more appropriate for the entire board to carry out the tasks of a remuneration committee. It is the board that prepares the proposed guidelines for remuneration to senior executives that are presented at the AGMs, and it is the board that decides on the CEO's salary in accordance with the guidelines adopted at the last AGM. The board continually assesses the CEO's work and once a year discusses this matter separately in conjunction with the setting of the CEO's remuneration for the coming year. No member of executive management is present when this is discussed.

5. AUDITING COMMITTEE

The auditing committee monitors the company's financial reporting, which among other things involves monitoring the effectiveness of the company's internal control and risk management. Its work includes handling auditing issues and financial reports published by the company. The auditors attend the meetings of the auditing committee to report on their scrutiny of the group's annual report and financial statements, including the consolidated financial statements.

The auditing committee also reviews and monitors the impartiality and independence of the auditor, and regulates which assignments the accounting firm may conduct for H&M in addition to the audit. The auditing committee receives a written assurance of independence from the auditor stating which services the accounting firm has provided to H&M during the financial year in addition to the audit. The auditing committee also assists the nomination committee with any proposals to the AGM concerning the election of auditors.

H&M's auditing committee is made up of three board members, two of whom have expertise in accounting or auditing while the third has expertise in commercial law. All the members are independent of the company and its management. The majority of the members are also independent of the company's major shareholders. The auditing committee is appointed annually by the board of directors at the statutory board meeting held in conjunction with the AGM. Since the statutory meeting held in conjunction with the 2017 AGM, the auditing committee has consisted of chairman Christian Sievert and members Anders Dahlvig and Erica Wiking Häger. The committee held four meetings at which minutes were taken during the 2016/2017 financial year.

EY attended the auditing committee meetings and reported on the auditing assignments. The meetings were also attended by CFO Jyrki Tervonen and chief accountant Anders Jonasson, among others. The committee's meetings are minuted and the minutes are then distributed to the board members.

During the year the auditing committee addressed the following matters, among others:

- The company's financial reporting, including interim reports, the corporate governance report and annual report.
- Compliance with the group's internal control and risk management processes and review of the overall risk analysis for the group – both financial risk and operational risk – with well-defined action plans to minimise risk. Among other things, the work relating to the new General Data Protection Regulation (GDPR) that enters into force in 2018 was discussed.
- In addition, the following functions gave presentations/provided

information on their work: expansion/construction, security, accounting/tax, production, logistics and IT.

- The transfer pricing model and tax matters. A status update regarding tax matters is given at each meeting, which is partly related to the OECD's BEPS project that deals with, among other things, how and where profits in multinational companies are to be taxed.
- In addition, customs matters were discussed in view of the fact that this is becoming an increasingly pressing matter for multinationals due to increased protectionism in certain countries.
- EY informed the committee of the audit plan, the scope of the audit and the results of scrutiny carried out.
- In addition, EY provided information on current regulatory developments in the areas of accounting and auditing.
- Review of the auditors' independence and impartiality. The auditing committee finds that it is clear which assignments EY takes on in addition to auditing and sees no reason to question the accounting firm's impartiality. A process has been established for non-auditing services to be approved in advance. H&M also uses consulting services from other accounting firms and tax advisors.

6. EMPLOYEE ORGANISATIONS

Under Swedish law, the employees have the right to appoint employee representatives with deputies to the company's board. These are appointed via employee organisations (trade unions). The trade unions appoint two board members and two deputies to the board of H&M.

7. CEO

The CEO is appointed by the board of directors and is responsible for the daily management of the company as directed by the board. This means that, among other things, the CEO must focus in particular on recruitment of senior executives, buying and logistics matters, the customer offering, pricing strategy, sales and profitability, sustainability matters, marketing, expansion, development of the store network and of online sales, and IT development. The CEO reports to the board on H&M's development and makes the necessary preparations for taking decisions on investments, expansion, etc. The role of CEO includes contact with the financial market, the media and the authorities.

Karl-Johan Persson, born in 1975, has been the chief executive officer of H & M Hennes & Mauritz AB since 1 July 2009.

Before taking over as CEO, Karl-Johan Persson held an operational role within H&M from 2005, including working as head of expansion, business development as well as brand and new business. Since 2000 Karl-Johan Persson has been a member of the boards of H&M's subsidiaries in Denmark, Germany, the US and the UK. From 2006 until 2009 he was also a member of the board of H & M Hennes & Mauritz AB.

From 2001 until 2004 Karl-Johan Persson was CEO of European Network. Karl-Johan Persson holds a BA in business administration from the European Business School in London. Karl-Johan Persson currently has external board assignments for, among others, the Swedish Chamber of Commerce in the UK, Ramsbury Invest AB and the GoodCause Foundation. Since 2013 Karl-Johan Persson has also been a member of the board of the H&M Foundation.

Karl-Johan Persson is a shareholder in Ramsbury Invest AB, and also personally holds 12,136,289 class B shares in H&M.

8. 9. ORGANISATION AND MANAGEMENT

The H&M group has a multi-brand matrix organisation with currently eight well-defined brands: H&M, COS, & Other Stories, Monki, Weekday, Cheap Monday, H&M Home and ARKET. Each brand has its own organisation and managing director, and all the brands have their own local sales organisations. Centrally, there are also a number of joint group

CEO: Karl-Johan Persson

CFO: Jyrki Tervonen

JOINT GROUP FUNCTIONS

Accounting: Anders Jonasson

Business development:
Kjell-Olof Nilsson

Communications: Kristina Stenvinkel

Controlling: Fredrik Nilsén

Expansion: Katja Ahola

HR: Helena Thybell

IT: Morten Halvorsen

Legal: Fredrik Björkstедt

Logistics: Patrik Berntsson

Production: Helena Helmersson

Security: Cenneth Cederholm

Sustainability: Anna Gedda

BRANDS

H&M: Fredrik Olsson
Madeleine Persson

New Business: Peter Ekeberg, acting

COS: Marie Honda

&Other Stories: Sanna Lindberg

Monki: Lea Rytz Goldman

Weekday: David Thörewik

Cheap Monday: Peter Klagsmark

H&M Home: Anders Sjöblom

ARKET: Lars Axelsson

functions that support each brand in order to capitalise on the benefits within these shared areas, so that each brand and country works purposefully according to central policies and guidelines. The CEO is responsible for day-to-day management of the H&M group and appoints the members of the executive management team, which is made up of the CEO plus 11 others – six of whom are women. The executive management team consists of the CFO and the individuals responsible for the following joint group functions: production, sustainability, expansion, communications, human resources, business development and logistics, as well as the persons responsible for the H&M brand and the person responsible for new business (which includes the other brands such as COS, & Other Stories, Monki, Weekday, Cheap Monday, H&M Home and ARKET). Those responsible for the other group-wide functions are appointed by the CFO. The matrix organisation provides a good combination of central and local perspectives on leadership and entrepreneurship.

The local sales organisations are responsible for daily shop/retail operations in their country, giving them a collective responsibility for all the support functions in their country working according to instructions from the central group functions.

Internal control

The board of directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment. Internal control and risk management are part of the board's and the management's control and follow-up responsibilities, the purpose of which is to ensure that the business is managed in the most appropriate and effective manner possible, to ensure reliable financial reporting and to ensure compliance with applicable laws and regulations. This description of H&M's internal control and risk management for financial reporting has been prepared in accordance with chapter 6 § 6 of the Swedish Annual Accounts Act and section 7.4 of the Swedish Corporate Governance Code.

H&M uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee of Sponsoring Organizations of the Treadway Commission, is made up of the following five components: control environment, risk assessment, control activities, information and communication as well as monitoring.

CONTROL ENVIRONMENT

The control environment forms the basis of internal control, because it includes the culture that the board and management communicate and by which they work. The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines, as well as routines.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide the employees with solid guidance. Within H&M there exists above all the Code of Ethics; an ethical policy that permeates the entire company, since it describes the way in which the employees should act within the company and in business relations with suppliers. For a number of years the group has had a document called "The H&M Way", which briefly describes and brings together what H&M stands for and provides a basis for how employees are to act in relation to each other and the outside world. It also refers to the group's main policies.

H&M's internal control structure is based on:

- The division of work between the board of directors, the auditing committee and the CEO, which is clearly described in the board's formal work plan. The executive management team and the auditing committee report regularly to the board based on established routines.
- The company's organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Values and guidelines, as well as policies and manuals; of these, the Code of Ethics, the financial policy, the insider policy, the communications policy and the store instructions are examples of important overall policies.
- Awareness among the employees of the importance of maintaining effective control over financial reporting.
- Control activities, checks and balances, analysis, reporting.

The H&M group has a matrix organisation (see page 58), which means that those responsible for the joint group functions are responsible for the efficiency of work within their function at each brand (the horizontal arrows). Each brand has its own organisation and managing director, and all the brands have their own local sales organisations.

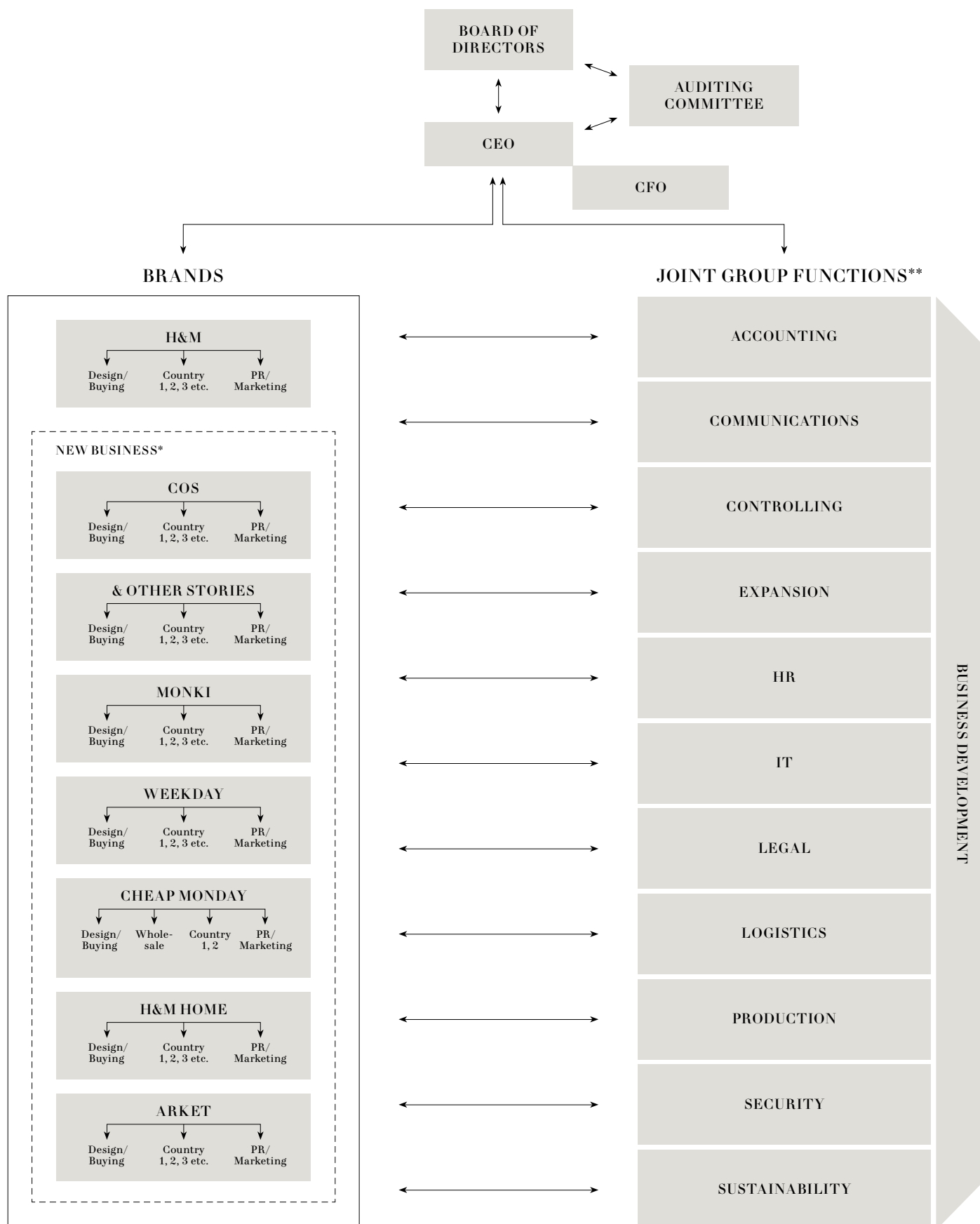
Internal control is evaluated annually by the relevant group function, which checks that its function in each country is working according to the prescribed policies and guidelines. The stores are in turn checked by internal store auditors.

All the companies within the H&M group – apart from Weekday Brands, which is engaged in wholesale operations – have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which in turn facilitates internal control and comparisons between the various companies. There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated to the respective departments in the country offices. Each central department regularly reviews its guidelines and manuals to see which need updating and whether new guidelines need to be developed.

RISK ASSESSMENT

H&M carries out regular risk analysis for both operational and financial risks. At the end of each financial year the analysis is updated in respect of the main operational risks – in the short and long term – and also

Matrix organisation of the H&M group



* New Business has overall responsibility for producing, refining and supporting the H&M group's newer brands.

** In alphabetical order.

the risks within financial reporting. This is carried out in two group-wide documents, based on the probability and impact of each risk.

As in previous years, at the end of 2017 each central function reviewed its main risks, assessed these and identified the systems, methods and controls that are in place to minimise any impact of the risks. This information was compiled at group level into the overall risk analysis mentioned above, and was discussed with the functions with a view to gaining an overall picture of the main risks within the company. The risk analyses for operational risks and for the risks within financial reporting were then dealt with in the auditing committee and thereafter discussed by the board.

For a description of H&M's operational risks, see the administration report on pages 66–67. For risks within financial reporting, see the administration report on page 67 and note 2, Financial risks, on pages 85–86 of H&M's annual report for 2017.

To limit the risks there are appropriate policies and guidelines as well as processes and controls within the business.

CONTROL ACTIVITIES

There are a number of control activities built into every process to ensure that the business is run effectively and that financial reporting provides a true picture at each reporting date. The control activities, which aim to prevent, find and correct inaccuracies and non-compliance, are at all levels and in all parts of the organisation. Within H&M the control activities include effective control and analysis of sales statistics, account reconciliation, monthly accounts and financial reports.

During the year ongoing internal control of the IT department is also carried out, to ensure that the work and processes are being performed in accordance with guidelines set. This also includes systems relating to financial reporting. These financial systems are also reviewed by an external party in cooperation with those responsible for systems and system areas within H&M.

INFORMATION AND COMMUNICATION

Policies and guidelines are of particular importance for accurate accounting, reporting and provision of information, and also define the control activities to be carried out.

H&M's policies and guidelines are updated on an ongoing basis. This takes place primarily within each central function and is communicated to the sales countries by email and via the intranet, as well as at meetings.

H&M has a communications policy providing guidelines for communication with external parties. The purpose of the policy is to ensure that all disclosure obligations are met and that the information provided is accurate and complete.

Financial communication is provided via:

- H&M's annual report
- Interim reports, the full-year report and quarterly sales reports
- Press releases on events and circumstances that may impact the share price
- H&M's website about.hm.com

MONITORING

In 2017 the group functions/central departments assessed internal control within their respective functions in the sales countries based partly on general issues and partly on department-specific issues, using the COSO model.

The work resulted in a plan of action for each central department defining the areas that ought to be improved in order to further strengthen internal control, not only in respect of each country but

also for the central function. The functions also followed up on the assessments made in the previous year. The way in which H&M assesses internal control is considered to be firmly established within the organisation. It is an aid and an instrument that the central functions can use to ensure that their respective departments in the sales countries are working in a uniform and desirable way. The assessment of internal control also allows each sales country to provide valuable and constructive feedback to the central function regarding where there is room for improvement at central level. An important part of the internal control work is the feedback to the country management (country manager and country controller) which the central function provides based on the results of the evaluation in each country. This is done with a view to transparency and to ensuring that the countries adopt best practice.

Within the production organisation there is a firm and regular control and monitoring process for the internal routines that are brought together in the Routine Handbook for Production. These routines are about how H&M ensures that the company does business in an ethical and transparent way. Most of these routines are monitored on a monthly basis at regional level and every other month at global level.

Internal store auditors perform annual checks at the stores with the aim of determining the strengths and weaknesses of the stores and how any shortcomings can be corrected. Follow-up and feedback with respect to any non-compliances found during the assessment of internal control constitute a central part of internal control work.

The board of directors and the auditing committee continuously evaluate the information provided by the executive management team, including information on internal control. The auditing committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the board. This work includes checking that steps are taken with respect to any shortcomings detected and suggestions made during the assessment by the central departments and internal store auditors, as well as by external auditors. The work on internal control maintains awareness of the importance of effective internal control within the group and ensures that continuous improvements are made.

INTERNAL AUDIT

In accordance with section 7.4 of the Swedish Corporate Governance Code, during the year the board assessed the need for a specific internal audit department. The board concluded that H&M's present model of monitoring internal control is the most appropriate for the company. In the board's opinion, this model – which is applied by the central departments such as accounting, communications, security, logistics, production etc. in the subsidiaries – and the work carried out by internal store auditors are well in line with the work performed in other companies by an internal audit department. It was therefore deemed that there was no need for an internal audit department.

The issue of a specific internal audit department will be reviewed again in 2018.

Stockholm, February 2018

The Board of Directors

More information on H&M's corporate governance work can be found in the section on corporate governance at about.hm.com. The next four pages contain information about the board members.





ANDERS DAHLVIG

Board member and member of
the auditing committee

ALEXANDRA ROSENQVIST

Deputy employee representative

INGRID GODIN

Employee representative

ERICA WIKING HÄGER

Board member and member of
the auditing committee

STINA BERGFORS

Board member

NIKLAS ZENNSTRÖM

Board member

About the board members

STEFAN PERSSON

Chairman of the board. Born 1947.

Primary occupation

Chairman of the board of H&M.

Other significant board assignments

Member of the board of MSAB and board assignments in family-owned companies.

Education

Stockholm University and Lund University, 1969–1973.

Professional experience

1976–1982 Country manager for H&M in the UK and responsible for H&M's expansion abroad.
1982–1998 CEO of H&M.
1998– Chairman of the board of H&M.

STINA BERGFORS

Board member. Born 1972.

Primary occupation

Founder of the digital media company United Screens, where Stina works on strategic matters and business development.

Other significant board assignments

Member of the board of INGKA Holding BV. Stina is also involved in the Prince Daniel Fellowship at the Royal Swedish Academy of Engineering Sciences (IVA).

Education

MSc in business administration and honorary doctorate from Luleå University of Technology.

Professional experience

2000–2004 Media strategist OMD Nordics.
2005–2008 CEO of Carat Sverige AB.
2008–2013 Country director for Google and YouTube in Sweden.
2014– Founder and CEO, followed by business development at United Screens.

ANDERS DAHLVIG

Board member and member of the auditing committee. Born 1957.

Primary occupation

Board assignments.

Other significant board assignments

Chairman of Inter IKEA Holding BV and member of the boards of Kingfisher plc, Oriflame SA, Axel Johnson AB, Resurs Bank AB and Pret A Manger.

Education

MSc in business administration, Lund University, 1980 and MA from the University of California, Santa Barbara, 1982.

Professional experience

1983–1993 Various roles within IKEA in Sweden, Germany, Switzerland and Belgium.
1993–1997 Managing director of IKEA UK.
1997–1999 Vice president of IKEA Europe.
1999–2009 President and CEO of IKEA.

LENA PATRIKSSON KELLER

Board member. Born 1969.

Primary occupation

Executive Chairman at branding and communications agency Patriksson Communication AB.

Other significant board assignments

Member of the board of Elite Hotels; chairman of the board of the industry organisation Association of Swedish Fashion Brands (ASFB). Lena is also involved in the Prince Daniel Fellowship at the Royal Swedish Academy of Engineering Sciences (IVA).

Education

Design and marketing at Parsons School of Design in New York and at the American University in London.

Professional experience

1993–1996 Buying & product development at H&M.
1996–1998 Global communications manager, J.Lindeberg.
1999– CEO and later executive chairman, Patriksson Communication AB.

CHRISTIAN SIEVERT

Board member and chairman of the auditing committee. Born 1969.

Primary occupation

CEO of investment company AB Max Sievert.

Other significant board assignments

Member of the board of AB Max Sievert and of the boards of portfolio companies of AB Max Sievert; also member of the board of AB Anders Löffberg.

Education

MSc in business administration from the School of Economics, Stockholm, 1994.

Professional experience

1994–1997 Consultant, Bain & Company, Stockholm and San Francisco.
1997–2003 Investment manager and partner, Segulah.
2003–2013 CEO/managing partner at Segulah.
2013–2014 Partner, Segulah.
2014– CEO of investment company AB Max Sievert.

ERICA WIKING HÄGER

Board member and member of the auditing committee. Born 1970.

Primary occupation

Lawyer and partner at the law firm Mannheimer Swartling since 2009 and chair of Mannheimer Swartling's Corporate Sustainability & Risk Management practice group. Erica is an advisor on commercial law focusing on human rights, working conditions, the environment and anti-corruption, and is a member of the Swedish Bar Association, the New York State Bar Association and the International Association for Privacy Professionals (IAPP).

Other significant board assignments

Member of the board of Stockholm Chamber of Commerce.

Education

Master of Laws from Uppsala University, LL.M. from Harvard Law School in the US and supplementary studies at the University of Oklahoma in the US and Ruprecht-Karls-Universität Heidelberg in Germany.

Professional experience

1994–1995 Acting lecturer in civil law, Uppsala University.
1995–1997 District court service, Sollentuna District Court.
1997–1998 Law clerk, Svea Court of Appeal.
1999–2000 Corporate counsel, Corechange Inc., Boston, USA.
2000–2008 Associate, Mannheimer Swartling.
2009– Partner, Mannheimer Swartling.

NIKLAS ZENNSTRÖM

Board member. Born 1966.

Primary occupation

CEO of venture capital company Atomico, which focuses on fast-growing tech companies, and involved in Zennström Philanthropies, which supports organisations particularly associated with climate change, social entrepreneurship, the Baltic Sea environment and human rights.

Other significant board assignments

Member of the boards of Atomico, Zennström Philanthropies, Farmdrop, Rovio, Orbital Systems and Lilium.

Education

Dual degrees in business administration and engineering physics from Uppsala University.

Professional experience

1991–1994 Product manager, Tele2 AB, Stockholm.
1994–1996 Director of access network, Unisource Voice Services AB, Stockholm.
1996–1997 Director of internet services, Tele2 Danmark A/S, Copenhagen.
1997–2000 Director of internet services, Tele2 Europe ASA, Luxembourg/Amsterdam.
2000–2002 CEO and founder, Kazaa, Amsterdam.
2001–2003 CEO and founder, Joltid, Amsterdam.
2002–2007 CEO and founder, Skype, London.
2007– CEO and founder, Atomico, London.

INGRID GODIN

Employee representative on the H&M board since 2012. Born 1959.

MARGARETA WELINDER

Employee representative on the H&M board since 2007. Born 1962.

RITA HANSSON

Deputy employee representative on the H&M board since 2014. Born 1951.

ALEXANDRA ROSENQVIST

Deputy employee representative on the H&M board since 2015. Born 1976.

**AUDITOR'S STATEMENT ON THE CORPORATE
GOVERNANCE REPORT**

To the Annual General Meeting of H & M Hennes & Mauritz AB (publ),
corporate identity number 556042-7220

Assignment and division of responsibility

We have reviewed the corporate governance report for the financial year 1 December 2016 to 30 November 2017. The corporate governance report is the responsibility of the Board of Directors, which is responsible for the report being prepared in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance report based on our review.

Orientation and scope of review

Our review was conducted in accordance with RevU 16, Auditor's review of the corporate governance report. This means that we planned and performed the audit in order to obtain a reasonable degree of assurance that the corporate governance report is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the information in the corporate governance report. We believe that our audit provides a reasonable basis for our opinion set out below.

Opinion

In our opinion, a corporate governance report has been prepared and its content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 19 February 2018

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Administration report

The board of directors and the chief executive officer of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, hereby submit their annual report and consolidated accounts for the financial year 1 December 2016 to 30 November 2017, hereinafter referred to as the 2017 financial year.

BUSINESS

The H&M group is a design-driven, creative and responsible fashion company guided right from its beginnings in 1947 by strong values based on a fundamental respect for the individual and a belief in people's ability to use their initiative. The business consists mainly of sales of clothing, accessories, footwear, cosmetics, home textiles and home-ware to consumers. The group has eight brands – H&M and H&M Home, COS, & Other Stories, Monki, Weekday, Cheap Monday and ARKET – each of which has its own unique profile and identity. The group's brands complement each other well, and together they offer customers a wide variety of trends and styles at various price points within fashion, beauty, accessories and homeware as well as experiences such as a café offering modern, healthy food. All the brands share the same passion for fashion, quality and best price and all aim to dress customers in a sustainable way, while the broad customer offering allows people around the world to dress in their own personal style.

For each brand there is a design and buying function, in which teams of people from differing backgrounds and with all kinds of experience and skills work together to produce a relevant and inspiring product range for their particular customer group. New technology and advanced data analytics provide increasingly important support for this work, i.e. all the way from product development and developing the product range to how the group interacts with customers. H&M's design and buying function creates its collections centrally in Stockholm, while COS – for example – has its design and buying function in London.

Earnings and financial position

The profit for the year and financial position are commented on in connection with the income statement and balance sheet on pages 75–77.

Increased digitalisation and optimisation of the store portfolio

Increased digitalisation in society is creating new customer behaviour and changing customer expectations. This shift in the industry was accentuated in 2017, with more and more shopping taking place online

– and generally from a mobile. To meet this shift the H&M group has been making digital investments for a number of years, developing among other things e-commerce, new platforms, a more efficient supply chain and advanced data analytics. One of the aims of this investment has been to increasingly integrate the physical stores with e-commerce, so as to be able to offer customers the easiest and most integrated shopping experience possible.

The group sells its products from leased store premises and digitally, i.e. online. At the end of the financial year the group had 69 sales markets, of which 43 are H&M online markets and 13 are store markets operated by franchise partners. COS and Monki have 20 and 19 online markets respectively. Weekday, Cheap Monday and ARKET have 18 online markets, while & Other Stories is present in 15 online markets.

In 2017 a total of 479 (497) stores opened and 91 (70) stores were closed. The total number of physical stores at the end of the 2017 financial year was 4,739 – including 4,288 H&M stores, 231 COS stores, 119 Monki stores, 60 & Other Stories stores, 33 Weekday stores, 3 Cheap Monday stores and 5 ARKET stores. Of the group's total number of stores, 219 were operated by franchise partners. H&M Home is in 332 H&M stores in 46 markets and is also available online in 37 H&M online markets.

Expansion

In 2018 the H&M group plans to open approximately 390 new stores, with a primary focus on emerging markets. Approximately 170 store closures are planned, which is part of the intensified store optimisation being carried out that also includes renegotiations, rebuilds and adjustment of store space to ensure that the store portfolio is the best fit for each market. The net addition of new stores will amount to approximately 220. Most of the new stores in 2018 will be H&M stores, of which 45 will have H&M Home shop-in-shops, while approximately 95 stores will consist of the brands COS, & Other Stories, Monki, Weekday, ARKET and Afound. In 2018 seven standalone H&M Home stores are planned to open. New H&M store markets in 2018 will be Uruguay and Ukraine. Afound's marketplace will be launched during 2018 online in Sweden and with physical stores starting in Sweden.

The online expansion is planned to continue, including into India and – via franchise partners – into Saudi Arabia and the United Arab Emirates. The H&M group has a highly developed online business model, which is being developed further, and the group's online

FIVE YEAR SUMMARY

FINANCIAL YEAR	2017	2016	2015	2014	2013
Sales excluding VAT, SEK m	200,004	192,267	180,861	151,419	128,562
Operating profit, SEK m	20,569	23,823	26,942	25,583	22,090
Operating margin, %	10.3	12.4	14.9	16.9	17.2
Cash flow from current operations per share, SEK*	13.04	14.36	14.54	14.60	14.40
Return on equity, %	26.8	31.2	38.1	41.3	38.4
Equity/assets ratio, %	56.0	62.1	67.6	68.2	68.9
Average number of employees	123,178	114,586	104,634	93,351	81,099

For definition of key figures see page 99.

sales already make up a significant share of total sales in a number of markets. However, the group's growing online sales did not compensate for the reduction in customer footfall in the H&M stores during the year.

The growth target of the H&M group to increase sales in local currencies by 10–15 percent per year with continued high profitability is a long-term target. In view of the H&M group's transformation work to face the major shift in the industry, the company does not expect the growth target to be reached in the current financial year.

Employees

H&M's business is to be characterised by a fundamental respect for the individual, where everyone is of equal value. This applies to everything from fair wages, reasonable working hours and freedom of association to the opportunity to grow and develop within the company. The company's values, which have been in place since the days of H&M's founder, Erling Persson, are based partly on the ability of the employees to use their common sense to take responsibility and use their initiative. Diversity among employees as regards age, gender, ethnicity etc. is a valuable asset for the company.

H&M has grown significantly since its beginnings in 1947 and today has a presence in 69 markets, as well as 19 production offices in 14 countries. At the end of the year the group had more than 171,000 employees. The average number of employees in the group, converted into full-time positions, was 123,178 (114,586), of which 10,100 (8,933) are employed in Sweden.

Of the average number of employees, around 74 percent are women and 26 percent men. Of the positions of responsibility within the company, such as store managers and country managers, women hold 73 percent and men 27 percent of the positions.

EVENTS AFTER THE CLOSING DATE

The group held a Capital Markets Day in Stockholm on 14 February 2018, intended for institutional investors, analysts and the financial media. The Capital Markets Day provided an in-depth picture of how the H&M group will drive growth based on the action plans in place for facing up to the shift in the industry and seizing the opportunities that it creates.

RISKS AND UNCERTAINTIES

Some risks may be due to events in the outside world and affect a certain sector or market, while others are associated with the group's own business. H&M carries out regular risk analysis for both operational and financial risks. Operational risks are mainly associated with the business and the external risks that affect the group. Some can be managed through internal procedures, and in some cases the group can influence the likelihood of a risk-related event occurring. Other risks are determined to a greater extent by external factors. If a risk-related event is beyond the company's control, work is aimed at mitigating the consequences.

There are risks and uncertainties affecting the H&M group that are related to the shift in the industry, fashion, weather conditions, macroeconomics and geopolitical events, sustainability issues, foreign currencies, taxes and various regulations, but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed. A description of H&M's operational and financial risks is given in the following sections, with more detailed information concerning financial risks being given in note 2, Financial risks.

OPERATIONAL RISK

Major shift in the industry

Society is being increasingly influenced by growing digitalisation, as a result of which many sectors such as the retail trade are undergoing significant structural changes – a shift in the industry, with rapidly changing customer behaviour. H&M sees many opportunities arising from this shift since the group has the capacity and the resources to seize these, but there are also risks for those that are not fast and agile enough during this transitional period. Since more and more shopping is taking place online, mainly via mobiles, the shift is bringing challenges for physical retail stores throughout the sector. The H&M group is therefore integrating its physical stores more and more with its online store, to make shopping as smooth and easy for the customer as possible. This shift also means that the competitive landscape is being redefined, with new operators coming in and profitability in the industry being squeezed by the fierce competition.

Reputational risk

As one of the world's leading fashion companies H&M attracts great interest and is constantly in the spotlight. To safeguard and manage the brands it is important that the H&M group continues to be developed and run according to its strong values, which are characterised by high business ethics.

It is of the utmost importance that the H&M group lives according to the high aims set out in its policies and guidelines on business ethics and has good knowledge, insight and procedures in respect of the production of its products. Should the H&M group fail in this regard, there is a risk that the group's reputation and brands could be damaged. Accurate, transparent and reliable communication can prevent occurrences of reputational risk, and can also help mitigate the consequences of any incidents.

Fashion

Operating in the fashion industry is a risk in itself. Fashion has a limited shelf-life and there is always a risk that some part of the collections will not be sufficiently commercial, i.e. will not be well received by customers. Fashion purchases are often emotional and may therefore be negatively affected by unforeseen geopolitical and macroeconomic events.

Within each concept it is important to have the right volumes and the right balance in the mix between fashion basics and the latest trends. In summary, each collection must achieve the best combination of fashion, quality, price and sustainability.

To optimise fashion precision, the group buys items on an on-going basis throughout the season. Fashion is becoming increasingly global, but shopping patterns vary between different markets and sales channels. The start of a season and the length of that season can vary from country to country, for example. Delivery dates and product volumes for the various markets and channels are therefore adjusted accordingly.

Weather

The H&M group's products are purchased for sale based on normal weather patterns. Deviations from normal weather conditions affect sales. This is particularly true at the transition between two seasons, such as the transition from summer to autumn or from autumn to winter. If the autumn is warmer than usual it may have a negative effect on sales of weather-related garments in particular, such as outerwear and chunky knitwear.

Negative macroeconomic changes and geopolitical risks

One or more markets may be affected by events that have a negative effect on the macroeconomic situation or geopolitical environment in the country. These changed macroeconomic or geopolitical circumstances, such as political instability and sudden negative events in one or more countries, may result in rapid changes in the business environment and in economic downturn, which is likely to change consumer purchasing behaviour and thus negatively impact the group's sales.

Uncertainties also exist concerning how external factors such as foreign currencies (see below), raw materials prices, transport costs and suppliers' capacity will affect buying costs for the group's products. There are also risks associated with social tensions in sourcing markets, which may lead to instability for the suppliers and in manufacturing and deliveries.

The group therefore needs to monitor such changes closely and have strategies in place to deal with fluctuations as advantageously as possible for both the company and external stakeholders.

For a description of risks related to sustainability see the sustainability report on pages 70–73.

FINANCIAL RISKS**Foreign currencies**

Nearly half of the group's sales are made in euros, while the most significant currencies for the group's purchasing are the US dollar and the euro. Fluctuation in the US dollar's exchange rate against the euro is the single largest foreign currency transaction exposure for the group. Large and rapid exchange rate fluctuations, particularly as regards the USD as a sourcing currency, may also have a significant effect on purchasing costs – even if this may be regarded as relatively competition-neutral over time. To hedge flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, payments for the group's flows of goods – i.e. the group's purchases of goods and in the majority of cases also the corresponding foreign currency inflows from the sales companies to the central company H & M Hennes & Mauritz GBC AB – are hedged under forward contracts on an ongoing basis.

In addition to the effects of transaction exposure, translation effects also impact the group's results. These effects arise due to changes in exchange rates between the local currencies of the various foreign sales companies and the Swedish krona compared to the same period the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but when converted into SEK may increase if the Swedish krona has weakened or decrease if the Swedish krona has strengthened.

Translation effects also arise in respect of the group's net assets on consolidation of the foreign sales companies' balance sheets. No exchange rate hedging (known as equity hedging) is carried out for this risk. For more information on currency hedging see note 2, Financial risks.

Trade intervention

Purchasing costs may be affected by decisions at a national level on export/import subsidies, customs duties (see more in section Taxes), textile quotas, embargoes, etc. The effects primarily impact customers and companies in individual markets. Global companies with operations in many countries are affected to a lesser extent, and among global corporations trade interventions may be regarded as largely competition-neutral.

Related party customs valuation continues to attract attention at a global, regional and national level, from both authorities and importers such as H&M. It will therefore continue to be important for H&M to proactively monitor and manage future developments in this area. The fact is that customs authorities around the world are not taking a consistent approach to the assessment of pricing between related parties, despite the fact that the rules on customs valuation are based on the same global customs valuation rules.

Taxes

For multinational companies today's global environment involves complex tax risks, such as the risk of double taxation and tax disputes. As a large global company, H&M closely monitors developments in the field of tax. H&M is present in many countries and through its operations contributes to the community via various taxes and levies such as corporate tax, customs duties, income taxes and indirectly via VAT on the clothes sold to consumers.

H&M complies with national and international tax legislation, and always pays taxes and levies in accordance with local laws and regulations in the countries where H&M operates. H&M's tax policy, which can be found at about.hm.com, reflects and supports H&M's business. H&M follows the OECD Transfer Pricing Guidelines, which means that profits are allocated and taxed where the value is created. H&M is ISO certified for direct taxation and transfer pricing.

H&M works continually to ensure that its tax strategy is designed to limit any distortion arising from differences in tax legislation in different parts of the world.

The OECD guidelines on transfer pricing can be interpreted in various ways, and consequently tax authorities in different countries may question the outcome of H&M's transfer pricing model even though the model complies with the OECD guidelines. This may mean a risk of tax disputes in the group in the event that H&M and the local tax authorities interpret the guidelines differently.

ARTICLES OF ASSOCIATION, ANNUAL GENERAL MEETING

According to H&M's articles of association, H&M's board is to consist of at least three but no more than twelve members elected by the AGM and no more than the same number of deputies. The annual general meeting decides the exact number of board members, and which individuals are to be elected to the board. Board members are elected for the period until the end of the next annual general meeting. The annual general meeting also decides on amendments to the articles of association.

NUMBER OF SHARES ETC.

At the end of the financial year H&M had 269,045 shareholders. The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares (ten votes per share) and 1,460,672,000 are class B shares (one vote per share). Class A shares are not listed. Class B shares are listed on the Stockholm stock exchange, Nasdaq Stockholm.

Ramsbury Invest AB holds all 194,400,000 class A shares, which represent 57.1 percent of the votes, as well as 439,923,449 class B shares, representing 12.9 percent of the votes. This means that as of 30 November 2017, Ramsbury Invest AB represents 70.0 percent of the votes and 38.3 percent of the total number of shares. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

There are no restrictions on voting rights or authorisations to the board relating to the issue or acquisition of the company's own shares.

CORPORATE GOVERNANCE REPORT

H&M has elected to present its corporate governance report as a separate document to the annual report in accordance with Chapter 6 § 8 of the Swedish Annual Accounts Act. The corporate governance report is available at about.hm.com and on pages 50–64 of the annual report.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The annual general meeting held on 10 May 2017 adopted the following guidelines for remuneration of senior executives.

The board considers it of the utmost importance that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. The board's proposed remuneration is in the best interests of the company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed senior executives.

Guidelines for remuneration of senior executives were re-examined in conjunction with the review of the organisation and its composition carried out in 2016. Below are the board's proposed new guidelines for senior executives, which in addition to the CEO include members of the executive management team and those responsible for other group-wide functions; overall, this amounts to nearly 20 individuals. The guidelines are based on industry comparisons.

Senior executives shall be compensated at what are considered by the company to be competitive market rates. The criteria used to set levels of compensation shall be based partly on the significance of the duties performed and partly on the employee's skills, experience and performance. Over time, the largest portion of the total remuneration shall consist of the fixed salary. The forms of compensation shall motivate senior executives to do their utmost to ensure the good financial and sustainable development of the H&M group.

The total annual remuneration may consist of the following components:

- fixed basic salary
- short-term variable remuneration
- long-term variable remuneration
- pension benefits
- other benefits

Fixed basic salary

Senior executives shall have a fixed basic cash salary that is at a market level based on each position's significance for the company as a whole. The basic salary shall reflect the individual's area of responsibility, skills and experience and requires the individual to work in a committed manner at a high professional level.

Variable remuneration

There shall be a clear link between the level of variable remuneration paid and the H&M group's financial and sustainable development. From time to time, therefore, senior executives are entitled to variable remuneration that depends on the fulfilment of targets – which include group-wide financial targets such as pre-set targets for profits and sales, sustainability targets, and individual targets within that person's area of responsibility. The targets are aimed at promoting H&M's development in both the short and the long term.

At individual level it is the position's significance and opportunity to influence the overall development of the group that decides the

level of the variable remuneration. The CEO decides the maximum possible outcome for each position, but always within the framework of these guidelines. Variable remuneration is not paid if the individual has given notice to terminate his/her employment.

The variable remuneration may consist of:

Short-term variable remuneration, which is the possibility of a cash payment provided that the target criteria that were set in advance for both the group and the individual have been fulfilled. Half of the payment shall be invested in H&M shares that must be held for at least three years. Short-term variable remuneration must never exceed the fixed basic salary for each individual.

Long-term variable remuneration, which is based on performance relative to set targets, but is also conditional upon the senior executive remaining employed within the H&M group for at least five years. The board's reasoning is – in view of H&M's strong expansion and the important stage of development that H&M is at, including within multi-brand and omni-channel developments – to ensure that these key individuals in senior positions remain with the H&M group during this important development phase. The five-year rule applies with effect from the year that the annual general meeting adopted this rule, which was at the annual general meeting in spring 2014 (when it was referred to as supplementary guidelines), up to and including the month of May five years later, i.e. in 2019. At individual level, the remuneration may vary between SEK 0.5 m and SEK 5 m net after tax; the exact distribution per individual will be decided by the CEO and the chairman of the board. The total cost to the group is estimated at around SEK 30 m per year including social security costs over five years.

In addition to this, in a few cases senior executives may, at the discretion of the CEO and the chairman of the board, receive one-off payments of up to an extra year's fixed basic salary. Discretionary one-off amounts may also be paid to other key individuals.

Pension benefits

By far the majority of senior executives are covered by a premium-based pension plan, in addition to the ITP plan. Other than the ITP plan, no defined benefit pension plans have been taken out for senior executives since 2005. The retirement age for senior executives varies between 60 and 65 years. The cost of these commitments is partly covered by separate insurance policies.

Other benefits

Senior executives receive other benefits such as healthcare and car allowances. Senior executives are also entitled to the benefits accruing under the profit-sharing programme known as the H&M Incentive Program, which is for all employees of the H&M group.

Information concerning the CEO

The retirement age for the CEO is 65. The CEO is covered by the ITP plan and a defined contribution plan. The total pension cost shall amount in total to 30 percent of the CEO's fixed basic salary. The CEO is entitled to 12 months' notice. In the event that the company cancels the CEO's employment contract, the CEO will also receive severance pay of an extra year's salary.

The board of directors sets the CEO's total remuneration. The CEO is not included in the long-term variable remuneration, i.e. what was previously referred to as supplementary guidelines.

Other

The period of notice for senior executives varies from three to twelve months.

The board of directors may deviate from the guidelines for remuneration of senior executives in individual cases where there is a particular reason for doing so.

Where a board member performs work for the company in addition to his or her board work, a separate fee may be paid for this. This also applies if the work is performed by a company wholly or partly owned by the board member.

THE BOARD'S PROPOSALS TO THE 2018 AGM FOR GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The board considers it of the utmost importance that senior executives are paid competitive remuneration at a market level, as regards both fixed and variable compensation, based on responsibilities and performance. The board's proposed remuneration is in the best interests of the company and its shareholders from a growth perspective, since it helps motivate and retain talented and committed senior executives.

The board is proposing the following guidelines for remuneration of senior executives to the annual general meeting on 8 May 2018. The guidelines basically accord with the guidelines adopted at the 2017 annual general meeting.

In addition to the CEO, the board's proposed new guidelines for senior executives cover members of the executive management team and those responsible for other group-wide functions; overall, this amounts to nearly 20 individuals. The guidelines are based on industry comparisons.

Senior executives shall be compensated at what are considered by the company to be competitive market rates. The criteria used to set levels of compensation shall be based partly on the significance of the duties performed and partly on the employee's skills, experience and performance. Over time, the largest portion of the total remuneration shall consist of the fixed salary. The forms of compensation shall motivate senior executives to do their utmost to ensure the good financial and sustainable development of the H&M group.

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There shall be a clear link between the level of variable remuneration paid and the H&M group's financial and sustainable development. From time to time, therefore, senior executives are entitled to variable remuneration that depends on the fulfilment of targets – which include group-wide financial targets such as pre-set targets for profits and sales, sustainability targets, and individual targets within that per-

son's area of responsibility. The targets are aimed at promoting H&M's development in both the short and the long term.

At individual level it is the position's significance and opportunity to influence the overall development of the group that decides the level of the variable remuneration. The CEO decides the maximum possible outcome for each position, but always within the framework of these guidelines. Variable remuneration is not paid if the individual has given notice to terminate his/her employment.

The variable remuneration may consist of:

Short-term variable remuneration, which is the possibility of a cash payment provided that the target criteria that were set in advance for both the group and the individual have been fulfilled. Half of the payment shall be invested in H&M shares that must be held for at least three years. Short-term variable remuneration must never exceed the fixed basic salary for each individual.

Long-term variable remuneration, which is based on performance relative to set targets, but is also conditional upon the senior executive remaining employed within the H&M group for at least five years. The board's reasoning is – in view of H&M's strong expansion and the important stage of development that H&M is at, including within multi-brand and omni-channel developments – to ensure that these key individuals in senior positions remain with the H&M group during this important development phase. The five-year rule applies with effect from the year that the annual general meeting adopted this rule, which was at the annual general meeting in spring 2014 (when it was referred to as supplementary guidelines), up to and including the month of May five years later, i.e. in 2019. At individual level, the remuneration may vary between SEK 0.5 m and SEK 5 m net after tax; the exact distribution per individual will be decided by the CEO and the chairman of the board. The total cost to the group is estimated at around SEK 30 m per year including social security costs over five years.

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The period of notice for senior executives varies from three to twelve months.

The board of directors may deviate from the guidelines for remuneration of senior executives in individual cases where there is a particular reason for doing so.

Where a board member performs work for the company in addition to his or her board work, a separate fee may be paid for this. This also applies if the work is performed by a company wholly or partly owned by the board member.

FINANCING

As of 30 November 2017, the group had SEK 9,745 m (2,068) in loans from credit institutions with a term of up to 12 months, with an average term of 8 months. Loans from credit institutions within the Nordic countries amounted to SEK 9,320 m (2,000), with interest rates of between 0.00 and 0.072 percent. Loans from credit institutions outside the Nordic countries amounted to SEK 425 m (68), with interest rates of between 8.75 and 16.00 percent. The group's strategy is to mainly centralise funding, which is then distributed within the group via loans to subsidiaries. In some of H&M's sales markets local rules and currency restrictions make it more favourable for the group to use local funding.

As previously communicated, the H&M group signed a five-year revolving credit facility (RCF) of EUR 700 m during the first quarter 2017, with an option to extend for a further two years. The RCF has not yet been drawn down and serves as the group's liquidity reserve.

The strong credit profile of the H&M group enables cost-effective financing. To increase financing flexibility and cost-effectiveness, the group continuously reviews opportunities to complement this with other sources of funding on the credit market.

Capital structure

The H&M group advocates a conservative leverage ratio, aiming for a strong capital structure with strong liquidity and financial flexibility. It is essential that, as in the past, expansion and investments can proceed with continued freedom of action.

The capital structure is defined as net debt in relation to EBITDA. Over time, this should not exceed 1.0 x EBITDA.

DIVIDEND POLICY AND PROPOSED DIVIDEND

The board of directors' intention is to provide shareholders with a continued good return while ensuring that, as in the past, expansion and investments can proceed with a continued strong financial profile and freedom of action. Based on this, the board of directors has agreed a dividend policy stating that the total dividend should exceed 50 percent of profit after tax, yet taking into consideration the capital structure target. The dividend will be paid in two instalments – one in the spring and one in the autumn.

The board of directors has decided to propose an unchanged cash dividend of SEK 9.75 per share (9.75) to the annual general meeting on 8 May 2018, corresponding to 99.7 percent (86.6) of the group's profit after tax. The dividend is to be paid in cash, split into two instalments – one in May and one in November.

The record date proposed for the first payment of SEK 4.90 is 11 May 2018. This would then be paid out on 16 May 2018. The record date

proposed for the second dividend payment of SEK 4.85 is 13 November 2018. This would then be paid out on 16 November 2018.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the annual general meeting	SEK 16,182,717,249
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The board of directors proposes a dividend of SEK 9.75 per share	SEK 16,136,952,000
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To be carried forward as retained earnings	SEK 45,765,249
	SEK 16,182,717,249

The board of directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position and continued freedom of action of the group and the parent company, and taking into consideration the capital structure target and the requirements that the nature and extent of the business, its risks and expansion and development plans impose on the group's and the parent company's equity and liquidity.

Sustainability report in accordance with the annual accounts act

With effect from financial years beginning after 31 December 2016, all companies of a certain size are to produce a sustainability report in accordance with Chapter 6 §§ 10–14 of the Annual Accounts Act. The H&M group has decided to apply this legislation in advance and has prepared a sustainability report for the financial year from 1 December 2016 to 30 November 2017.

The sustainability report must contain the disclosures on sustainability that are required in order to gain an understanding of the company's development, position and results and the consequences of the operations, including information on issues concerning the environment, social conditions, human resources, respect for human rights and anti-corruption measures. The report was submitted to the company's auditor along with the annual report. As previously, H&M also prepares sustainability reporting in accordance with GRI, which is published on the company's website.

Sustainability strategy of the H&M group

Sustainability is a key part of the H&M group's success, both today and even more so in the future. The group's vision is to lead the change towards a circular and renewable fashion industry while being a fair and equal company. To achieve this vision, the H&M group uses its size and scale and, together with a broad range of external and internal experts, has developed an ambitious strategy.

The strategy is built on three key ambitions:

100% LEADING THE CHANGE

- Promote and scale innovation
- Drive transparency
- Reward sustainable actions

100% CIRCULAR & RENEWABLE

- A circular approach to how products are made and used
- Use only recycled or sustainably sourced materials
- Use only renewable energy in the value chain

100% FAIR & EQUAL

- Fair jobs
- Stewards for diversity and inclusiveness

The vision and strategy apply to all brands in the H&M group. To fulfil this vision and lead systemic change across the industry, the group's work is not limited to its own operations but spans the entire value chain including:

- Design
- Choice and development of raw materials
- Suppliers of materials and products – the H&M group works with 751 independent suppliers and their 1,668 factories employing about 1.6 million people
- Transport
- 4,739 stores in 69 markets as well as online trading
- The user phase of the products, including impacts resulting from garment care and the products' end of life

Outlined below are key elements of the H&M group's sustainability strategy, related policies, governance and results, as well as risks and opportunities addressed. For a full overview, see the Sustainability Report at sustainability.hm.com. The Sustainability Report for 2017 will be published in April 2018.

For further details of the policies mentioned below visit sustainability.hm.com.

Risks and opportunities

By implementing the sustainability strategy, the H&M group is responding to some of the most critical risks for the industry – while also uncovering new business opportunities. Key risks addressed include the growing scarcity of natural resources, climate change and its consequences, reputational risk, corruption, potential political and societal instability in the sourcing markets as well as specific or local salient human rights issues identified in line with the UN Guiding Principles for Business and Human Rights (see the Sustainability Report for further details). The H&M group is convinced that moving towards this vision will create even stronger relationships with customers and colleagues, as well as with business partners, their employees and the group's many other stakeholders. This will help identify innovative ways to make and bring fashion and design to customers, drive the development of new materials and give the group early access to these – ultimately building an important foundation for successful business in the decades to come.

Governance and general follow-up procedures

To drive long-term change throughout the value chain, sustainability plays an integral role across the different functions within the H&M group.

Reporting directly to the CEO, the Head of Sustainability is responsible for the implementation of the sustainability vision and strategy together with the executive management team. Twice a year, following review by the CEO, CFO and Head of Sustainability, the Head of Sustainability reports sustainability performance to the board of directors.

All the functions within the H&M group set their own sustainability goals based on the group's vision and strategy, and are followed up on these goals at least annually.

This is part of the group's Change-Making Programme, which brings together goals, roadmaps, standards and follow-up methods, all work-

ing to put the vision and strategy into practice while leaving room for locally-tailored implementation and activities. This approach helps to make sustainability a relevant part of everyone's daily working life.

ENVIRONMENT: CIRCULAR & RENEWABLE**Circular***Strategy and policy*

The fashion industry today largely depends on natural resources such as cotton or other cellulosic fibres, as well as oil-based fibres like polyester. With a growing global population and limited planetary boundaries, there is a risk that these resources will become increasingly scarce. Moving towards a circular model seeks to decouple future growth from resource use while accelerating innovation, more efficient operations and other business opportunities.

This is why the H&M group has set out the vision to become 100 percent circular. It means building circularity into every stage of the value chain. In the shift from a linear to a circular model, the focus is on four key processes: design, material choice, production processes and prolonging the lifespan of products.

- Recycled or other sustainably sourced materials, with the goal to have 100 percent more sustainable cotton by 2020 and 100 percent recycled or other sustainably sourced materials by 2030 (commercial goods).
- The Sustainability Commitment, which is signed by all business partners, covers animal welfare and material ethics among other things.
- The water management strategy, developed together with WWF, focus on issues related to the responsible use of water along the value chain.
- The H&M group bans or limits chemicals considered as hazardous in the production of all its products by means of the H&M Chemical Restrictions, which all its business partners are committed to comply with.
- The Manufacturing Restricted Substances List (MRSL) focuses on chemical use in factories. The Restricted Substances Lists (RSL) is focused on chemicals found in finished products.
- The H&M group collects old clothes and home textiles, from any brand and in any condition, for reuse and recycling on a global scale with the goal of collecting 25,000 tonnes annually by 2020.

Renewable energy

Climate change is one of the greatest challenges of our time. Its consequences will affect the entire planet and everyone living on it – making it a key risk to many industries, including fashion. The H&M group has decided to make a bold commitment by setting the goal of becoming climate positive across the entire value chain by 2040 – at the latest. In short, this means removing more greenhouse gas emissions from the atmosphere than the value chain emits. To reach this goal, three key priorities have been established: leadership in energy efficiency, 100 percent renewable energy, and climate resilience and carbon sinks.

- The H&M group is committed to reducing the amount of energy used at every stage of the value chain, with the goal of reducing electricity intensity in stores by 25 percent by 2030 compared to 2016 and having 100 percent of supplier factories enrolled in energy efficiency programmes by 2025.
- The H&M group is committed to maximising the use of renewable and sustainable energy in its value chain, with the goal of sourcing 100 percent renewable energy in its own operations and working closely with government bodies and other stakeholders to push pro-

KPI	GOAL	2017	2016	2015
Recycled or other sustainably sourced materials % of total material use (commercial goods)	100% by 2030	35%	26%	20%
% of cotton from more sustainable resources (certified organic, recycled and Better Cotton)*	100% by 2020	59%	43%	34%
Tonnes of garments collected through garment collecting initiative*	25,000 t per year by 2020	17,771 t	15,888 t	12,341 t
% of renewable electricity in own operations*	100%	96%	96%	78%
% change in CO ₂ emissions from own operations compared with previous year (scope 1+2**)*	Climate positive supply chain by 2040	-21%	-47%	-56%
% change in electricity intensity (use kwh/m ² per opening hour compared to 2016; comparable stores with available energy data)*	-25% by 2030	-2.7%	n/a	n/a

Indicators marked * have been reviewed by the company's auditors.

** Scope 1 and 2 are direct and indirect emissions of greenhouse gases from the group's own operations.

KPI	GOAL	2017	2016	2015
% employees agreeing with the statement "People here are treated fairly regardless of age, ethnicity, sex, sexual orientation and disabilities"	Annual increase	90%	90%	90%
Number of supplier factories (% of production volume) using the Fair Wage method	50% of production volume by 2018	227 (40%)	140 (29%)	69
Number of supplier factories (% of production volume) enrolled in workplace dialogue training	50% of production volume by 2018	458 (52%)	290 (42%)	
% of commercial business partners that regard the H&M group as a fair business partner	90% by 2018	94%	83%	84%

gress in renewable energy access in production markets. Suppliers are also encouraged to build their own renewable energy capacity.

- The H&M group is committed to strengthening the planet's natural systems so that they can better support ecosystems and climate stability, and is exploring different kinds of carbon sinks.

Follow-up procedures and results

Business partners must sign the Sustainability Commitment before any order is placed. This sets out fundamental requirements as well as aspirational ambitions for business partners in the areas of healthy workplaces, healthy ecosystems (including impact on climate and air quality, impact on water resources, use of chemicals, waste, re-use and recycling, conservation of species and natural habitats) and animal welfare. Compliance with the fundamental requirements and performance against aspirational ambitions are followed up regularly through the Sustainable Impact Partnership Programme (SIPP), which is integrated into regular supplier reviews and thereby works to provide better business opportunities for better sustainability performance.

SOCIAL CONDITIONS AND EMPLOYMENT: FAIR & EQUAL

Strategy and policy

The H&M group believes that everyone should be treated in a fair and equal way. As a global business, however, the group has operations and suppliers in countries where there is a risk of human rights violations. The group has therefore set out the vision of being a 100% Fair & Equal company. In short, this means making sure that the company's values as well as respect for human rights are upheld and promoted –

both within the H&M group and across the supply chain. The group's ambition has two focus areas: fair jobs and stewardship of diversity and inclusiveness.

- A set of specific policies guides the work as an addition to the group's corporate values, such as the H&M group's Global Compensation and Benefit Policy, Health and Safety Policy and the Employee Relations Policy, as well as the framework agreement with UNI Global Union.
- Although the H&M group does not own any factories or set factory wages, the group is working to make sure everyone in the textile industry has a fair job. While monitoring compliance in suppliers' factories, the H&M group invests in creating systematic improvements for the entire industry with a focus on two closely interlinked areas:
 - Well-functioning industrial relations are the best foundation for achieving and monitoring good working conditions and fair living wages in the textile industry. The H&M group has signed a global framework agreement with IndustriALL Global Union and other relevant stakeholders. The strategy is based on developing functional workplace dialogue systems at factory level, as well as advancing industrial relations systems in sourcing markets. The goal is to have workplace dialogue programmes at supplier factories covering 50 percent of the production volume by 2018.
 - Closely connected to this work, the H&M group has developed a fair living wage roadmap, working to improve wages for garment workers systematically by getting supplier factories to implement dedicated wage management systems, working with governments to create the necessary legal frameworks and working with other

brands and partners to establish a common approach for responsible purchasing practices. The goal is for supplier factories covering 50 percent of the production volume to have implemented wage management systems that support Fair Living Wages by 2018.

- By acting as stewards of diversity and inclusiveness, the H&M group is helping to safeguard everyone's right to equal treatment and lack of discrimination. This is manifested, for example, in the company's Global Policy on Diversity, Inclusiveness and Equality. To further support the work on diversity and inclusiveness the H&M group has appointed a global leader for these issues.

Follow-up procedures and results

- The H&M group conducts internal audits to assess the implementation of its policies.
- The H&M group conducts annual employee surveys.
- Business partners sign the Sustainability Commitment before any kind of order is placed. This sets out fundamental requirements and aspirational ambitions for the company's business partners in the areas of healthy workplaces and healthy ecosystems (including health and safety, discrimination, diversity and equality, recognised employment, fair living wages and benefits, working hours, freedom of association and collective bargaining, child labour and young workers, as well as forced, bonded, prison and illegal labour). Compliance with the fundamental requirements and performance against aspirational ambitions are followed up regularly through the Sustainable Impact Partnership Programme (SIPP), which is integrated into regular supplier reviews and thereby works to provide better business opportunities for better sustainability performance.

HUMAN RIGHTS

Strategy and policy

The H&M group considers respect for human rights a fundamental part of a successful business. As stated in its Human Rights Policy, the company recognises its responsibility to respect human rights and hence the need to integrate this perspective across the operations and in all relevant activities. This means that the group needs to understand the risks and impacts on human rights, and to seek ways to prevent, mitigate and remediate these impacts.

- The H&M group's approach to human rights is based on the UN Guiding Principles on Business and Human Rights (UNGP). The company's Human Rights Policy applies to all entities within the H&M group.
- The H&M group has a recurring process for identifying and reviewing salient human rights issues.
- All the company's functions perform an annual sustainability risk assessment that includes human rights.
- A due diligence process that includes human rights is conducted prior to entering into a new contract with a business partner.
- All new markets (retail and production) are assessed on human rights, as are new materials, processes and products.
- Human rights training is given to relevant staff covering basic human rights, the company's responsibilities as per the UN Guiding Principles, due diligence and how to analyse and handle cases, situations and incidents with a human rights impact.

Issue-specific follow-up procedures

When an incident occurs, the group has a systematic approach to analysing the company's responsibilities according to the UNGP and taking appropriate measures.

ANTI-CORRUPTION

Strategy and policy

Corruption is a risk in many of the markets in which the H&M group and its suppliers operate. Acting with respect and integrity is an unquestionable rule within the company. Both are intrinsic to the company's values. The company has a strong anti-corruption programme in place, with a focus on preventing corruption.

- The H&M group's Code of Ethics outlines the group's expectations concerning business conduct with integrity, including a zero tolerance policy towards any form of corruption or bribery.
- All employees in contact with business partners must sign the Code of Ethics when employed.
- It is mandatory for all the H&M group's business partners to sign the Code of Ethics.
- Risk of corruption is included in due diligence process for all new business partners. The company's risk assessments for corruption focus on levels of risk defined by country, industry and position/function.
- Once the level of risk has been ascertained, short- and long-term goals are set to help mitigate the risk. The group annually maps the biggest risks of corruption in its organisation, and uses the results to allocate resources in the best way.
- Training is provided for employees and prioritised business partners.

Follow-up procedures and results

- All violations against the company's Code of Ethics will be addressed and might lead to termination of business relationship or employment.
- Number of violations against the Code of Ethics are tracked and reported yearly to CEO, CFO and board of directors as well as externally.
- Internal audits are performed to ensure compliance with the Code of Ethics.
- Business partners and employees can make use of the company's open-door policy, complaint procedure and whistleblowing policy to report cases.
- During 2017 there were 27* confirmed incidents of non-compliance that led to terminations and/or written warnings.

Indicators marked * have been reviewed by the company's auditors.

Group income statement

SEK M 1 DECEMBER - 30 NOVEMBER	2017	2016
Sales including VAT	231,771	222,865
Sales excluding VAT, note 3, 4	200,004	192,267
Cost of goods sold, note 6, 8	-91,914	-86,090
GROSS PROFIT	108,090	106,177
Selling expenses, note 6, 8	-80,427	-75,729
Administrative expenses, note 6, 8, 9	-7,094	-6,625
OPERATING PROFIT	20,569	23,823
Interest income and similar items	281	224
Interest expense and similar items	-41	-8
PROFIT AFTER FINANCIAL ITEMS	20,809	24,039
Tax, note 10	-4,625	-5,403
PROFIT FOR THE YEAR	16,184	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*	9.78	11.26
Number of shares, thousands*	1,655,072	1,655,072

* Before and after dilution.

Consolidated statement of comprehensive income

SEK M 1 DECEMBER - 30 NOVEMBER	2017	2016
PROFIT FOR THE YEAR	16,184	18,636
Other comprehensive income		
<i>Items that are or may be reclassified to profit or loss</i>		
Translation differences	-1,496	1,186
Change in hedging reserves, note 19	-179	-578
Tax attributable to change in hedging reserves	39	139
<i>Items that have not been and will not be reclassified to profit or loss</i>		
Remeasurement of defined benefit pension plans, note 18	78	-78
Tax related to the above remeasurement	-19	19
OTHER COMPREHENSIVE INCOME	-1,577	688
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,607	19,324
All comprehensive income is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		

COMMENTS ON THE GROUP INCOME STATEMENT

Sales including VAT in the financial year 2016/2017 increased by 4 percent and amounted to SEK 231,771 m (222,865). In local currencies, sales increased by 3 percent.

Profit during the year was negatively affected by the weak sales development in the physical stores of the H&M brand. This is mainly due to the transition in the industry, in which sales are increasingly taking place online but where the group's online sales do not yet compensate for the reduced footfall to stores resulting from the great shift in the industry.

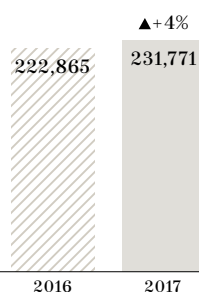
In 2017 H&M's online store was opened in further eight new markets: Turkey, Taiwan, Hong Kong, Macau, Singapore, Malaysia, Cyprus and the Philippines, all of which have had a good start. The H&M online store is currently available in 44 markets, including Kuwait which opened in December 2017. Five new H&M store markets were opened in 2017: Kazakhstan, Colombia, Iceland, Vietnam and Georgia, all of which have had a good start.

Tax

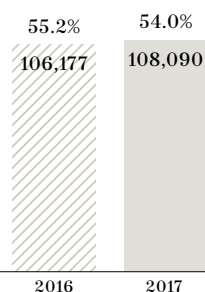
The H&M group's final tax rate for the 2016/2017 financial year was 22.2 (22.5) percent. The final tax rate for the year depends on the results of the group's various companies and the corporate tax rates in each country and any additional taxes relating to previous years.

SALES INCLUDING VAT

SEK M

**GROSS PROFIT AND GROSS MARGIN**

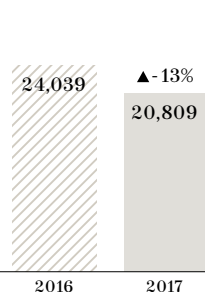
SEK M

**SELLING AND ADMINISTRATIVE EXPENSES**

SEK M

**PROFIT AFTER FINANCIAL ITEMS**

SEK M

**TOP TEN SALES MARKETS**

	2017	2016	CHANGE IN %		30 NOV - 17	2017
	SEK M INC. VAT	SEK M INC. VAT	SEK	LOCAL CURRENCY	NUMBER OF STORES	NEW STORES (NET)
Germany	36,789	37,174	-1	-3	463	4
USA	27,807	26,874	3	2	536	68
UK	14,580	15,058	-3	3	292	11
France	13,658	13,559	1	-1	240	2
China	11,030	10,842	2	3	506	62
Sweden	10,284	10,151	1	1	172	-4
Italy	9,180	9,081	1	-1	175	9
Spain	8,140	7,894	3	1	175	6
Netherlands	7,484	7,898	-5	-7	145	0
Norway	6,120	5,926	3	1	128	1
Others*	86,699	78,408	11	8	1,907	229
Total	231,771	222,865	4	3	4,739	388
* Of which franchises	4,947	4,808	3	-2	219	31

Group balance sheet

SEK M 30 NOVEMBER	2017	2016
ASSETS		
FIXED ASSETS		
Intangible fixed assets		
Brands, note 11	18	66
Customer relations, note 11	8	20
Leasehold and similar rights, note 11	592	630
Capitalised development expenditure, note 11	6,361	4,567
Goodwill, note 11	64	64
	7,043	5,347
Property, plant and equipment		
Buildings and land, note 12	824	850
Equipment, tools, fixture and fittings, note 12	38,994	37,843
	39,818	38,693
Other fixed assets		
Long-term receivables	1,039	1,014
Deferred tax receivables, note 10	2,916	2,862
	3,955	3,876
TOTAL FIXED ASSETS	50,816	47,916
CURRENT ASSETS		
Stock-in-trade, note 14	33,712	31,732
Current receivables		
Accounts receivable, note 19	5,297	4,881
Tax receivables	2,375	–
Other receivables	1,874	2,533
Prepaid expenses, note 15	2,770	2,071
	12,316	9,485
Cash and cash equivalents, note 16	9,718	9,446
TOTAL CURRENT ASSETS	55,746	50,663
TOTAL ASSETS	106,562	98,579

SEK M 30 NOVEMBER	2017	2016
EQUITY AND LIABILITIES		
EQUITY		
Share capital, note 17	207	207
Reserves	1,015	2,651
Retained earnings	58,491	58,378
TOTAL EQUITY	59,713	61,236
LIABILITIES		
Long-term liabilities		
Provisions for pensions, note 18	445	527
Deferred tax liabilities, note 10	5,331	4,898
Other interest-bearing liabilities, note 13, 22	350	213
	6,126	5,638
Current liabilities		
Accounts payable	7,215	7,262
Tax liabilities	918	434
Liabilities to credit institutions, note 22	9,745	2,068
Other interest-bearing liabilities, note 13, 22	125	59
Other liabilities	3,672	5,036
Accrued expenses and prepaid income, note 20	19,048	16,846
	40,723	31,705
TOTAL LIABILITIES	46,849	37,343
TOTAL EQUITY AND LIABILITIES	106,562	98,579

COMMENTS ON THE GROUP BALANCE SHEET

The H&M group remains in a strong financial position. The equity/assets ratio was 56.0 percent (62.1) and the share of risk-bearing capital was 61.0 percent (67.1).

Shareholders' equity apportioned on the outstanding 1,655,072,000 (1,655,072,000) shares as of 30 November 2017 was SEK 36.08 (37.00).

Stock-in-trade

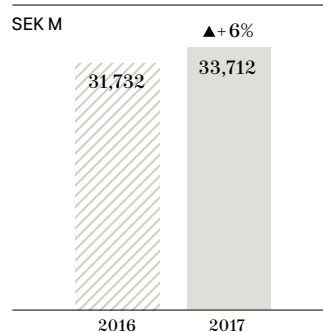
Stock-in-trade amounted to SEK 33,712 m (31,732), an increase of 6 percent in SEK compared to the same point of time last year. Currency adjusted, the increase was 7 percent.

As of 30 November 2017, the closing stock level was higher than planned as a result of sales development during the autumn being considerably below the group's sales plan.

The stock-in-trade amounted to 31.6 percent (32.2) of total assets and 16.9 percent (16.5) of sales excluding VAT.

Financing

As of 30 November 2017, the group had SEK 9,745 m (2,068) in loans from credit institutions with a term of up to 12 months, with an average term of 8 months. Loans from credit institutions within the Nordic countries amounted to SEK 9,320 m (2,000), with interest rates of between 0.00 and 0.072 percent. Loans from credit institutions outside the Nordic countries amounted to SEK 425 m (68), with interest rates of between 8.75 and 16.00 percent.

STOCK-IN-TRADE

Group changes in equity

Since there are no minority interests, all shareholders' equity is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2016	207	2,849	-198	58,378	61,236
Adjustment of opening balance*				7	7
ADJUSTED SHAREHOLDERS' EQUITY, 1 DEC 2016	207	2,849	-198	58,385	61,243
Profit for the year	–	–	–	16,184	16,184
Other comprehensive income					
Translation differences	–	-1,496	–	–	-1,496
Change in hedging reserves					
Changes in the value of derivatives	–	–	-1,341	–	-1,341
Reclassified to profit or loss	–	–	1,162	–	1,162
Tax related to hedging reserves	–	–	39	–	39
Remeasurement of defined benefit pension plans	–	–	–	78	78
Tax related to the above remeasurement	–	–	–	-19	-19
Other comprehensive income	–	-1,496	-140	59	-1,577
Total comprehensive income	–	-1,496	-140	16,243	14,607
Dividend	–	–	–	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2017	207	1,353	-338	58,491	59,713

* Effective from the 2017 financial year, the way that certain defined contribution pension plans are recognised has changed in two of the Swedish companies. The effect in relation to previous years is reported as an adjustment of the opening balance of equity.

SEK M	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2015	207	1,663	241	55,938	58,049
Profit for the year	–	–	–	18,636	18,636
Other comprehensive income					
Translation differences	–	1,186	–	–	1,186
Change in hedging reserves					
Changes in the value of derivatives	–	–	-223	–	-223
Reclassified to profit or loss	–	–	-355	–	-355
Tax related to hedging reserves	–	–	139	–	139
Remeasurement of defined benefit pension plans	–	–	–	-78	-78
Tax related to the above remeasurement	–	–	–	19	19
Other comprehensive income	–	1,186	-439	-59	688
Total comprehensive income	–	1,186	-439	18,577	19,324
Dividend	–	–	–	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2016	207	2,849	-198	58,378	61,236

Group cash flow statement

SEK M		
1 DECEMBER - 30 NOVEMBER	2017	2016
Current operations		
Profit after financial items*	20,809	24,039
Provisions for pensions	9	-9
Depreciation	8,488	7,605
Tax paid	-6,051	-4,470
Other	-20	-
Cash flow from current operations before changes in working capital	23,235	27,165
Cash flow from changes in working capital		
Current receivables	-1,115	-1,817
Stock-in-trade	-2,414	-6,511
Current liabilities	1,881	4,938
CASH FLOW FROM CURRENT OPERATIONS	21,587	23,775
Investing activities		
Investment in leasehold and similar rights	-102	-139
Investment in other intangible assets	-2,058	-1,476
Investment in buildings and land	-27	-60
Investment in equipment	-10,284	-11,671
Other investments	-25	-152
CASH FLOW FROM INVESTING ACTIVITIES	-12,496	-13,498
Financing activities		
Short-term loans	7,677	2,068
Amortisation finance lease	-57	-
Dividend	-16,137	-16,137
CASH FLOW FROM FINANCING ACTIVITIES	-8,517	-14,069
CASH FLOW FOR THE YEAR	574	-3,792
Cash and cash equivalents at beginning of financial year	9,446	12,950
Cash flow for the year	574	-3,792
Exchange rate effect	-302	288
Cash and cash equivalents at year-end, note 16	9,718	9,446

* Interest paid for the group amounts to SEK 40 m (8). Received interest for the group amounts to SEK 260 m (224).

Parent company income statement

SEK M		
1 DECEMBER - 30 NOVEMBER	2017	2016
External sales excluding VAT	13	–
Internal sales excluding VAT, note 5	4,069	3,985
GROSS PROFIT	4,082	3,985
Administrative expenses, note 6, 8, 9	-158	-173
OPERATING PROFIT	3,924	3,812
Dividend from subsidiaries	13,004	12,597
Interest income and similar items, note 27	18	153
Interest expense and similar items, note 27	-91	0
PROFIT AFTER FINANCIAL ITEMS	16,855	16,562
Year-end appropriations, note 23	-328	18
Tax, note 10	-773	-876
PROFIT FOR THE YEAR	15,754	15,704

Parent company statement of comprehensive income

SEK M		
1 DECEMBER - 30 NOVEMBER	2017	2016
PROFIT FOR THE YEAR	15,754	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	-1	-4
Tax related to the above remeasurement	0	1
OTHER COMPREHENSIVE INCOME	-1	-3
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,753	15,701

Parent company balance sheet

SEK M 30 NOVEMBER	2017	2016	SEK M 30 NOVEMBER	2017	2016
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Property, plant and equipment			Restricted equity		
Buildings and land, note 12	148	127	Share capital, note 17	207	207
Equipment, tools, fixture and fittings, note 12	219	313	Restricted reserves	88	88
	367	440		295	295
Financial fixed assets			Non-restricted equity		
Shares and participation rights, note 24	588	588	Retained earnings	430	861
Receivables from subsidiaries	849	779	Profit for the year	15,753	15,701
Other long-term receivables	111	11		16,183	16,562
Deferred tax receivables, note 10	79	42			
	1,627	1,420	TOTAL EQUITY	16,478	16,857
TOTAL FIXED ASSETS	1,994	1,860	UNTAXED RESERVES, NOTE 25	417	429
CURRENT ASSETS			LIABILITIES		
Current receivables			Long-term liabilities		
Accounts receivable	4	–	Provisions for pensions, note 18	182	191
Receivables from subsidiaries	19,287	16,179	Current liabilities		
Other receivables	8	7	Accounts payable	3	3
Prepaid expenses, note 15	13	0	Tax liabilities	41	729
	19,312	16,186	Liabilities to credit institutions, note 22	4,000	–
Cash and cash equivalents, note 16	133	376	Other liabilities	176	206
TOTAL CURRENT ASSETS	19,445	16,562	Accrued expenses and prepaid income, note 20	142	7
				4,362	945
TOTAL ASSETS	21,439	18,422	TOTAL LIABILITIES	4,544	1,136
			TOTAL EQUITY AND LIABILITIES	21,439	18,422

Parent company changes in equity

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Shareholders' equity, 1 December 2016	207	88	16,562	16,857
Adjustment of opening balance*	–	–	5	5
ADJUSTED SHAREHOLDERS' EQUITY, 1 DEC 2016	207	88	16,567	16,862
Profit for the year	–	–	15,754	15,754
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	-1	-1
Tax related to the above remeasurement	–	–	0	0
Other comprehensive income	–	–	-1	-1
Total comprehensive income	–	–	15,753	15,753
Dividend	–	–	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2017	207	88	16,183	16,478

* Effective from the 2017 financial year, the way that certain defined contribution pension plans are recognised has changed.
The effect in relation to previous years is reported as an adjustment of the opening balance of equity.

SEK M	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2015	207	88	16,998	17,293
Profit for the year	–	–	15,704	15,704
Other comprehensive income				
Remeasurement of defined benefit pension plans	–	–	-4	-4
Tax related to the above remeasurement	–	–	1	1
Other comprehensive income	–	–	-3	-3
Total comprehensive income	–	–	15,701	15,701
Dividend	–	–	-16,137	-16,137
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2016	207	88	16,562	16,857

Parent company cash flow statement

SEK M		
1 DECEMBER – 30 NOVEMBER	2017	2016
Current operations		
Profit after financial items*	16,855	16,562
Provisions for pensions	-10	-8
Depreciation	101	127
Taxes paid	-1,498	-816
Cash flow from current operations before changes in working capital	15,448	15,865
Cash flow from changes in working capital		
Current receivables	-3,126	-1,376
Current liabilities	-231	21
CASH FLOW FROM CURRENT OPERATIONS	12,091	14,510
Investing activities		
Investment in buildings and land	-27	-61
Other investments	-170	306
CASH FLOW FROM INVESTING ACTIVITIES	-197	245
Financing activities		
Short-term loans	4,000	–
Dividend	-16,137	-16,137
CASH FLOW FROM FINANCING ACTIVITIES	-12,137	-16,137
CASH FLOW FOR THE YEAR	-243	-1,382
Cash and cash equivalents at beginning of financial year	376	1,758
Cash flow for the year	-243	-1,382
Cash and cash equivalents at year-end, note 16	133	376

* Interest paid for the parent company amounts to SEK 8 m (0). Received interest for the parent company amounts to SEK 20 m (21), note 27.

Notes to the financial statements

Corporate information

The parent company H & M Hennes & Mauritz AB (publ) is a limited company domiciled in Stockholm, Sweden. The parent company's corporate identity number is 556042-7220. The company's shares are listed on the Stockholm stock exchange, Nasdaq Stockholm. The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles to consumers. The company's financial year runs from 1 December to 30 November. The annual report was approved for publication by the board of directors on 19 February 2018 and will be submitted to the annual general meeting for approval on 8 May 2018.

Ramsbury Invest AB's holding of shares in H & M Hennes & Mauritz AB represents 38.3 percent of all shares and 70.0 percent of the total voting power. Ramsbury Invest AB (556423-5769) is thus formally the parent company of H & M Hennes & Mauritz AB.

1. ACCOUNTING PRINCIPLES

Basis for preparation of the accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations provided by the IFRS Interpretations Committee. Since the parent company is a company within the EU, only IFRS approved by the EU are applied. The consolidated accounts also contain disclosures in accordance with the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups.

The financial statements are based on historical acquisition costs, apart from certain financial instruments which are reported at fair value.

The parent company's functional currency is Swedish kronor, which is also the reporting currency for the parent company and for the group. Unless otherwise indicated, all amounts are reported in millions of Swedish kronor (SEK m).

Where relevant, accounting principles are described within each note.

Parent company

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 means that IFRS is applied. In accordance with RFR 2, the parent company does not apply IAS 39 to the measurement of financial instruments and does not capitalise development expenditure (IAS 38.57). Due to the link between reporting and taxation, year-end appropriations and untaxed reserves are reported in the parent company's financial statements.

Group contributions that the parent company receives from subsidiaries and provides to subsidiaries are reported under appropriations.

Changes in accounting principles and disclosure requirements

The accounting principles and disclosure requirements applied for 2016/2017 are the same as those applied in the previous year.

Future accounting principles and disclosure requirements

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

– IFRS 9, Financial Instruments: Recognition and Measurement.

This standard is to be applied to annual reporting periods beginning on or after 1 January 2018 (in the case of H&M, from the 2018/2019 financial year), when it will replace IAS 39, Financial Instruments: Recognition and Measurement. The new standard has been comprehensively revised in various parts, including in respect of the

recognition and measurement of financial assets and financial liabilities. The standard is divided into three parts: classification and measurement, hedge accounting and impairment.

IFRS 9 requires financial assets to be classified in three different measurement categories: amortised cost, fair value through other comprehensive income or fair value through profit or loss. The classification is made at the time the asset is initially recognised 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. The main change is for liabilities measured at fair value. In this case the part of the change in fair value attributable to a change in the credit risk of the liability is to be presented in other comprehensive income rather than in profit or loss, unless this would create an accounting mismatch.

The second part relates to hedge accounting. IFRS 9 requires additional disclosures concerning risk management and the effects of hedge accounting. In the main, the new principles provide the conditions for a fairer picture of a company's management of financial risks to be reported.

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 reservations for credit losses will be made at an earlier stage.

The group has begun its evaluation of the effects of the new standard.

– IFRS 15, Revenue from Contracts with Customers. This standard applies to annual reporting periods beginning on or after 1 January 2018 (in the case of H&M, from the 2018/2019 financial year). 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. The idea is that 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.

H&M does not expect the standard to make any material difference to the group.

– IFRS 16, Leases. This standard applies to annual reporting periods beginning on or after 1 January 2019 and will supersede IAS 17, Leases, and its associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. This is based on the approach that the lessee has a right to use an identified asset for a specific period of time and at the same time a liability to pay for this right. Recognition for lessors will essentially be unchanged.

The group has begun its evaluation of the new standard and expects it to result in recognition of material assets and liabilities associated with the group's leases for premises. Since the standard will be applied for the first time to the 2019/2020 financial year, the judgement has been made that it is not yet possible to assess and calculate its effects on the figures with any certainty.

– IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation of the standard clarifies recognition and measurement

when there is uncertainty over income tax treatments. Assuming that the EU approves the interpretation, it is to be applied starting from 1 January 2019. The group will evaluate the effect of the interpretation during 2018.

Estimates, assumptions and assessments

The preparation of the annual report and consolidated accounts requires estimates and assumptions to be made, as well as judgments in the application of the accounting principles. These affect carrying amounts for assets, liabilities, income, expenses and supplementary information. The estimates and assumptions are based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. The actual outcome may therefore deviate from the estimates and assumptions made. The sources of uncertainty that have been identified by H&M are the measurement of stock-in-trade and the measurement of current and deferred tax – see note 10 and note 14.

It is judged that, as at 30 November 2017, there are no such estimates or assumptions made in the financial statements that involve a significant risk of any material adjustment to the values of assets and liabilities in the forthcoming financial year, other than those mentioned above.

Consolidated accounts

Basis of consolidation

The consolidated accounts cover the parent company and its subsidiaries, and have been prepared according to the acquisition method. The financial reports for the parent company and the subsidiaries included in the consolidated accounts cover the same period and have been prepared in accordance with the accounting principles that apply to the group. Intra-group income, expenses, receivables and liabilities, as well as unrealised gains and losses, are eliminated entirely in the preparation of the consolidated accounts. All companies in which the group owns or controls more than 50 percent of the votes, or in which the group alone has a controlling interest through an agreement or otherwise, are consolidated as subsidiaries. Subsidiaries are included in the consolidated accounts from the date of acquisition, which is the date on which the parent company gains a controlling interest, and are included in the consolidated accounts until such date as the controlling interest ends.

Business combinations

In business combinations acquired assets and liabilities are identified and classified and are measured at fair value on the acquisition date. If the acquisition cost of the subsidiary's shares exceeds the calculated value of the net identifiable assets of the acquired company at the time of acquisition, the difference is reported as goodwill upon consolidation. If the acquisition cost is less than the finally established value of the net identifiable assets, the difference is reported directly in the income statement. The minority interest in the case of acquisitions of less than 100 percent is determined for each transaction either as a proportionate share of the fair value of net identifiable assets or at fair value. Transaction costs associated with acquisitions are not included in the acquisition cost; instead these are expensed immediately.

Translation of foreign subsidiaries

The companies making up the group present their financial reports in the currency used in the economic environment in which the company concerned mainly operates, known as the functional currency. These reports form the basis of the consolidated accounts. The consolidated accounts are presented in Swedish kronor, which is the parent company's functional currency and reporting currency. Assets and liabilities in foreign subsidiaries are translated at the exchange rate on the closing

date, while the income statement is translated at the average exchange rate for the financial year. The translation difference arising from this, and also as a result of the fact that the net investment is translated at a different exchange rate at the end of the financial year than at the beginning of the financial year, is posted to equity as a translation reserve, via the statement of comprehensive income. On disposal of a foreign business the accumulated translation differences in the income statement are posted together with the profit or loss on disposal.

Foreign currency

Monetary assets and liabilities in foreign currencies are converted at the exchange rate on the closing date. Exchange rate differences arising on translation are reported in the income statement with the exception of exchange rate differences in respect of loans, which are to be regarded as net investment in a foreign business. Exchange rate differences of this type are posted to equity as translation differences via the statement of comprehensive income.

Interest income

Interest income is recognised as it is earned.

Other provisions

Provisions are reported in the balance sheet when there is an undertaking as a result of an event occurring and it is likely that an outflow of resources will be required for the undertaking and when the amount can be reliably estimated.

Cash flow statement

The cash flow statement is prepared according to the indirect method. The reported cash flow covers only transactions involving payments in or out.

2. FINANCIAL RISKS

The group's financing and management of financial risk is carried out centrally within the group's financial department in accordance with a financial policy established by the board of directors. The financial policy is the most important financial control tool for the company's financial activities and establishes the framework within which the company works. The group's accounting principles for financial instruments, including derivatives, are described in note 19.

In the course of doing business the group is exposed to risk associated with financial instruments, such as cash and cash equivalents, short-term investments, accounts receivable, accounts payable and loans. The group also executes transactions involving currency derivatives for the purpose of managing currency risk that arises in the course of the group's business.

The risks relating to these instruments are primarily the following:

- interest rate risk associated with cash and cash equivalents and short-term investments
- currency risk associated with flows and financial assets in foreign currencies
- credit risk associated with financial assets and derivative positions
- liquidity risk relating to liquidity and cash flow

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will vary due to changes in market interest rates and that changes in market interest rates may affect net profit. The group's exposure to risk from changes in interest rates relates to cash and cash equivalents, short-term investments and liabilities to credit institutions and

for financial leases. The original term of the investments is up to three months as of the closing date. The financial policy permits investments of up to two years. The group's cash and cash equivalents and short-term investments as of the closing date amounted to SEK 9,718 m (9,446). As of the closing date, liabilities to credit institutions and for financial leases amounted to SEK 10,220 m (2,340). The short term means that the risk of changes in value is limited. An interest rate increase of 0.5 percentage points on these amounts would increase interest income from cash and cash equivalents and short-term investments by SEK 49 m (47), and would increase interest expense for external borrowing and financial leases by SEK 51 m (12). A corresponding decrease in the interest rate would reduce interest income by the same amount and would decrease interest expense related to liabilities to credit institutions and for financial leases.

Currency risk

Currency risk is, among other things, the risk that the value of financial instruments or future cash flows will vary due to changes in exchange rates.

Currency exposure associated with financial instruments

H&M's currency risk associated with financial instruments is mainly related to financial investments, accounts payable and derivatives. The group's accounts payable in foreign currencies are mainly handled in Sweden and are largely hedged through forward contracts. Based on this, a change in the value of the Swedish krona of 2 percent in relation to other currencies would result in an insignificant momentary effect on profit related to the financial instrument holdings as of the closing date. A 2 percent strengthening of the Swedish krona would have a positive effect on the hedge reserve in equity of around SEK 200 m (269) before taking into account the tax effect, of which SEK 237 m (316) relates to EUR and SEK -230 m (-269) to USD.

The group's exposure to outstanding derivative instruments is reported in note 19.

The group's operating result for the year was affected by exchange rate differences relating to flows of goods in the amount of SEK 44 m (-63).

Transaction exposure associated with commercial flows

The payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the group to currency risk. To manage the currency risk relating to changes in exchange rates the group hedges its currency risk within the framework of the financial policy. The currency risk exposure is dealt with at central level. Most of the group's sales are made in euros, and the group's most significant purchase currencies are the US dollar and the euro. Fluctuation in the US dollar's exchange rate against the euro is the single largest transaction exposure within the group. To hedge the flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, 100 percent of the group's purchases of goods and the bulk of corresponding forecast inflows from the sales companies are hedged under forward contracts on an ongoing basis. The average term of outstanding forward contracts is around three months. Since the sole purpose of this currency management is to reduce risk, only exposure in the flow of goods is hedged.

Translation exposure on consolidation of units outside Sweden

In addition to the effects of transaction exposure, profits are also affected by translation effects as a result of changes in exchange rates for the local currencies of the various foreign subsidiaries against the Swedish krona, compared to the same period the previous year. The underlying profit/loss in a market may be unchanged in the local

currency, but when converted into SEK may increase if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. Translation effects affect the group's net assets on consolidation of the foreign subsidiaries' balance sheets (translation exposure in the balance sheet). No exchange rate hedging (equity hedging) is carried out for this risk.

Credit risk

Investments are only permitted to be made in banks based in countries with a minimum rating of AA- (according to Standard & Poor's long-term rating) and funds are only invested in banks with a minimum rating of A- (Standard & Poor's) and A3 (Moody's). The financial policy stipulates for various ratings the maximum amount that may be invested and the term for which it may be invested. Investments are only allowed in banks defined by Standard & Poor's or Moody's as having systemic importance in the country where they are based. Under Standard & Poor's rating model the bank shall have at least "moderate systemic importance" and under Moody's model the bank shall have at least "one-notch uplift for systemic support". No further investments shall be made in countries or banks which have the minimum allowed long-term rating and a negative outlook. Maximum credit exposure as of 30 November 2017 totalled SEK 16,551 m (16,189) and corresponds to the book value for cash and cash equivalents of SEK 9,718 m (9,446), accounts receivable of SEK 5,297 m (4,881) and other SEK 1,536 m (1,862). Accounts receivable are divided between a large number of customers with low amounts per customer. The average debt was around SEK 2,794 (2,585). Bad debts during the year from accounts receivable were insignificant.

Liquidity risk

The strategy for H&M's liquidity planning is to ensure good payment capacity and to identify future liquidity needs in the group. Liquidity and financing risks are regulated in H&M's financial policy, which states that loans are to have an evenly distributed maturity structure and that cash and unused credit facilities are to cover the company's forecast short-term liquidity needs.

As of 30 November 2017, the group had SEK 9,745 m (2,068) in loans from credit institutions with a term of up to 12 months, with an average term of 8 months. At the closing date, liquid assets amounted to SEK 9,718 m (9,446). Starting from the first quarter of 2017 the H&M group has a five-year revolving credit facility (RCF) of EUR 700 m, with an option to extend this for a further two years. The credit facility is unused.

3. SEGMENT REPORTING

The group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles to consumers. Internal follow-up is carried out on a country by country basis by the CEO, who is the group's chief operating decision maker. Each country is thus an operating segment. The various countries sell similar products via similar sales channels to similar customers, however. Goods purchasing is carried out collectively for the group. Some countries have similar economic characteristics, such as long-term economic results. In view of this, the countries may be combined in segment reporting in accordance with IFRS 8. H&M has combined countries to form the segments Asia & Oceania, Europe & Africa, and North & South America. The parent company and subsidiaries with no external sales are reported in a separate Group Functions segment. The same accounting principles are applied to segment reporting as in the consolidated accounts. Transactions between segments take place on normal commercial terms.

	2017	2016
Asia and Oceania		
External net sales	29,557	27,416
Operating profit	1,143	1,927
Operating margin, %	3.9	7.0
Assets excluding tax receivables and internal receivables	14,490	14,657
Liabilities excluding tax liabilities and internal liabilities	1,487	1,430
Investments	1,651	2,505
Depreciation	1,455	1,169
Europe and Africa		
External net sales	135,567	132,689
Operating profit	4,066	4,006
Operating margin, %	3.0	3.0
Assets excluding tax receivables and internal receivables	45,894	41,143
Liabilities excluding tax liabilities and internal liabilities	13,553	11,975
Investments	4,824	5,787
Depreciation	4,118	3,995
North and South America		
External net sales	34,880	32,162
Operating profit	794	971
Operating margin, %	2.3	3.0
Assets excluding tax receivables and internal receivables	18,959	17,369
Liabilities excluding tax liabilities and internal liabilities	6,785	5,998
Investments	3,258	3,360
Depreciation	2,120	1,791
Group Functions		
Net sales to other segments	72,901	79,284
Operating profit	14,566	16,919
Operating margin, %	20.0	21.3
Assets excluding tax receivables and internal receivables	21,928	22,548
Liabilities excluding tax liabilities and internal liabilities	18,775	12,608
Investments	3,017	2,009
Depreciation	795	650
Eliminations		
Net sales to other segments	-72,901	-79,284

Cont. Note 3, Segment reporting

	2017	2016
Total		
External net sales	200,004	192,267
Operating profit	20,569	23,823
Operating margin, %	10.3	12.4
Assets excluding tax receivables and internal receivables	101,271	95,717
Liabilities excluding tax liabilities and internal liabilities	40,600	32,011
Investments	12,750	13,661
Depreciation	8,488	7,605

Operating results for each segment are based on how H&M tracks results internally within the group and may deviate from the fiscal result in each market.

The group's property, plant and equipment amounted to SEK 39,818 m (38,693) as of 30 November 2017. The fixed assets are largely distributed between the countries in accordance with each country's level of sales. In Sweden property, plant and equipment amounted to SEK 2,113 m (1,722) as of 30 November 2017.

4. NET SALES BY MARKET

The group's income is generated mainly by the sale of clothing, accessories, footwear, cosmetics and home textiles to consumers. Sales revenue is reported less value-added tax, returns and discounts as sales excluding VAT in the income statement. Income from store and online sales is reported in conjunction with sale/delivery to the customer. Franchise sales have two components: sales of goods to franchisees, which are reported on delivery of the goods, and franchise fees, which are reported when the franchisee sells goods to the consumer.

H&M Club is accounted for in accordance with the principles set out in IFRIC 13. Points earned that have not been used are reported as a liability as well as a reduction in revenue in order to meet the future cost that will arise for the points issued. The liability is based on the fair value calculated per outstanding point.

The group's income exhibits seasonal variations. The first quarter of the financial year is normally the weakest and the last quarter the strongest.

	2017	No. of stores 30 Nov. 2017	2016	No. of stores 30 Nov. 2016
Sweden	8,236	172	8,127	176
Norway	4,900	128	4,744	127
Denmark	4,639	110	4,549	102
UK	12,622	292	13,005	281
Switzerland	5,471	100	5,860	98
Germany	30,959	463	31,291	459
Netherlands	6,191	145	6,536	145
Belgium	3,726	97	3,641	90
Austria	4,666	86	4,637	83
Luxembourg	408	10	408	10
Finland	2,295	64	2,317	61
France	11,383	240	11,300	238
USA	26,330	536	25,495	468
Spain	6,816	175	6,610	169
Poland	4,402	175	3,825	166
Czech Republic	1,341	50	1,182	48
Portugal	1,075	32	1,037	31
Italy	7,525	175	7,443	166
Canada	4,291	91	3,882	85
Slovenia	452	13	445	12

Cont. Note 4, Net sales by market

	2017	No. of stores 30 Nov. 2017	2016	No. of stores 30 Nov. 2016
Ireland	961	24	929	23
Hungary	1,402	45	1,254	42
Slovakia	616	22	568	19
Greece	1,576	35	1,531	35
China	9,484	506	9,327	444
Hong Kong	1,663	28	1,919	28
Japan	4,469	82	4,259	66
Russia	4,915	134	3,702	113
South Korea	1,807	41	1,523	35
Turkey	2,962	70	2,581	62
Romania	1,979	56	1,745	52
Croatia	685	15	677	15
Singapore	899	13	963	13
Bulgaria	581	20	534	19
Latvia	326	8	274	8
Malaysia	1,109	44	1,066	35
Mexico	1,988	37	1,345	25
Chile	1,250	8	950	4
Lithuania	324	9	262	8
Serbia	363	12	307	9
Estonia	350	10	314	8
Australia	2,383	32	1,817	22
Philippines	926	32	776	21
Taiwan	742	12	634	10
Peru	725	8	433	6
Macau	135	2	166	2
India	1,092	27	574	12
South Africa	780	17	566	8
Puerto Rico	91	2	57	2
Cyprus	80	1	30	1
New Zealand	183	3	48	1
Kazakhstan	158	3		
Colombia	188	3		
Iceland	76	2		
Vietnam	63	2		
Georgia	7	1		
Franchise	4,938	219	4,802	188
Total	200,004	4,739	192,267	4,351

5. REVENUE FROM GROUP COMPANIES

The parent company's internal sales consist of royalties of SEK 3,962 m (3,849) and other income of SEK 107 m (136) from group companies.

6. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2017	Board, CEO, executive management team, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. board, CEO, executive management
Sweden, parent company	20	0	15	9	9
Subsidiaries	48	28,620	6,979	589	23
Group total	68	28,620	6,994	598	32

2016	Board, CEO, executive management team, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. board, CEO, executive management
Sweden, parent company*	19	0	13	13	13
Subsidiaries	48	26,166	6,333	607	23
Group total	67	26,166	6,346	620	36

* Social security costs were affected by SEK 6 m relating to the repayment of premiums for the previous year.

Board fees

Board fees paid for the year as approved by the 2016 AGM amounted to SEK 6,075,000 (5,825,000). Board fees were paid as follows:

	SEK
Stefan Persson, chairman	1,625,000
Stina Bergfors	575,000
Anders Dahlvig	700,000
Lena Patriksson Keller	575,000
Melker Schörling	575,000
Christian Sievert	750,000
Erica Wiking Häger	700,000
Niklas Zennström	575,000

The fees were paid as resolved at the 2016 annual general meeting. This means that the fees related to the period until the next AGM was held, i.e. the period 4 May 2016 to 10 May 2017. The amounts were paid out after the 2017 AGM.

As of the AGM on 10 May 2017 the board consists of seven ordinary members elected by the AGM. There are also two employee representatives, with two deputies for these positions. Seven members of the board are women, four are men, and four of the 11 are employed by the company.

Board member Lena Patriksson Keller is the majority shareholder in Patriksson Communication AB, which had business relations with H&M during the year. The transactions took place on market terms and remuneration for 2017 amounted to SEK 1.3 m (0.4). Outstanding balances as of 30 November 2017 totalled SEK 0.1 m (0).

Remuneration of senior executives

Remuneration of senior executives is based on resolutions on guidelines adopted annually by the AGM – see the administration report on pages 68–69.

Remuneration of the chief executive officer

Remuneration paid to the CEO for the 2017 financial year in the form of salary and benefits amounted to SEK 13.7 m (13.4), which included variable remuneration of SEK 0 m (0). Pension benefits for the CEO are covered by a defined contribution plan and by the ITP plan. The combined pension expenses shall amount in total to 30 percent of the CEO's fixed salary. Pension expenses amounted to SEK 4.1 m (4.0). The retirement age for the CEO is 65.

Cont. Note 6, Salaries, other remuneration and social security costs

The CEO is entitled to a 12-month period of notice. In the event that the company cancels his employment contract, the CEO will also receive severance pay of an extra year's salary. The CEO's terms of employment are determined by the board of directors.

The CEO is not covered by the long-term variable remuneration, i.e. what was previously referred to as supplementary guidelines on senior executives – see the administration report on page 68.

Pension for the former CEO

The former CEO retired on 1 September 2009. The total pension commitments entered as liabilities, which are based on the fact that the former CEO receives a pension for the first three years of his retirement equivalent to 65 percent of his fixed salary followed by a lifelong pension equivalent to 50 percent of the same salary, amount to SEK 140.6 m (141.3). The change in the year's pension commitments entered as liabilities includes actuarial losses of SEK 3.5 m (actuarial losses of SEK 2.5 m). Pension costs for the former CEO are included under "of which pensions to board, CEO, executive management".

Remuneration of the executive management team

The composition of the executive management as of 30 November 2017 encompassed, in addition to the CEO, ten (ten) individuals, of whom six are women. The executive management team consists of the CFO and the individuals responsible for the following group-wide functions: production, sustainability, expansion, communications, human resources, business development and logistics, as well as the persons responsible for the H&M brand and the person responsible for new business (which includes the other brands such as COS, & Other Stories, ARKET, Monki, Weekday, Cheap Monday and H&M Home).

Remuneration paid to other members of the executive management team in the form of salary and benefits amounted to SEK 48.2 m (48.0), which included variable remuneration of SEK 0 m (0). In addition to this, an estimated expense of SEK 30.0 m (30.0) has been recognised in respect of remuneration that certain senior executives may receive in accordance with the long-term variable remuneration, i.e. what was previously referred to as supplementary guidelines – see further description in the administration report on page 68. This will be paid out no earlier than 2019, in accordance with the guidelines approved at the 2014 AGM. Pension expenses relating to other members of the executive management team during the year amounted to SEK 17.0 m (15.1). There are rules in place for members of the executive management team with respect to supplements to retirement pension beyond the ITP plan. The retirement age varies between 62 and 65. The cost of this commitment is partially covered by separate insurance policies.

H&M Incentive Program (HIP)

An extraordinary general meeting held on 20 October 2010 resolved to introduce an incentive programme for all employees of the H&M group.

The programme was initiated by Stefan Persson and family through the donation of 4,040,404 H&M shares worth around SEK 1 billion to a Swedish foundation, Stiftelsen H&M Incentive Program.

All employees of the H&M group, regardless of their position and salary level, are included in the programme according to the same basic principle – based on length of employment, either full-time or part-time. The number of years that the employee has worked for the company previously is taken into account in the qualification period, which is five years unless local rules require otherwise. As a general rule, funds will begin to be paid out no earlier than the age of 62.

Cont. Note 6, Salaries, other remuneration and social security costs

However, it will also be possible for payments to be made after ten years of employment – but no earlier than 2021.

The 2013 annual general meeting resolved to change the basis of future contributions to HIP. The contribution is no longer linked to the increase in dividend; instead, contributions to HIP are based on 10 percent of the increase in the company's profit after tax between two consecutive financial years. The increase in profit is calculated on profit after tax before any contribution to HIP. Thus when calculating the contribution to HIP for year 2, the year's profit after tax is compared with year 1's profit after tax before any contribution to HIP. This ensures that the two years are compared on a like-for-like basis; in other words, profit after tax before any contribution to HIP. The first contribution to HIP based on an increase in profit was made for the financial year which ended on 30 November 2013.

The contribution to HIP for a financial year is expensed in the year to which it relates. For example, if profit after tax in year 1 is 100 and profit after tax in year 2 is 130, then the contribution is 3 and will be expensed in year 2.

There is a ceiling that limits the size of the contribution when the increase in profit between two years may be deemed disproportionately large. The ceiling has been set at 2 percent of profit for the year after tax before any contribution to HIP.

The contributions to the foundation are to be invested in H&M shares. H&M has no other commitments beyond this.

In the consolidated accounts the costs of the incentive programme are recognised in accordance with the rules on short-term profit-sharing and bonus schemes set out in IAS 19. The expense will be recognised when the amount has been established and an obligation exists.

For 2017 no contribution was made to the incentive programme, based on the principle for contributions to HIP that was adopted at the 2013 AGM and is described above.

7. AVERAGE NUMBER OF EMPLOYEES

	2017 Total	Male %	2016 Total	Male %
Sweden	10,100	23	8,933	22
Norway	1,799	10	1,723	9
Denmark	1,899	9	1,718	9
UK	7,565	23	7,604	23
Switzerland	2,129	15	2,149	14
Germany	14,504	19	14,261	19
Netherlands	2,636	16	2,660	17
Belgium	2,349	27	2,328	28
Austria	1,955	10	1,907	11
Luxembourg	159	16	158	16
Finland	1,195	7	1,098	6
France	5,975	28	5,849	23
USA	13,248	37	11,900	37
Spain	4,581	20	4,469	19
Poland	6,649	16	6,388	16
Czech Republic	1,121	13	1,054	13
Portugal	848	17	725	15
Italy	5,118	28	4,895	28
Canada	1,823	24	1,657	24
Slovenia	162	10	137	9
Ireland	442	16	479	17
Hungary	750	16	682	17
Slovakia	316	16	294	16
Greece	1,186	17	1,061	17

Cont. Note 7, Average number of employees

	2017		2016	
	Total	Male %	Total	Male %
China	11,497	28	10,224	29
Hong Kong	965	32	986	20
Japan	1,801	41	2,198	28
Russia	2,724	26	2,368	24
South Korea	1,160	32	981	32
Turkey	3,305	46	2,770	48
Romania	1,078	25	1,068	28
Croatia	332	10	343	5
Singapore	540	30	458	34
Bulgaria	366	24	362	24
Latvia	305	14	239	17
Malaysia	803	55	778	56
Mexico	1,534	49	852	51
Chile	721	46	659	46
Lithuania	226	10	191	6
Serbia	195	19	169	18
Estonia	245	5	216	6
Australia	1,107	29	988	40
Philippines	905	48	760	44
Taiwan	370	30	397	33
Peru	657	54	757	53
Macau	63	43	78	38
India	1,329	60	989	59
South Africa	548	34	471	38
Puerto Rico	51	27	41	32
Cyprus	68	19	28	18
New Zealand	215	24	185	26
Kazakhstan	182	39		
Colombia	273	20		
Iceland	20	15		
Vietnam	102	25		
Georgia	68	16		
Other countries	914	72	901	68
Total	123,178	26	114,586	25

8. DEPRECIATION AND AMORTISATION

Depreciation has been calculated at 12.5 percent of the acquisition cost of equipment and leasehold rights, and 20 percent for computer equipment and vehicles. Amortisation on brands and customer relations relating to FaBrie Scandinavien AB and capitalised development expenditure is assessed at 10 percent of the acquisition cost. Buildings are depreciated at 3 percent of their acquisition cost. No depreciation is applied to land values. Depreciation and amortisation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Cost of goods sold	736	847	–	–
Selling expenses	7,175	6,256	–	–
Administrative expenses	577	502	101	127
Total	8,488	7,605	101	127

9. AUDIT FEES

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Ernst & Young				
Audit assignments	29.0	26.0	3.5	3.2
Auditing other than audit assignments	4.4	3.6	0.2	0.8
Tax consultancy	13.0	10.7	0.1	0.2
Other consultancy	3.1	1.9	–	–
Other auditors				
Audit assignments	6.9	4.9	–	–
Total	56.4	47.1	3.8	4.2

10. TAX

Income taxes in the income statement represent current and deferred corporation tax payable by Swedish and foreign subsidiaries. Current tax is tax that will be paid or received in respect of the current year as well as adjustments to current tax attributable to previous periods. The income tax rate in force in each country is applied.

Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax is calculated using the tax rates that are expected to apply in the period when the receivables are deducted or the liabilities are settled, based on the tax rates (and the tax legislation) in force on the closing date. Deferred tax receivables are recognised for all temporary differences unless they relate to goodwill or an asset or a liability in a transaction that is not a company acquisition and that, at the time of acquisition, affects neither the reported nor taxable profit or loss for the period. Also, temporary differences relating to investments in subsidiaries and associated companies are taken into account only to the extent it is likely that the temporary difference will be reversed in the foreseeable future. Deferred tax receivables for temporary differences and loss carry-forwards are recognised only to the extent it is likely that these will be able to be utilised.

The carrying amounts of deferred tax receivables are tested as of each closing date and reduced where it is no longer deemed likely that they will be able to be utilised.

The US tax reform (Tax Cuts & Jobs Act) was enacted in December 2017. For H&M this means that deferred tax liabilities and deferred tax claims assignable to H&M's US subsidiary are to be remeasured during the first quarter 2018. The effect of the remeasurement is being analysed and the current assessment is that it will result in positive one-off tax income in the first quarter of 2018. Cash flow will not be affected by this one-off effect.

Global companies such as H&M are sometimes involved in tax proceedings of varying extent and at different stages. H&M continually evaluates tax proceedings in progress. Where it is likely that additional tax will have to be paid and the outcome can be reasonably estimated, the necessary reserve is made. As of the closing date, tax proceedings are in progress in some countries relating to internal pricing. H&M has made an assessment of the likely outcome and reserved the tax expense concerned. As of the closing date, this reserve totalled SEK 424 m. This assessment took account of aspects such as whether agreements on double taxation exist and whether there are differences between the tax rates in different countries.

Cont. Note 10, Tax

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
<i>Tax expense (-) / tax receivable (+):</i>				
Current tax				
Tax expense for the period	-4,044	-5,106	-772	-874
Adjusted tax expense for previous years	-14	-96	0	0
Total	-4,058	-5,202	-772	-874
Deferred tax receivable (+) / tax expense (-) in respect of:				
Stock-in-trade	-105	-55	-	-
Loss carryforward	13	2	-	-
Pension provisions	-28	3	-1	-2
Tax allocation reserve	110	-	-	-
Intangible fixed assets	-366	-103	-	-
Property, plant and equipment	-339	-333	-	-
Other temporary differences	148	285	-	-
Effect of changed tax rates	-	-	-	-
Total	-567	-201	-1	-2
Total	-4,625	-5,403	-773	-876
Deferred tax recognised in other comprehensive income in respect of:				
Hedging reserves	39	139	-	-
Defined benefit pension plans	-19	19	0	1
Total	20	158	0	1
<i>Reconciliation between current tax rate and effective tax rate:</i>				
Expected tax expense according to the Swedish tax rate of 22%	-4,577	-5,289	-3,636	-3,648
Difference in foreign tax rates	-33	69	-	-
Non-deductible/non-taxable	-1	-87	2	0
Other	-	-	-	-
Tax for previous years	-14	-96	0	0
Tax-free dividend subsidiaries	-	-	2,861	2,772
Total	-4,625	-5,403	-773	-876
Recognised deferred tax receivables relate to:				
Pension provisions	131	161	79	42
Intangible fixed assets	195	180	-	-
Property, plant and equipment	384	266	-	-
Loss carryforward in subsidiaries	30	20	-	-
Stock-in-trade	682	921	-	-
Hedging reserves	106	62	-	-
Other temporary differences	1,388	1,252	-	-
Total	2,916	2,862	79	42
Recognised deferred tax liabilities relate to:				
Intangible fixed assets	1,408	1,026		
Property, plant and equipment	1,872	1,586		
Stock-in-trade	243	366		
Tax allocation reserve	1,780	1,890		
Hedging reserves	0	-		
Other temporary differences	28	30		
Total	5,331	4,898		

As of the closing date, the group has no loss carryforward other than the recognised deferred taxes receivable.

11. INTANGIBLE FIXED ASSETS

Intangible fixed assets with a finite useful life are reported at acquisition cost less accumulated amortisation and any accumulated write-downs. Amortisation is distributed linearly over the assets' expected useful life.

Development costs are capitalised to the extent that it is judged that the company will gain from future financial benefits and if the acquisition cost can be reliably calculated. The reported value includes the direct costs of services and materials acquired, as well as indirect costs attributable to the asset. Other development costs, as well as maintenance and training initiatives, are recognised as expenses in the income statement as they arise.

Goodwill is the amount by which the acquisition cost of the subsidiary's shares exceeds the calculated value of the subsidiary's net identifiable assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. Intangible assets with an indefinite useful life, including goodwill, are tested for impairment annually or more often if there is an indication of a decline in value. If the carrying amount of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), the necessary amount is written down. Any write-down is recognised in profit/loss.

	GROUP	
	2017	2016
Brands*		
Opening acquisition cost	470	470
Acquisitions during the year	-	-
Closing acquisition cost	470	470
Opening amortisation	-404	-356
Amortisation for the year	-48	-48
Closing accumulated amortisation	-452	-404
Closing book value	18	66
Customer relations*		
Opening acquisition cost	131	131
Acquisitions during the year	-	-
Closing acquisition cost	131	131
Opening amortisation	-111	-99
Amortisation for the year	-12	-12
Closing accumulated amortisation	-123	-111
Closing book value	8	20
Leasehold rights and similar		
Opening acquisition cost	1,438	1,372
Acquisitions during the year	140	100
Sales/disposals	-326	-70
Translation effects	13	36
Closing acquisition cost	1,265	1,438
Opening amortisation	-855	-721
Sales/disposals	323	69
Amortisation for the year	-148	-175
Translation effects	-9	-28
Closing accumulated amortisation	-689	-855
Closing book value	576	583

Cont. Note 11, Intangible fixed assets

	GROUP	
	2017	2016
Opening value, projects in progress	47	9
Change for the year	-38	39
Translation effects	7	-1
Closing value, projects in progress	16	47
Total closing book value	592	630
Capitalised development expenditure		
Opening acquisition cost	4,852	3,376
Acquisitions during the year	2,058	1,476
Closing acquisition cost	6,910	4,852
Opening amortisation	-285	-131
Amortisation for the year	-264	-154
Closing accumulated amortisation	-549	-285
Closing book value	6,361	4,567

Capitalised development expenditure refers mainly to IT-related investments. Depreciation has commenced for those parts that were taken into use during 2013–2017, corresponding to around 40 percent of the capitalised development expenditure. Those projects that are not yet ready for use are tested for impairment annually. This year's impairment testing of these projects did not result in any need for write-downs.

Goodwill*

Opening book value	64	64
Change for the year	–	–
Closing book value	64	64

* Brands, customer relations and goodwill assets were added through the acquisition in 2008 of the company FaBric Scandinavien AB, which is a cash-generating unit. H&M acquired the remaining 40 percent of the shares in FaBric Scandinavien AB at the end of November 2010.

A goodwill impairment test was carried out at the end of 2017. Significant assumptions used when testing goodwill for impairment are sales development and gross margin. The impairment test is based on a calculation of value in use. The value in use has been assessed based on discounted cash flows according to forecasts for the next five years and with an annual growth rate of 2 percent (2) in subsequent years. A discount rate of 14 percent (14) before tax was used. The cash flows are based on H&M's business plan. The growth rate of 2 percent (2) is based on H&M's assessment of the opportunities and risks associated with the business. The discount rate is based on an average weighted capital cost that is estimated to be on a par with the external requirements that the market imposes for similar companies. No impairment was identified and H&M is of the opinion that reasonable possible changes in the variables above would not have such a significant impact that the recoverable amount would be reduced to a lower amount than the carrying amount.

12. BUILDINGS, LAND AND EQUIPMENT

Costs relating to property, plant and equipment are reported in the balance sheet if it is likely that the company will gain from future financial benefits associated with the asset and if the asset's acquisition cost can be reliably calculated. Other costs and costs relating to ongoing maintenance and repair are reported as an expense in the period in which they arise. Property, plant and equipment are reported at acquisition cost less accumulated depreciation and any accumulated write-downs. Depreciation is distributed linearly over the assets' expected useful life. No depreciation is applied to land. The carrying amount of property, plant and equipment is tested for any indication of impairment. If the carrying amount of the asset exceeds the recoverable amount (the higher of the net realisable value and the value in use), the necessary amount is written down. Any write-down is recognised in profit/loss.

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Buildings				
Opening acquisition cost	1,068	1,037	146	146
Acquisitions during the year	84	0	83	–
Sales/disposals	-37	-21	–	–
Translation effects	-16	52	–	–
Closing acquisition cost	1,099	1,068	229	146
Opening depreciation	-423	-377	-83	-78
Sales/disposals	25	4	–	–
Depreciation for the year	-32	-31	-6	-5
Translation effects	11	-19	–	–
Closing accumulated depreciation	-419	-423	-89	-83
Closing book value	680	645	140	63
Opening value, projects in progress	57	0	57	0
Change for the year	-56	57	-56	57
Translation effects	0	–	–	–
Closing value, projects in progress	1	57	1	57
Total closing book value	681	702	141	120
Land				
Opening acquisition cost	148	137	7	3
Acquisitions during the year	0	3	–	4
Sales/disposals	-3	0	–	–
Translation effects	-2	8	–	–
Closing book value	143	148	7	7
Equipment				
Opening acquisition cost	63,727	54,812	1,001	1,001
Acquisitions during the year	11,035	11,579	–	–
Sales/disposals	-4,960	-4,402	–	–
Translation effects	-1,866	1,738	–	–
Closing acquisition cost	67,936	63,727	1,001	1,001
Opening depreciation	-27,733	-24,044	-688	-566
Sales/disposals	4,583	4,055	–	–
Depreciation for the year	-7,711	-6,959	-94	-122
Translation effects	598	-785	–	–
Closing accumulated depreciation	-30,263	-27,733	-782	-688
Closing book value*	37,673	35,994	219	313

Cont. Note 12, Buildings, land and equipment

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Opening value, projects in progress	1,849	1,397	–	0
Change for the year	-476	409	–	–
Translation effects	-52	43	–	–
Closing value, projects in progress	1,321	1,849	–	0
Total closing book value	38,994	37,843	219	313

* Financial leases on store tills included in the closing book value of equipment amount to SEK 497 m (272). The contracts run for up to seven years.

13. PAYMENTS FOR OPERATING LEASES AND FINANCE LEASES

Leases are classified in the consolidated accounts as either finance or operating leases. Finance leases exist when the financial risks and benefits associated with the ownership of an object are essentially transferred from the lessor to the lessee, regardless of whether the legal ownership lies with the lessor or the lessee. Assets held under finance leases are reported as fixed assets and future payment commitments are reported as liabilities in the balance sheet. On initial recognition, the asset and liability are reported at the net present value of future minimum lease payments and any residual value. On subsequent occasions, the expense is distributed between an interest portion and a repayment portion. All other rental agreements that do not fulfil the conditions for classification as finance leases are considered to be operating leases. Lease charges paid under operating leases are expensed over the lease period using the straight-line method, even if the payment schedule deviates from this. With effect from the 2016 financial year, H&M has not only operating leases but also some leases that are classified as finance leases. The group's main leases are rental agreements for premises. Variable (sales-based) rents are recognised in the same period as the corresponding sales.

Operating leases

The group has leases relating to rented premises which were entered into on normal market terms. Most of the agreements contain options to extend the term. Rental costs for the 2017 financial year amounted to SEK 23,317 m (22,332), of which sales-based rent amounted to SEK 4,191 m (3,853).

Rent according to the group's rental agreements (basic rent excluding any sales-based rent) amounts to:

	GROUP	
	2017	2016
Rental commitments in next twelve months	16,219	16,068
Rental commitments in next two to five years	41,788	41,605
Rental commitments more than five years ahead	20,330	23,820
Total	78,337	81,493

*Cont. Note 13, Payments for operating leases and finance leases***Finance leases**

The group has assets held under finance leases with a year-end residual value according to plan of SEK 497 m (272).

Finance lease payments are due as follows:

2017	Present value	Interest cost	Nominal
In next twelve months	125	3	128
In next two to five years	329	4	333
More than five years ahead	21	0	21
Total	475	7	482

2016	Present value	Interest cost	Nominal
In next twelve months	59	1	60
In next two to five years	190	3	193
More than five years ahead	23	1	24
Total	272	5	277

Leased property, plant and equipment

	GROUP	
	2017	2016
Opening balance	272	–
Additional contracts	280	272
Amortisation	-57	–
Interest costs	1	–
Translation effects	-21	–
Total	475	272

During the 2017 financial year expenses attributable to finance leases including depreciation were charged to earnings for the group in the amount of SEK 55 m (0), as well as interest expenses of SEK 1 m (0).

14. STOCK-IN-TRADE

Stock-in-trade is valued at the lower of the acquisition cost and the net realisable value. From the moment the goods are transferred from the supplier to the transport service provider appointed by H&M, the goods are owned according to civil law by H&M and become part of H&M's reported stock-in-trade. The net realisable value is the estimated market value less the calculated selling expenses.

Goods that have not yet arrived at a store are valued at their actual acquisition cost including the estimated cost of customs duties and freight. For the majority of the group's stock in the stores the acquisition cost is determined by reducing the selling price by the calculated gross margin (retail method). A small proportion of the sales companies calculate the acquisition cost as weighted average prices.

As of 30 November 2017, the closing stock level was higher than planned as a result of sales development during the autumn being considerably below the group's sales plan. Significant write-downs are rare. There were no material write-downs during the financial year 2017. Only an insignificant part of the stock-in-trade is measured at net realisable value. The stock-in-trade is not considered to have any material degree of obsolescence.

15. PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Prepaid rent	2,118	1,527	–	0
Other items	652	544	13	–
Total	2,770	2,071	13	0

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances as well as short-term investments with a maximum term of three months from the date of acquisition. These investments carry no significant risk of changes in value.

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Cash and bank balances	9,117	8,312	133	376
Short-term investments, 0–3 months	601	1,134	–	–
Total	9,718	9,446	133	376

Investments are made on market terms and the interest rates are between -0.55 and 14.25 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

17. SHARE CAPITAL AND DISTRIBUTION OF EARNINGS

The share capital is divided between 194,400,000 class A shares (ten votes per share) and 1,460,672,000 class B shares (one vote per share). There are no other differences between the rights associated with the shares. The total number of shares is 1,655,072,000. The dividend paid per share 2017 was SEK 9.75.

The group's managed capital consists of shareholders' equity. The group's goal with respect to managing capital is to enable good growth to continue and to be prepared to exploit business opportunities. The board of directors' intention is to provide shareholders with a continued good return while ensuring that, as in the past, expansion and investments can proceed with a continued strong financial profile and freedom of action. Based on this, the board of directors has agreed a dividend policy stating that the total dividend should exceed 50 percent of profit after tax, yet taking into consideration the capital structure target. The dividend will be paid in two instalments – one in the spring and one in the autumn.

The board of directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position and continued freedom of action of the group and the parent company, and taking into consideration the capital structure target and the requirements that the nature and extent of the business, its risks and expansion and development plans impose on the group's and the parent company's equity and liquidity. H&M meets the capital requirements set out in the Swedish Companies Act. There are no other external capital requirements.

Proposed distribution of earnings at the AGM 2018

At the disposal of the annual general meeting: SEK 16,182,717,249

The board of directors proposes
a dividend of SEK 9.75 per share SEK 16,136,952,000

To be carried forward
as retained earnings SEK 45,765,249
SEK 16,182,717,249

18. PROVISIONS FOR PENSIONS

H&M has several different plans for benefits after employment has ended. The plans are either defined benefit or defined contribution plans. Defined contribution plans are reported as an expense in the period when the employee performs the service to which the benefit relates. Defined benefit plans are assessed separately for the respective plan based on the benefits earned during the previous and current periods. The defined benefit obligations less the fair value of managed assets are reported under the heading Provisions for pensions. In the case of the Swedish entities, the actuarial calculations also cover future payments of special payroll tax. Defined benefit plans are primarily found in Sweden, but also in the UK, Norway, Switzerland, Spain and Germany. Pension obligations are assessed annually with the help of independent actuaries according to the Projected Unit Credit Method. The assessment is made using actuarial assumptions. These assumptions include such things as the discount rate, anticipated salary and pension increases as well as the expected return on managed assets. Changes in the actuarial assumptions and outcomes that deviate from the assumptions give rise to actuarial gains or losses. The actuarial gains and losses arising

are mainly due to the financial assumptions, such as changes in the discount rate. Such gains or losses are recognised in other comprehensive income in the year they arise.

For salaried employees in Sweden, H&M applies the ITP plan through insurance policies with Alecta and Collectum, i.e. ITP 2 and ITP 1. According to statement UFR 3 from the Swedish Financial Reporting Board, ITP 2 is a defined benefit plan that covers a number of employers. The plan will be reported as a defined contribution plan until the company gains access to information that allows this plan to be reported according to the rules for defined benefit plans. The ITP 1 plan is a defined contribution plan. See note 6 for information about pension to the previous CEO.

Alecta's surplus cannot be allocated to the insured employer and/or the insured employees. As of 30 September 2017, Alecta's consolidation ratio was 158 percent (142). The consolidation ratio is calculated as the fair value of managed assets as a percentage of the obligations calculated in accordance with Alecta's actuarial assumptions. This calculation is not in line with IAS 19.

	GROUP			PARENT COMPANY		
	2017	2016	2015	2017	2016	2015
Present value of defined benefit obligations	1,488	1,581	1,373	197	210	215
Fair value of managed assets	-1,043	-1,054	-924	-15	-19	-20
Provisions for pension obligations recognised in the balance sheet	445	527	449	182	191	195
Opening balance, 1 December	527	449	451	191	195	223
Recognised pension expenses, net	-23	150	49	5	10	-33
Premiums paid by employer	-52	-55	-53	-	-	-
Pensions paid out	-17	-17	-18	-14	-14	-15
Disbursements from assets	10	-	20	-	-	20
Carrying amount of defined benefit obligations, 30 November	445	527	449	182	191	195

Of the total recognised obligation, SEK 210 m (205) relates to defined benefit pensions plans in Sweden and SEK 184 m (268) to plans in Switzerland.

The weighted average maturity of these pension plans is 10.4 (10.7) years for the Swedish plans and 15.8 (17.0) years for the Swiss plans.

The amounts recognised as pension expenses comprise the following items:

Current service cost	67	73	67	-	-	0
Interest expense	13	18	21	4	6	5
Interest income	-7	-10	-14	0	0	-1
Reductions/adjustments gains (-) and losses (+)	-2	-	-	-	-	-
Past service cost	-	-26	0	-	-	-
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	-14	17	18	-	-	-
Pension expenses recognised in the income statement	57	72	92	4	6	4
Pension expenses recognised in other comprehensive income						
Actuarial gains/losses financial assumptions asset	-50	-13	-69	2	1	-4
Actuarial gains/losses demographic assumptions liability	-	-44	-	-	-	-
Actuarial gains/losses financial assumptions liability	-30	135	26	-1	3	-33
Actuarial gains (-) and losses (+)	-80	78	-43	1	4	-37
Total recognised pension expenses	-23	150	49	5	10	-33
Significant actuarial assumptions on the balance sheet date (weighted average amounts)						
Discount rate	0.95%	0.88%	1.33%	2.25%	2.25%	2.75%
Future salary increases	1.29%	1.36%	5.00%	5.00%	5.00%	5.00%
Future pension increases (inflation)	0.30%	0.34%	0.42%	1.75%	1.50%	1.75%

A 0.5 percentage point reduction in the discount rate would increase the liability for the Swedish commitments by SEK 12.0 m (12.9).

19. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

	Loans receivable and accounts receivable		Financial assets held to maturity		Derivatives for hedging recognised at fair value		Other financial liabilities		Total carrying amount	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Other long-term receivables	–	–	1,039	1,014	–	–	–	–	1,039	1,014
Accounts receivable	5,297	4,881	–	–	–	–	–	–	5,297	4,881
Other receivables	–	–	–	–	497	848	–	–	497	848
Short-term investments	–	–	–	–	–	–	–	–	–	–
Cash and cash equivalents	9,117	8,312	601	1,134	–	–	–	–	9,718	9,446
Total financial assets	14,414	13,193	1,640	2,148	497	848	–	–	16,551	16,189
Accounts payable	–	–	–	–	–	–	7,215	7,262	7,215	7,262
Liabilities to credit institutions	–	–	–	–	–	–	9,745	2,068	9,745	2,068
Other liabilities	–	–	–	–	903	1,176	–	–	903	1,176
Total financial liabilities	–	–	–	–	903	1,176	16,960	9,330	17,863	10,506

The fair value of all financial assets and liabilities essentially corresponds to the book value. Assets and liabilities that are recognised at amortised cost have short remaining terms, making the difference between book value and fair value negligible.

Financial instruments recognised in the balance sheet include on the assets side cash and cash equivalents, accounts receivable, short-term investments, long-term receivables and derivatives. On the liabilities side are accounts payable, liabilities to credit institutions and derivatives. Financial instruments are reported in the balance sheet when the group becomes a party to the contractual terms of the instrument. Financial assets are removed from the balance sheet when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the balance sheet when the obligation is met, cancelled or ends.

Financial assets and liabilities at fair value through profit or loss

This category consists of two sub-groups: financial assets and liabilities held for trading, and other financial assets and liabilities that the company initially chose to place in this category when they were first recognised. Assets and liabilities in this category are assessed continually at fair value, with changes in value recognised in profit/loss. No financial assets or liabilities have been classified in this category.

Loans receivable and accounts receivable

This category primarily covers cash and bank balances as well as accounts receivable. Cash and bank balances are valued at amortised cost. Accounts receivable have a short expected term and are spread across a large number of customers, with low amounts per customer, and are measured without discounting at the original invoiced amount with deductions for doubtful receivables. The average debt was around SEK 2,794 (2,585). Bad debts during the year from accounts receivable were insignificant.

Financial assets held to maturity

Financial assets held to maturity are assets with payment flows that are fixed or that can be established in advance and with a fixed term which the group has the express intention and capacity to hold until maturity. Assets in this category are valued at amortised cost, with the effective interest rate being used to calculate the value. As of the closing date, all of the group's short-term investments fell into this category.

Other financial liabilities

Financial liabilities that are not held for trading are valued at amortised cost. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no dis-

counting. Liabilities to credit institutions are measured at amortised cost. All of the liabilities stated below under financial liabilities are measured at amortised cost and correspond to the book values.

	GROUP	
	2017	2016
Change in hedging reserves		
Changes in the value of derivatives	-1,341	-223
Reclassified to profit or loss	1,162	-355
Total	-179	-578

Reporting of derivatives used for hedging purposes

All derivatives are reported initially and continually at fair value in the balance sheet.

The group's policy is for derivatives to be held for hedging purposes only. Derivatives comprise forward currency contracts used to hedge the risk of exchange rate fluctuations for internal and external flows of goods.

To meet the requirements of hedge accounting there must be a clear link to the hedged item. In addition, the hedge must effectively protect the hedged item, hedge documentation must have been prepared and the effectiveness must be measurable.

In hedge accounting, derivatives are classified as cash flow hedging or as fair value hedging. In the past financial year and the previous financial year all of the group's derivatives were in the cash flow hedging category. How these hedging transactions are reported is described below.

Hedging of forecast currency flows – cash flow hedging

Derivatives that hedge the forecast flow are reported in the balance sheet at fair value. Changes in value are reported in equity as a hedging reserve, through other comprehensive income, until such time as the hedged flow is recognised in operating profit, at which time the hedging instrument's accumulated changes in value are transferred to the income statement where they then correspond to the profit/loss effects of the hedged transaction.

The category derivatives for hedging recognised at fair value is measured based on observable data; in other words, in accordance with level 2 in the measurement hierarchy established in IFRS 13. The fair value of forward exchange contracts is calculated by discounting the difference between the agreed forward rate and the

Cont. Note 19, Financial assets and liabilities by category

forward rate that can be obtained on the closing date for the remaining contract term. Contracts are discounted to a risk-free rate based on government bonds.

Forward contracts

All changes in the value of derivatives are recognised initially in equity as a hedging reserve through other comprehensive income. Through other comprehensive income, the fair value is transferred from the hedging reserve to the income statement in conjunction with a hedged transaction taking place.

The table below shows the outstanding forward contracts for cash flow hedging as of the closing date:

SELL/BUY	Book value and fair value, SEK		Nominal amount, SEK		Average remaining term in months	
	2017	2016	2017	2016	2017	2016
NOK/SEK	11	-36	751	957	2	3
GBP/SEK	-113	-53	2,677	3,377	3	3
DKK/SEK	-22	-21	867	1,121	3	3
CHF/SEK	7	-18	610	750	3	3
EUR/SEK	-445	-393	16,781	19,967	3	3
PLN/SEK	-45	-7	1,042	1,128	3	3
USD/SEK	-47	-328	5,513	4,734	3	3
CAD/SEK	-1	-26	645	612	3	3
JPY/SEK	3	14	787	820	3	3
HKD/SEK	-1	-29	209	405	3	3
RON/SEK	-8	-8	394	464	3	4
CZK/SEK	-13	-4	290	304	3	3
HUF/SEK	-5	-6	263	323	3	4
AUD/SEK	6	-25	461	458	2	4
CNH/SEK	-25	-39	789	982	3	3
RUB/SEK	-22	-63	754	750	3	3
TRY/SEK	20	17	418	452	3	3
MXN/SEK	-4	-	474	-	2	-
SEK/USD	273	688	15,473	16,820	2	2
SEK/EUR	36	9	1,603	1,628	2	2
Subtotal	-395	-328	50,801	56,052		

SELL/BUY	Book value and fair value, SEK		Nominal amount, USD		Average remaining term in months	
	2017	2016	2017	2016	2017	2016
KRW/USD	-11	-	37	-	3	-
CLP/USD	0	-	26	-	3	-
Subtotal	-11	-	63	-		
Total	-406	-328				

Cont. Note 19, Financial assets and liabilities by category

ASSETS/LIABILITIES 2017	Derivative assets	Derivative liabilities	Total
Gross amounts	497	903	-406
Total on balance sheet	497	903	-406
Financial instruments	-281	-281	0
Net amount	216	622	-406

ASSETS/LIABILITIES 2016	Derivative assets	Derivative liabilities	Total
Gross amounts	848	1,176	-328
Total on balance sheet	848	1,176	-328
Financial instruments	-519	-519	0
Net amount	329	657	-328

At the closing date, forward contracts with a positive market value amount to SEK 497 m (848), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 903 m (1,176), which is reported under other current liabilities. Of the outstanding forward contracts, gains of SEK 36 m (losses of -69) were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK -442 m (-259) is included in the hedging reserve in equity.

20. ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2017	2016	2017	2016
Holiday pay liability	1,385	1,359	-	-
Social security costs	619	845	35	0
Payroll liability	1,577	1,427	0	0
Costs relating to premises	10,749	9,026	-	-
Other accrued overheads	4,718	4,189	107	7
Total	19,048	16,846	142	7

21. RELATED PARTY DISCLOSURES

Ramsbury Invest AB, which is owned by Stefan Persson and family, is the parent company of H & M Hennes & Mauritz AB. The H&M group leases the following store premises in properties directly or indirectly owned by Stefan Persson and family: Drottninggatan 50–52 and Drottninggatan 56 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen, Oxford Circus and Regent Street in London, Kaufinger Strasse in Munich, Via del Corso/Via Tomacelli in Rome, Wisconsin Avenue in Washington DC and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market rates, and rental costs and other property-related expenses totalled SEK 384 m (466) for the financial year. Moreover, certain rent levels relating to previous years were renegotiated in conjunction with the review of the property portfolio being carried out by H&M.

Karl-Johan Persson received remuneration in the form of salary and benefits amounting to SEK 13.7 m (13.4), which included variable remuneration of SEK 0 m (0), for work carried out during the 2017 financial year as CEO of H & M Hennes & Mauritz AB.

Outstanding balances with related parties as of 30 November 2017 totalled SEK 51.8 m (3.1).

22. INTEREST-BEARING LIABILITIES

	GROUP				PARENT COMPANY	
	Interest rate % 30 Nov	In next 12 months	In next 2–5 years	More than 5 years ahead	Interest rate % 30 Nov	In next 12 months
2017						
Liabilities to credit institutions						
Nordic countries	0.00 – 0.072	9,320	–	–	0.032	4,000
Outside Nordic countries	8.75 – 16.00	425	–	–	–	–
Liabilities, financial leasing	0.21 – 1.53	125	329	21	–	–
Total		9,870	329	21		4,000

	GROUP				PARENT COMPANY	
	Interest rate % 30 Nov	In next 12 months	In next 2–5 years	More than 5 years ahead	Interest rate % 30 Nov	In next 12 months
2016						
Liabilities to credit institutions						
Nordic countries	-0.15 – -0.10	2,000	–	–	–	–
Outside Nordic countries	9.00	68	–	–	–	–
Liabilities, financial leasing	0.28 – 1.53	59	190	23	–	–
Total		2,127	190	23		–

23. APPROPRIATIONS

	PARENT COMPANY	
	2017	2016
Group contributions provided	-340	–
Depreciation in excess of plan	12	18
Total	-328	18

24. PARTICIPATION IN GROUP COMPANIES

All group companies are wholly owned.

2017	Corporate ID number	No. of shares	Book value	Domicile
Parent company shareholding				
H & M Hennes & Mauritz Sverige AB	556151-2376	1,250	0.1	Stockholm
H & M Online AB	556023-1663	1,150	0.6	Stockholm
H & M Hennes & Mauritz GBC AB	556070-1715	1,000	2.6	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M Hennes & Mauritz India Private Ltd		8,650,000	12.5	India
H & M Hennes & Mauritz Japan KK		99	11.7	Japan
FaBric Scandinavien AB	556663-8523	1,380	560.7	Tranås
H & M Hennes & Mauritz International AB	556782-4890	1,000	0.1	Stockholm
H & M Fashion AB	556922-7878	50,000	0.1	Stockholm
Total			588.5	

2017	Corporate ID number	Domicile
Subsidiaries' holdings		
H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz UK Ltd		UK
H & M Hennes & Mauritz SA		Switzerland

Cont. Note 24, Participation in group companies

2017	Corporate ID number	Domicile
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		Germany
H & M Hennes & Mauritz Logistics AB Co. KG		Germany
H & M Hennes & Mauritz online shop AB & Co. KG		Germany
& Other Stories AB & Co. KG		Germany
H & M New Business AB & Co. KG Germany		Germany
H & M Hennes & Mauritz Holding B.V.		Netherlands
H & M Hennes & Mauritz Netherlands B.V.		Netherlands
H & M Hennes & Mauritz Management B.V.		Netherlands
H & M Hennes & Mauritz Belgium NV		Belgium
H & M Hennes & Mauritz Logistics GBC NV		Belgium
H & M NB Belgium NV		Belgium
H & M Hennes & Mauritz GesmbH		Austria
H & M Hennes & Mauritz Oy		Finland
H & M Hennes & Mauritz SARL		France
H & M Hennes & Mauritz Logistics GBC France		France
H & M Hennes & Mauritz LP		USA
Hennes & Mauritz SL		Spain
Hennes & Mauritz Customer Services SL		Spain
H & M Hennes & Mauritz sp. z.o.o.		Poland
H & M Hennes & Mauritz Logistics sp. z.o.o.		Poland
H & M Hennes & Mauritz Logistics 1 Sp.z.o.o		Poland
H & M Hennes & Mauritz CZ, s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portugal
H & M Hennes & Mauritz S.r.l.		Italy
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz (Ireland) Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz (Far East) Ltd		Hong Kong
Puls Trading Far East Ltd		Hong Kong
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong
H & M Hennes & Mauritz Ltd		Hong Kong
Hennes & Mauritz (Shanghai) Commercial Co Ltd		China
H & M Hennes & Mauritz (Shanghai) Trading Co Ltd		China
H & M Hennes & Mauritz (Shanghai) Garments & Accessories Co Ltd		China
H & M Hennes & Mauritz SK s.r.o.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
H & M Hennes & Mauritz LLC		Russia
H & M Hennes & Mauritz TR Tekstil Ltd Sirketi		Turkey
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		Romania
H & M Hennes & Mauritz d.o.o. za trgovinu		Croatia
H & M Hennes & Mauritz PTE Ltd		Singapore
H & M Hennes & Mauritz EOOD		Bulgaria
Weekday Brands AB	556675-8438	Sweden
FaBric Sales AB & Co. KG Germany		Germany
H & M Hennes & Mauritz S.A de C.V.		Mexico
H & M Hennes & Mauritz Management S.A de C.V.		Mexico
H & M Hennes & Mauritz Servicios S.A de C.V.		Mexico
H & M Hennes & Mauritz Support S.A de C.V.		Mexico
H & M Hennes & Mauritz SIA		Latvia
H & M Retail SDN BHD		Malaysia
H & M Hennes & Mauritz SpA		Chile
H & M Hennes & Mauritz OÜ		Estonia
H & M Hennes & Mauritz UAB		Lithuania
H & M Hennes & Mauritz d.o.o.		Serbia
H and M Hennes and Mauritz Proprietary Limited		South Africa

Cont. Note 24, Participation in group companies

2017	Corporate ID number	Domicile
H & M Hennes & Mauritz Pty Ltd		Australia
H & M Hennes & Mauritz S.A.C.		Peru
H & M Hennes & Mauritz (Macau) Limited		Macau
H & M Hennes & Mauritz Retail Private Limited		India
H & M Hennes & Mauritz INC		Philippines
H & M Hennes & Mauritz New Zealand Limited		New Zealand
H & M Hennes & Mauritz Cyprus Limited		Cyprus
H & M Hennes & Mauritz Kazakhstan LLP		Kazakhstan
H & M Hennes & Mauritz Colombia S.A.S		Colombia
H & M Hennes & Mauritz Iceland ehf		Iceland
H & M Hennes & Mauritz Vietnam LLC		Vietnam
H & M Hennes & Mauritz Georgia LLC		Georgia
Hennes & Mauritz Uruguay S.A.		Uruguay
H & M Hennes & Mauritz LLC		Ukraine

25. UNTAXED RESERVES

	PARENT COMPANY	
	2017	2016
Depreciation in excess of plan	112	124
Tax allocation reserve	305	305
Total	417	429

26. CONTINGENT LIABILITIES

A contingent liability is reported where there is a possible obligation for which it remains to be confirmed whether the company has an existing obligation that could result in an outflow of resources. Alternatively, there may be an existing obligation that does not fulfil the criteria for reporting in the balance sheet as a provision or other liability since it is not likely that an outflow of financial resources will be required in order to settle the obligation or the amount cannot be reliably estimated.

The group is involved in various types of disputes, but it is assessed that no current disputes will have any significant impact on the group's results. For further information concerning tax disputes see note 10.

Neither the group nor the parent company has any pledged assets.

	PARENT COMPANY	
	2017	2016
Parent company's lease guarantees	11,406	13,064
Total	11,406	13,064

27. INTEREST INCOME, INTEREST EXPENSE AND SIMILAR ITEMS

The parent company's interest income and similar items consists of SEK 18 m (21) in interest income and SEK 0 m (132) in translation effects on receivables and liabilities from group companies.

The parent company's interest expense and similar items consists of SEK -11 m (0) in interest expense and SEK -80 m (0) in translation effects on receivables and liabilities from group companies.

28. 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.

Sales including VAT: The total value of sales to customers including VAT and equivalent taxes.

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.

EBITDA: Earnings before interest, taxes, depreciation and amortisation.

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.

Net debt: Interest-bearing liabilities including pension liability and accrued interest less cash and cash equivalents, investment shares and interest-bearing current and non-current receivables.

Share-related measurements

Equity per share: Shareholders' equity divided by 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.

Signing of the annual report

The undersigned hereby provide an assurance that the annual report and consolidated accounts have been drawn up in accordance with IFRS international accounting standards, as adopted by the EU, with good accounting practice, and that they provide a true and fair view of the group's and the parent company's position and earnings, and

also that the administration report provides a true and fair view of the development of the group's and the parent company's business, position and earnings, and also describe the significant risks and uncertainties faced by the companies making up the group.

Stockholm, 19 February 2018

Stefan Persson
Chairman of the Board

Stina Bergfors
Board member

Anders Dahlvig
Board member

Lena Patriksson Keller
Board member

Christian Sievert
Board member

Erica Wiking Häger
Board member

Niklas Zennström
Board member

Ingrid Godin
Board member

Margareta Welinder
Board member

Karl-Johan Persson
Chief Executive Officer

Our audit report was submitted on 19 February 2018

Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of H & M Hennes & Mauritz AB (publ), corporate identity number 556042-7220

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of H & M Hennes & Mauritz AB (publ) for the financial year 1 December 2016 to 30 November 2017, with the exception of the sustainability report on pages 70–73. The annual accounts and consolidated accounts of the company are included on pages 65–100 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 November 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 November 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinion does not cover the sustainability report on pages 70–73. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our

INCOME TAXES

Description of matter

Accounting for income taxes is subject to complex tax legislation that require interpretations and assessments by H&M. These interpretations may be questioned by various tax authorities and courts. H&M conducts operations in a significant number of countries and tax jurisdictions. The pricing of cross-border transactions and consequently how the taxable profit is distributed between the countries is determined by the transfer pricing model developed by the company. From time to time entities within the company are subject to ongoing tax proceedings that may range from tax audits to tax litigations at multiple levels of the court systems. The company evaluates the expected outcome of tax proceedings in progress on a continuous bases. Where it is likely that additional tax will have to be paid and outcome can be reasonably estimated, necessary provisions are made.

The evaluation of the expected outcome of ongoing tax proceedings requires assumptions and assessments that are complex by nature. Changes in assumptions and assessments may have a material effect on the financial statements, and consequently income taxes is considered a key audit matter.

Information related to the company's accounting for income taxes is found in note 1 (section "Estimates, assumptions and assessments") and note 10 ("Tax").

Considerations of the matter in the audit

Our audit included, among other things, the following audit procedures:

- Review of the completeness and valuation of the amounts reported as current and deferred tax, among other things by reviewing tax calculations.
- Review of the company's transfer pricing model and evaluation whether the company has complied with the model.
- Review of the company's assumptions and assessments concerning the outcome of ongoing tax proceedings and tax risks. We have included tax professionals as part of our audit.
- Assessment of appropriateness of disclosures provided in the financial statements.

VALUATION OF STOCK-IN-TRADE

Description of matter

As at 30 November 2017 H&M's stock-in-trade amounts to SEK 33,712 million, spread across central warehouses and retail stores. Stock-in-trade is valued at the lower of cost and net realisable value. The net realisable value is the estimated market value less calculated selling expenses. Goods that have not yet arrived at a store are valued at their actual acquisition cost including the estimated cost of customs duties and freight. For stock in the stores, cost is determined by reducing the selling price by the calculated gross margin.

Estimating the net realisable value requires assumptions and assessments concerning future events which are subject to uncertainty. Calculating the cost of customs duties and freight also requires assumptions. Changes in assumptions and assessments may have a material effect on the financial statements, and consequently valuation of stock-in-trade is considered a key audit matter.

Information related to the company's valuation of stock-in-trade is found in note 1 (the section "Estimates, assumptions and assessments") and note 14 ("Stock-in-trade").

Considerations of the matter in the audit

Our audit included, among other things, the following audit procedures:

- Review of the company's processes and procedures for stock accounting, including the company's procedures and assumptions used in the calculation of accrued costs for customs duties and freight.
- Review of the reported acquisition cost on a sample basis.
- Analysis of the company's assessment of net realisable value, as well as review of assumptions and calculations for stock obsolescence.
- Review of elimination of internal profits in stock at group level.
- Assessment of appropriateness of disclosures provided in the financial statements.

report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Information other than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 12–64. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the CEO

The Board of Directors and the CEO are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the CEO are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the CEO are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the CEO intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the CEO.
- Conclude on the appropriateness of the Board of Directors' and the CEO's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore

the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the CEO of H & M Hennes & Mauritz AB (publ) for the financial year 1 December 2016 – 30 November 2017 and the proposed appropriation of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the CEO be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the CEO

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The CEO shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the CEO in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is

to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the sustainability report on pages 70–73 and for ensuring that it is prepared in compliance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the sustainability report has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that our examination provides a reasonable basis for our opinion below.

A sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of H&M Hennes & Mauritz AB by the general meeting of shareholders on 10 May 2017. Ernst & Young AB and auditors within the audit firm have been elected since before 17 June 1994. Under the current regulations, Ernst & Young AB cannot be reappointed after 16 June 2020.

Stockholm, 19 February 2018

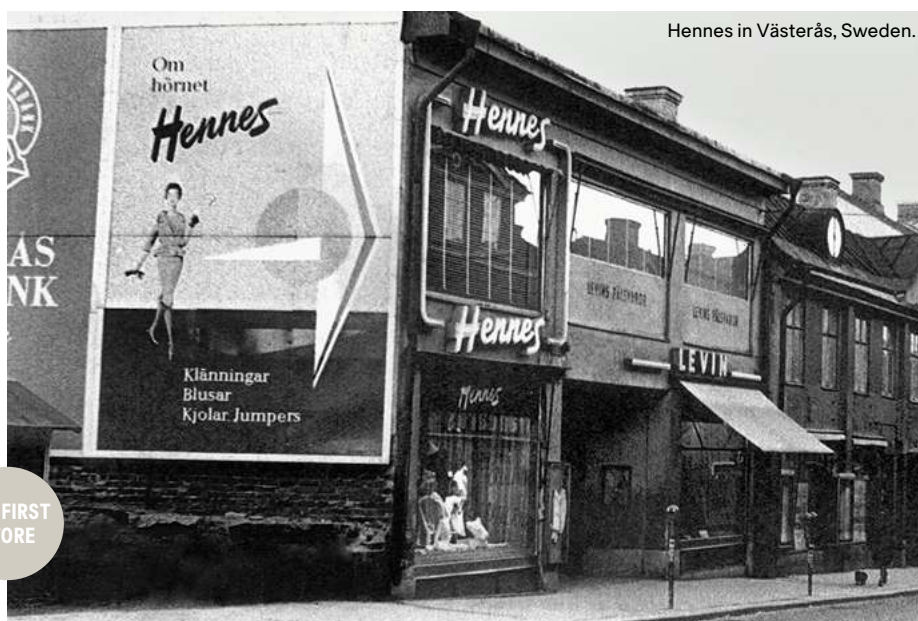
Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

The H&M group — the first 70 years

In 1947 Erling Persson opened the store Hennes in Västerås, Sweden. Today the H&M group has several clearly defined brands that together make fashion and design accessible to people all over the world.



Hennes in Västerås, Sweden.

THE FIRST STORE

1947

H&M's story begins when founder Erling Persson opens the first store in Västerås, Sweden, selling women's clothing. The store is called Hennes.

1964

The first store outside Sweden opens in Norway.

1968

The name is changed to Hennes & Mauritz when Erling Persson buys the hunting and fishing store Mauritz Widforss in Stockholm, including a stock of men's clothing. This is the start of sales of men's and children's clothing.

1974

H&M is listed on the Stockholm Stock Exchange.

1976

The first store outside Scandinavia opens in London.



H&M, Oxford Circus in London.

1980–1999

Global expansion takes off with new markets such as Germany, the Netherlands, Belgium, Austria, Luxembourg, Finland and France.

2000

The first H&M stores in the US and Spain open in the year 2000. In subsequent years H&M opens in more European markets.

2004

H&M's designer collaborations start with Karl Lagerfeld, to be followed by collaborations with some of the world's biggest designers and fashion icons.



The first designer collaboration, with Karl Lagerfeld in 2004.

2006

Major expansion of online shopping at hm.com begins in Europe. The first franchise stores open, in the Middle East.

2007–2009

The H&M Foundation is established as a non-profit global foundation. The first H&M stores in East Asia open in Hong Kong, Shanghai and Tokyo. New brands are added: COS is launched in 2007, while in 2008 H&M

COS WAS
LAUNCHED
IN 2007



COS.

acquires fashion company FaBric Scandinavien AB and with it the brands Cheap Monday, Monki and Weekday. H&M Home is launched in 2009.

2010

The first H&M Conscious Collection is launched, made with sustainable materials such as organic cotton and recycled polyester. Store number 2,000 opens in Osaka, Japan.



H&M Conscious Collection 2010.

2011

The H&M Incentive Program (HIP) for all employees is started with a gift of around SEK 1 billion, invested in H&M shares, from Stefan Persson and family. HIP works the same way for everyone in the H&M group – regardless of salary, role, country and whether full- or part-time.

2013

Launch of fashion brand & Other Stories. H&M opens its online store in the US.

The H&M group's 3,000th store opens in Chengdu, China while the first H&M stores in the southern hemisphere open in Chile and Indonesia. H&M starts the Garment Collecting initiative, with the aim of closing the loop for textiles – becoming the first fashion company to collect old textiles in stores globally for reuse and recycling.



2014

Launch of the first denim garments made using recycled fibres from H&M's Garment

Collecting. Australia and the Philippines become new H&M markets, while the online store opens in four new countries including China. The new H&M Sport is launched and H&M's shoe concept is extended and updated.

2015–2016

The H&M Foundation announces the Global Change Award, supporting and encouraging innovation for a more circular fashion industry. Launch of the new H&M Beauty concept. Eight new H&M markets are added, including India, South Africa and New Zealand, and the H&M online store opens in a further 21 markets.



Recycled denim.

NEW
CLIMATE
GOAL

2017

New brand ARKET is launched. H&M celebrates its 70th birthday and opens eight new online markets as well as its first stores in Kazakhstan, Colombia, Iceland, Vietnam and Georgia. The H&M group sets new sustainability goals: to use only recycled and sustainably produced materials by 2030 and to be climate-positive throughout the value chain by 2040. □



ARKET in Munich.

Annual general meeting

TIME AND PLACE	<p>The 2018 annual general meeting will be held at 3 p.m. on Tuesday 8 May 2018 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna.</p> <p>Shareholders who are registered in the share register printout as of Wednesday 2 May 2018 and give notice of their intention to attend the AGM no later than Wednesday 2 May 2018 will be entitled to participate in the AGM.</p>	
NOMINEE SHARES	<p>Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own name in order to be entitled to participate in the AGM. In order to re-register shares in time, shareholders should request temporary owner registration, which is referred to as voting right registration, well in advance of 2 May 2018.</p>	
NOTICE OF ATTENDANCE	<p>Shareholders must provide notice of their intention to participate in the AGM by post, fax, telephone or via H&M's website to:</p> <p>Shareholders must provide their name, civil identity number and telephone number (daytime) when providing notice of their intention to participate.</p>	<p>H & M Hennes & Mauritz AB Attn. Annual General Meeting SE-106 38 Stockholm Telephone: +46 (0)8 796 55 00, preferably between 08.00–17.00, stating notice of attendance at the AGM Fax: +46 (0)8 24 80 78 about.hm.com/agm</p>
DIVIDEND	<p>The board of directors has decided to propose to the annual general meeting on 8 May 2018 a dividend of SEK 9.75 per share for the 2016/2017 financial year. The board of directors proposes that the dividend is to be paid in two instalments during the year – in May and in November.</p> <p>The record date proposed for the first dividend payment of SEK 4.90 per share is 11 May 2018. With this record day, Euroclear Sweden AB is expected to pay the dividend on 16 May 2018.</p> <p>To be guaranteed dividend payment, the H&M shares must have been purchased no later than 8 May 2018. Ex-dividend day is 9 May 2018.</p> <p>The record date proposed for the second dividend payment of SEK 4.85 per share is 13 November 2018. With this record day, Euroclear Sweden AB is expected to pay the dividend on 16 November 2018.</p> <p>To be guaranteed the second dividend payment, the H&M shares must have been purchased no later than 9 November 2018. Ex-dividend day is 12 November 2018.</p>	

Financial information


CALENDAR	<p>H & M Hennes & Mauritz AB will provide the following information:</p>	
	<p>27 March 2018 8 May 2018</p>	<p>Three-month report Annual general meeting 2018 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna at 3 p.m.</p>
	<p>28 June 2018 27 September 2018</p>	<p>Six-month report Nine-month report</p>

Contact details

HEAD OFFICE	<p>H & M Hennes & Mauritz AB, Mäster Samuelsgatan 46A, SE-106 38 Stockholm, Sweden, Telephone +46 (0)8 796 55 00</p>		
CONTACTS	<p>INVESTOR RELATIONS Nils Vinge COMMUNICATIONS Kristina Stenvinkel GOVERNANCE Liv Asarnoj</p>	<p>For information about the H&M group's various brands see: hm.com cosstores.com weekday.com cheapmonday.com monki.com stories.com arket.com</p>	<p>COVER H&M Spring Fashion 2018 photographed by Josh Olins.</p> <p><i>The annual report is printed on FSC® certified paper.</i></p>
DISTRIBUTION POLICY	<p>H&M sends out the printed version of the annual report to shareholders who have specifically expressed an interest in receiving the printed version. The annual report is also available to read and download at about.hm.com.</p>		







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