

H & M Hennes & Mauritz AB (publ) – Annual General Meeting 2018

Item 9 b in accordance with the proposed agenda for the annual general meeting on 8 May 2018. Resolution on distribution of the company's earnings as stated in the adopted balance sheet and establishment of the record date for the dividend.

The board's proposal for the dividend and record date

The board of directors proposes to the annual general meeting that a cash dividend of SEK 9.75 per share be paid.

Funds at the disposal of the annual general meeting (SEK): 16,182,717,249

The board of directors proposes that the shareholders are paid a dividend of SEK 9.75 per share	SEK	16,136,952,000
To be carried forward as retained earnings	SEK	45,765,249
Total	SEK	16,182,717,249

Statement by the board of directors concerning the proposed dividend

The board of directors has decided to propose to shareholders that the annual general meeting on 8 May 2018 resolve to pay a dividend of SEK 9.75 per share, amounting to SEK 16,136,952,000 in total. The dividend will 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.

This statement has been prepared in accordance with Chapter 18 § 4 of the Swedish Companies Act and forms the board's assessment of whether the proposed distribution of earnings is justifiable with regard to what is stated in Chapter 17 § 3 second and third paragraphs of the Companies Act.

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. Net debt/EBITDA was 0.0 as of 30 November 2017.

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 proposed distribution of earnings to the shareholders represents 99.7 percent (86.6) of the group's profit after tax. The proposed distribution of earnings also represents around 99.7 percent of the funds at the disposal of the annual general meeting. The earnings to be distributed amount to less than the cash flow from current operations before changes in working capital. The group's equity/assets ratio is 56.0 percent before payment of the dividend and 48.2 percent after payment of the dividend. The parent company's equity includes no unrealised changes in value from the assessment of financial instruments at fair value.

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.

Stockholm, February 2018

The Board of Directors of H & M Hennes & Mauritz AB (publ)