

# H & M Hennes & Mauritz AB

## Six-month report

First half-year 2018

**SEK 114 billion**

Sales incl VAT

### First half-year (1 December 2017 – 31 May 2018)

- The H&M group's sales including VAT amounted to SEK 114,017 m (113,907) during the first half-year. Sales excluding VAT amounted to SEK 98,165 m (98,368). In local currencies, sales including VAT were unchanged.
- Profit after financial items amounted to SEK 7,275 m (10,920). The group's profit after tax amounted to SEK 6,010 m (8,354), corresponding to SEK 3.63 (5.05) per share.

### Second quarter (1 March 2018 – 31 May 2018)

- The group's sales including VAT increased by 2 percent to SEK 60,463 m (59,538) during the second quarter. Sales excluding VAT amounted to SEK 51,984 m (51,383). In local currencies, sales including VAT were unchanged.
- Gross profit amounted to SEK 29,164 m (29,345). This corresponds to a gross margin of 56.1 percent (57.1)
- Profit after financial items amounted to SEK 6,012 m (7,708). The group's profit after tax amounted to SEK 4,638 m (5,897), corresponding to SEK 2.80 (3.56) per share.
- The H&M group is going through a period of transformation to make the company even more customer-driven, efficient and flexible. This includes necessary transitions to new logistics systems that will allow even better availability, speed and transparency. However, sales and profits were temporarily affected by interruptions in connection with such transitions carried out in the second quarter in major markets such as the USA, France, Italy and Belgium.

- AI and advanced data analytics – very good results from ongoing pilot projects, which are now being scaled up.
- The H&M group's ninth brand, Afound, which offers hundreds of specially selected fashion and lifestyle brands with products at bargain prices, was launched in Sweden in June. Afound has been very successfully received both in store and online.
- H&M Home will broaden its product range in the second half of 2018 to include lamps and furniture.
- For 2019 Bosnia-Herzegovina is planned to become a new H&M store market and Mexico a new H&M online market.

	Q2 2018	Q2 2017	Six months 2018	Six months 2017
SEK m				
Net sales	51,984	51,383	98,165	98,368
Gross profit	29,164	29,345	52,204	53,811
<i>gross margin, %</i>	<i>56.1</i>	<i>57.1</i>	<i>53.2</i>	<i>54.7</i>
Operating profit	6,007	7,650	7,215	10,809
<i>operating margin, %</i>	<i>11.6</i>	<i>14.9</i>	<i>7.3</i>	<i>11.0</i>
Net financial items	5	58	60	111
<b>Profit after financial items</b>	<b>6,012</b>	<b>7,708</b>	<b>7,275</b>	<b>10,920</b>
Tax	-1,374	-1,811	-1,265	-2,566
<b>Profit for the period</b>	<b>4,638</b>	<b>5,897</b>	<b>6,010</b>	<b>8,354</b>
Earnings per share, SEK	2.80	3.56	3.63	5.05

Definitions on key figures, see annual report 2017.



H&amp;M

## Comments by Karl-Johan Persson, CEO

“The rapid transformation of the fashion retail sector continues, and we are in a transitional period that is both exciting and challenging. Challenging because it is complex, extensive and the pace of change is fast. Exciting because we can see positive trends and big potential in connection with our improvement work and investments.

As we signalled previously, it was going to be a tough first half-year. We went into the second quarter carrying too much stock and we still had some imbalances in the H&M assortment – something that we are gradually correcting. As part of our transformation work we are transitioning our logistics systems to make our supply chain even faster, more flexible and more efficient. These transitions are complicated and can result in temporary interruptions, as unfortunately occurred during the second quarter in some of our major sales markets. This negatively impacted sales in the USA, France, Italy and Belgium, as well as online sales in the Nordic region.

Yet in a number of markets sales developed positively; in Sweden, Norway, Denmark and Eastern Europe we grew considerably faster than the market. This shows that we are on the right track and that our digital investments and improvement work are starting to have results. Overall, however, total sales for the quarter were not satisfactory, which meant that inventory levels were still too high at the end of the period.

### Work on our priority action areas continues at full speed

An important focus area is to develop the core of our brands. Our highest priority is the H&M brand, where we are continuing our improvement work on the assortment and the customer experience in store and online – while at the same time continuing to integrate the two channels. The utmost important thing is to improve the assortment and we are already seeing positive results from our summer collections, which have sold better than the corresponding collections last year.

We are continuing our investments in the supply chain, tech, advanced analytics and AI. There are promising indications from our pilot projects within personalisation, quantification, allocation and price setting, as well as in trend forecasting. Following on from these positive results, we are now scaling the projects up for more markets and more concepts.

### Development of the store portfolio, new online partner and new brand

The development and optimisation of the store portfolio continues. This applies to the number of stores, store area, rebuilds and relocations in order to ensure that we always have the right store portfolio and best terms in each market.

In 2018 we plan to open around 390 stores and to close 150, resulting in a net addition of 240 new stores for the year. Most of the H&M store openings will be in emerging markets, while the closures will take place in established markets. Stores for our newer brands will open in our established markets. We still see great potential for new stores in the coming years as our newer brands gradually come to make up an ever greater share of the store portfolio.

In parallel with the development of our own online store, sales of H&M on Tmall have got off to a very good start with tens of millions of visitors in the first couple of months, contributing to increasing sales in China.

Two weeks ago we launched our latest brand, Afound, an innovative market place in Sweden with hundreds of specially selected fashion and lifestyle brands offering products at bargain prices. Afound has been very successfully received both in store and online.

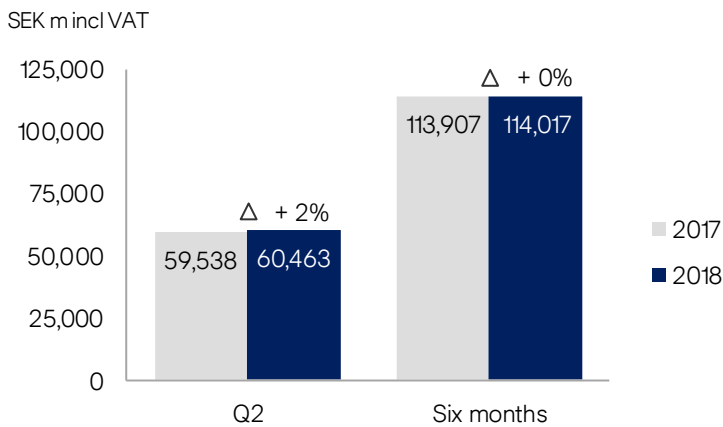
### Outlook

We can see that things are moving in the right direction, even though many challenges remain and there is a lot of hard work still to do. The first half of the year has been somewhat more challenging than we initially thought, but we believe that there is a gradual improvement and that we will see a stronger second half. We have a long-term approach and are optimistic about the future for the whole of the H&M group, with good growth in both sales and profitability for many years to come.”



H&M Kids

## Sales

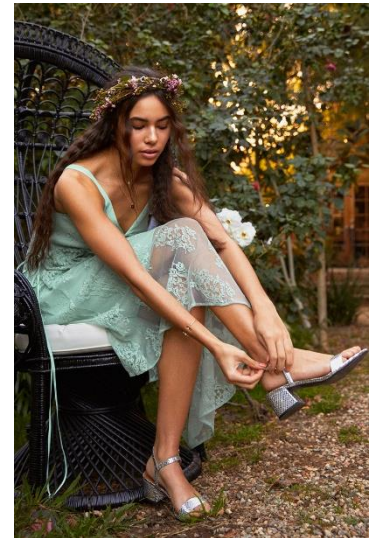


**Sales including VAT** increased by 2 percent to SEK 60,463 m (59,538) in the second quarter. Sales including VAT in the six-month period amounted to SEK 114,017 m (113,907). In local currencies the H&M group's sales including VAT were unchanged both in the second quarter and in the six-month period.

**Sales excluding VAT** amounted to SEK 51,984 (51,383) in the second quarter and to SEK 98,165 m (98,368) in the six-month period.

Online sales increased by approximately 17 percent compared with the second quarter last year.

Total sales for the new brands (new business) increased by approximately 14 percent in the quarter compared to the corresponding period the previous year.



& Other Stories

## Sales in top ten markets, first half-year

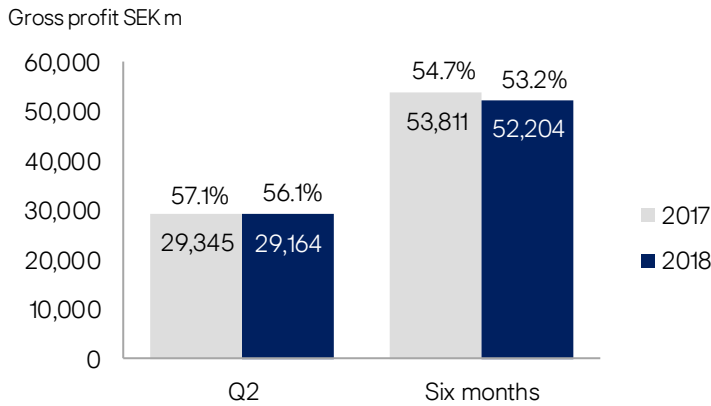
	2018	2017	Change in %		31 May - 18	2018
	SEK m incl VAT	SEK m incl VAT	SEK	Local currency	Number of stores	New stores (net)
Germany	18,264	18,562	-2	-5	461	-2
USA	12,026	13,807	-13	-6	546	10
UK	7,286	7,150	2	1	291	-1
France	6,249	6,585	-5	-10	241	1
China	5,806	5,729	1	2	514	8
Sweden	5,018	5,007	0	0	167	-5
Italy	4,405	4,470	-1	-6	176	1
Spain	4,004	3,894	3	-2	174	-1
Netherlands	3,706	3,676	1	-3	145	0
Denmark	3,024	2,849	6	2	109	-1
Others*	44,229	42,178	5	6	1,977	52
<b>Total</b>	<b>114,017</b>	<b>113,907</b>	<b>0</b>	<b>0</b>	<b>4,801</b>	<b>62</b>
<i>* Of which franchises</i>	<i>2,590</i>	<i>2,370</i>	<i>9</i>	<i>18</i>	<i>241</i>	<i>22</i>

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

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

## Gross profit and gross margin

H&M's gross profit and gross margin are a result of many different factors, internal as well as external, and are mostly affected by the decisions that the H&M group takes in line with its strategy to always have the best customer offering in each individual market – based on the combination of fashion, quality, price and sustainability.



H&M

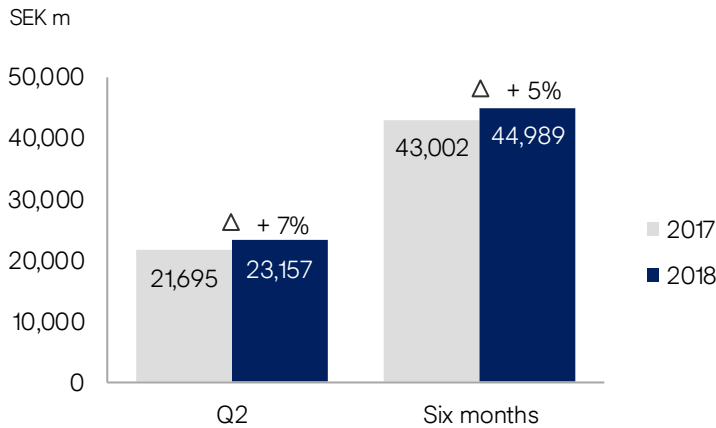
**Gross profit** amounted to SEK 29,164 m (29,345) in the second quarter, corresponding to a gross margin of 56.1 percent (57.1). For the six-month period, gross profit amounted to SEK 52,204 m (53,811), corresponding to a gross margin of 53.2 percent (54.7).

**Markdowns** in relation to sales increased by just under one percentage point in the second quarter of 2018 compared with the corresponding quarter in 2017.

**Overall, the market situation** as regards external factors such as purchasing currencies and raw materials was slightly positive during the purchasing period for the second quarter compared with the corresponding purchasing period in the previous year.

For purchases made for the third quarter 2018, the market situation as regards external factors is considered to be slightly positive overall – mostly due to the fact that the US dollar has weakened against the group's basket of currencies – compared with the corresponding purchasing period the previous year.

## Selling and administrative expenses

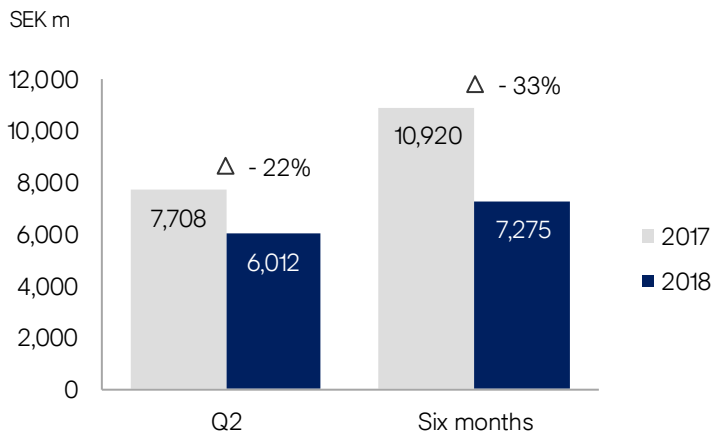


**Cost control** in the group remains good. In the second quarter of 2018, selling and administrative expenses increased by 7 percent in SEK and by 5 percent in local currencies compared with the second quarter the previous year. For the six-month period, selling and administrative expenses increased by 5 percent in SEK as well as in local currencies compared with the corresponding period last year. The increase is attributable to the expansion.



ARKET

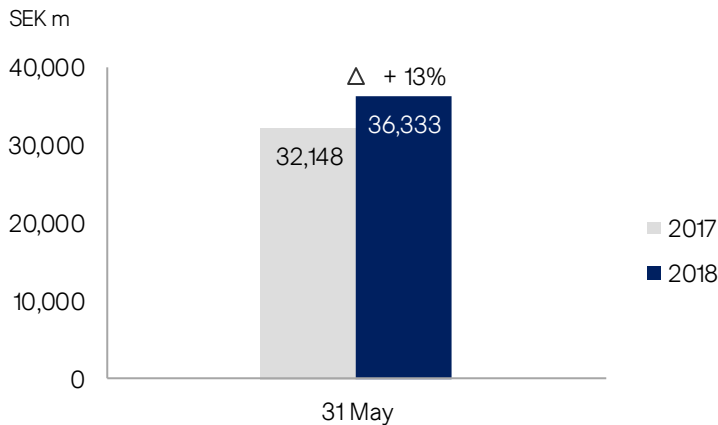
## Profit after financial items



**Profit after financial items** amounted to SEK 6,012 m (7,708) in the second quarter. Profit after financial items in the six-month period amounted to SEK 7,275 m (10,920).

Profit in the second quarter was affected by weak sales as a result of a still challenging market, but also by internal factors such as unexpected interruptions in connection with the transition to new logistics systems and certain imbalances in the H&M assortment.

## Stock-in-trade



**Stock-in-trade** amounted to SEK 36,333 m (32,148), an increase of 13 percent in SEK compared with the same point in time last year. In local currencies the increase was 11 percent.

The closing inventory level is still too high. The increase in the inventory level is due to weak sales as a result of certain imbalances in the H&M assortment combined with the fact that the transition caused interruptions to the flow of goods in a number of major sales markets. The high closing inventory level will mean increased markdowns in relation to sales in the third quarter 2018 compared with the same quarter the previous year.

Gradual improvements to the balance and precision of the H&M assortment combined with shorter lead times which allow more and more products to be bought during the season will result in more full-price sales and thus improved inventory levels in future.

**The stock-in-trade** amounted to 18.2 percent (16.1) of sales excluding VAT, rolling twelve months and 32.3 percent (31.9) of total assets.

## Expansion

In spring 2018 the online expansion continued into a further three markets: India, which opened in March, and via franchise to Saudi Arabia and the United Arab Emirates, which opened in May. The plan for the future is to offer online shopping in all our store markets and in other markets as well. New H&M store markets in 2018 will be Uruguay and Ukraine, which will open in the second half of the year. For 2019 Bosnia-Herzegovina is planned to become a new H&M store market and Mexico a new H&M online market.

Afound enjoyed a very successful launch in Sweden both in store and online.

For full-year 2018 the H&M group plans to open around 390 stores and close 150, resulting in a net addition of around 240 new stores for the year. Most of the H&M store openings will be in emerging markets, while the closures will take place in established markets. The number of planned store closures has been adjusted from 170 to 150 as a result of considerably improved lease terms. Most of the new stores in 2018 will be H&M stores, with around 40 having an H&M Home shop-in-shop, while approximately 90 stores will be for the brands COS, & Other Stories, Monki, Weekday, ARKET and Afound. In 2018 eight standalone H&M Home stores are planned to open.

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



H&M

Brand	No. of markets 31 May - 2018		Expansion 2018
	Store	Online	New markets
H&M	69	47	Store: Uruguay, Ukraine Online: India*, Kuwait (franchise)*, United Arab Emirates (franchise)*, Saudi Arabia (franchise)*
COS	40	20	Store: Thailand (franchise)*, Lebanon (franchise)*, Saudi Arabia (franchise)*, Russia
Monki	15	19	Store: Kuwait (franchise)*, Saudi Arabia (franchise)
Weekday	9	18	Store: Finland
& Other Stories	17	15	Store: Austria, Kuwait (franchise)*
Cheap Monday	1	18	
ARKET	5	18	Store: Netherlands*, Sweden**
H&M Home	47	41	Store: Ukraine, Morocco (franchise)*, Chile Online: Kuwait (franchise)*, United Arab Emirates (franchise)*, Saudi Arabia (franchise)*



H&amp;M Home

\* Opened until 31 May - 2018

\*\* Opened in June - 2018

### Store count by brand

In the first half-year, excluding franchise, the group opened 105 (176) stores and closed 65 (45) stores, i.e. a net increase of 40 (131) new stores. Via franchise partners 22 (17) stores were opened and 0 (1) stores were closed. The group had 4,801 (4,498) stores as of 31 May 2018, of which 241 (204) were operated by franchise partners.

Brand	New Stores 2018 (net)		Total No of stores	
	Q2	Six months	31 May - 2018	31 May - 2017
H&M	35	40	4,328	4,087
COS	16	16	247	209
Monki	2	1	120	115
Weekday	1	1	34	29
& Other Stories	2	2	62	55
Cheap Monday	-2	-2	1	3
ARKET	4	4	9	0
<b>Total</b>	<b>58</b>	<b>62</b>	<b>4,801</b>	<b>4,498</b>

### Store count by region

Region	New Stores 2018 (net)		Total No of stores	
	Q2	Six months	31 May - 2018	31 May - 2017
Europe & Africa	26	6	3,014	2,917
Asia & Oceania	28	44	1,090	956
North & South America	4	12	697	625
<b>Total</b>	<b>58</b>	<b>62</b>	<b>4,801</b>	<b>4,498</b>

## Tax

The US tax reform (Tax Cuts & Jobs Act) was enacted in December 2017. For H&M this meant that deferred tax liabilities and deferred tax claims assignable to H&M's US subsidiary were remeasured during the first quarter 2018. The group had one-off positive tax income of SEK 408 m in the six-month period as a result of this remeasurement. Cash flow was not affected by this one-off effect.

The H&M group's tax rate for the 2017/2018 financial year is expected to be approximately 22.0 – 23.0 percent excluding the one-off effect described above. In the first, second and third quarters of 2018 a tax rate of 23.0 percent will be used to calculate tax expense on the result of each quarter. The outcome of the tax rate for the year depends on the results of the group's various companies and the corporate tax rates in each country.

## Financing

As of 31 May 2018, the group had SEK 14,527 m (6,195) in loans from credit institutions with a term of up to 12 months as well as SEK 1,028 m (0) in loans from credit institutions with a term of up to 24 months.

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

Net debt in relation to EBITDA amounted to 0.2.

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.

## Accounting principles

The group applies International Financial Reporting Standards (IFRS) as adopted by the EU. This report has been prepared according to IAS 34 Interim Financial Reporting as well as the Swedish Annual Accounts Act.

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2017 which are described in Note 1 – Accounting principles.

H & M Hennes & Mauritz AB's financial instruments consist of accounts receivable, other receivables, cash and cash equivalents, accounts payable, accrued trade payables, interest-bearing securities and currency derivatives. Currency derivatives are measured at fair value based on input data corresponding to level 2 of IFRS 13. As of 31 May 2018, forward contracts with a positive market value amount to SEK 768 m (333), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 938 m (897), which is reported under other current liabilities. Other financial assets and liabilities have short terms. It is therefore judged that the fair values of these financial instruments are approximately equal to their book values.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which essentially involves applying IFRS. In accordance with RFR 2, the parent company does not apply IAS 39 to the measurement of financial instruments; nor does it capitalise development expenditure.

For definitions see the annual report and consolidated accounts for 2017.

## Risks and uncertainties

A number of factors may affect the H&M group's result and business. Many of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties for the H&M group related to the major shift within the industry, fashion, weather conditions, macroeconomic and geopolitical changes, sustainability issues, foreign currency, cyber-attacks, tax and different regulations but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed.

For a more detailed description of risks and uncertainties, refer to the administration report and to note 2 in the annual report and consolidated accounts for 2017.



## Calendar

17 September 2018	Sales development in third quarter, 1 Jun 2018 – 31 Aug 2018
27 September 2018	Nine-month report, 1 Dec 2017 – 31 Aug 2018
17 December 2018	Sales development in fourth quarter, 1 Sep 2018 – 30 November 2018
31 January 2019	Full-year report, 1 Dec 2017 – 30 Nov 2018
15 March 2019	Sales development in first quarter, 1 Dec 2018 – 28 Feb 2019
29 March 2019	Three-month report, 1 Dec 2018 – 28 Feb 2019
7 May 2019	Annual general meeting

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

Stockholm, 27 June 2018  
Board of Directors

## Communication in conjunction with the six-month report

The six-month report for 2018, i.e. 1 December 2017 – 31 May 2018, will be published at 08:00 CET on 28 June 2018, followed by a press conference at 09:30 CET hosted by CEO Karl-Johan Persson and Head of Investor Relations Nils Vinge. The press conference for the financial market and media will be held in Swedish at H&M's head office in Stockholm, Ljusgården, Mäster Samuelsgatan 49, 3rd floor.

A telephone conference for the financial market and media will be held in English at 14:00 CET hosted by CEO Karl-Johan Persson, CFO Jyrki Tervonen and Head of IR Nils Vinge. The presentation material will be available at [about.hm.com/investors](http://about.hm.com/investors). For login details to the telephone conference please register at:

<http://about.hm.com/en/media/calendar/six-month-report0.html>

To book interviews with CEO Karl-Johan Persson and Head of IR Nils Vinge in conjunction with the six-month report on 28 June, please contact:

Kristina Stenvinkel, Communications Director  
Telephone: +46 8 796 39 08  
E-mail: [stenvinkel@hm.com](mailto:stenvinkel@hm.com)

## Contact

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

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

The undersigned hereby provide an assurance that the half-year report for 1 December 2017 – 31 May 2018 provides a true and fair view of the parent company's and the group's business, positions and earnings, and also describe the significant risks and uncertainties faced by the companies making up the group.

Stockholm 27 June, 2018

Stefan Persson  
Chairman of the Board

Stina Bergfors  
Board member

Anders Dahlvig  
Board member

Ingrid Godin  
Board member

Lena Patriksson Keller  
Board member

Alexandra Rosenqvist  
Board member

Christian Sievert  
Board member

Erica Wiking Häger  
Board member

Niklas Zennström  
Board member

Karl-Johan Persson  
Chief Executive Officer

Information in this interim report is that which H & M Hennes & Mauritz AB (publ) is required to disclose under the EU Market Abuse Regulation (596/2014/EU). The information was submitted for publication by the abovementioned persons at 08:00 (CET) on 28 June 2018. This interim report and other information about H&M, is available at [about.hm.com](http://about.hm.com).

*H & M Hennes & Mauritz AB (publ) was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. In addition to H&M, the group includes the brands COS, Monki, Weekday, Cheap Monday, & Other Stories, H&M Home and ARKET as well as Afound. The H&M group has 47 online markets and more than 4,800 stores in 69 markets including franchise markets. In 2017, sales including VAT were SEK 232 billion. The number of employees amounts to more than 171,000. For further information, visit [about.hm.com](http://about.hm.com).*

**GROUP INCOME STATEMENT IN SUMMARY (SEK m)**

	Q2 2018	Q2 2017	Six months 2018	Six months 2017	1 Dec 2016- 30 Nov 2017
Sales including VAT	60,463	59,538	114,017	113,907	231,771
Sales excluding VAT	51,984	51,383	98,165	98,368	200,004
Cost of goods sold	-22,820	-22,038	-45,961	-44,557	-91,914
<b>GROSS PROFIT</b>	<b>29,164</b>	<b>29,345</b>	<b>52,204</b>	<b>53,811</b>	<b>108,090</b>
<i>Gross margin, %</i>	56.1	57.1	53.2	54.7	54.0
Selling expenses	-21,095	-19,924	-41,071	-39,477	-80,427
Administrative expenses	-2,062	-1,771	-3,918	-3,525	-7,094
<b>OPERATING PROFIT</b>	<b>6,007</b>	<b>7,650</b>	<b>7,215</b>	<b>10,809</b>	<b>20,569</b>
<i>Operating margin, %</i>	11.6	14.9	7.3	11.0	10.3
Net financial items	5	58	60	111	240
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>6,012</b>	<b>7,708</b>	<b>7,275</b>	<b>10,920</b>	<b>20,809</b>
Tax	-1,374	-1,811	-1,265	-2,566	-4,625
<b>PROFIT FOR THE PERIOD</b>	<b>4,638</b>	<b>5,897</b>	<b>6,010</b>	<b>8,354</b>	<b>16,184</b>

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

Earnings per share, SEK*	2.80	3.56	3.63	5.05	9.78
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	2,424	2,145	4,703	4,251	8,488
of which cost of goods sold	136	174	287	378	736
of which selling expenses	2,146	1,827	4,130	3,587	7,175
of which administrative expenses	142	144	286	286	577

\* Before and after dilution.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)**

	Q2 2018	Q2 2017	Six months 2018	Six months 2017	1 Dec 2016- 30 Nov 2017
PROFIT FOR THE PERIOD	4,638	5,897	6,010	8,354	16,184
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Translation differences	1,415	-331	2,021	-833	-1,496
Change in hedging reserves	328	-467	366	-199	-179
Tax attributable to change in hedging reserves	-75	112	-84	48	39
<i>Items that will not be classified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-	-	-	-	78
Tax related to the above remeasurement	-	-	-	-	-19
<b>OTHER COMPREHENSIVE INCOME</b>	<b>1,668</b>	<b>-686</b>	<b>2,303</b>	<b>-984</b>	<b>-1,577</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>6,306</b>	<b>5,211</b>	<b>8,313</b>	<b>7,370</b>	<b>14,607</b>

All comprehensive income is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

**GROUP BALANCE SHEET IN SUMMARY (SEK m)**

ASSETS	31 May - 2018	31 May - 2017	30 Nov 2017
<b>Fixed assets</b>			
Intangible fixed assets	8,071	6,169	7,043
Property, plant and equipment	41,459	38,366	39,818
Other fixed assets	3,563	4,011	3,955
	53,093	48,546	50,816
<b>Current assets</b>			
Stock-in-trade	36,333	32,148	33,712
Current receivables	12,099	9,415	12,316
Cash and cash equivalents	11,107	10,655	9,718
	59,539	52,218	55,746
<b>TOTAL ASSETS</b>	<b>112,632</b>	<b>100,764</b>	<b>106,562</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	51,889	52,469	59,713
Long-term liabilities*	6,323	5,700	6,126
Current liabilities**	54,420	42,595	40,723
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>112,632</b>	<b>100,764</b>	<b>106,562</b>

\* Interest-bearing long-term liabilities amounts to SEK 1,878 m (780).

\*\* Interest-bearing current liabilities amounts to SEK 14,659 m (6,266).

**CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)**

	31 May - 2018	31 May - 2017	30 Nov 2017
Shareholders' equity at the beginning of the period	59,713	61,236	61,236
Adjustment of opening balance*	-	7	7
Total comprehensive income for the period	8,313	7,370	14,607
Dividend	-16,137	-16,137	-16,137
Shareholders' equity at the end of the period	51,889	52,476	59,713

\*Change of accounting principles regarding defined-contribution pension previous years.

**GROUP CASH FLOW STATEMENT (SEK m)**

	Six months 2018	Six months 2017
<b>Current operations</b>		
Profit after financial items*	7,275	10,920
Provisions for pensions	32	46
Depreciation	4,703	4,251
Tax paid	-546	-2,507
Other	21	-11
<b>Cash flow from current operations before changes in working capital</b>	<b>11,485</b>	<b>12,699</b>
<b>Cash flow from changes in working capital</b>		
Current receivables	-1,164	-638
Stock-in-trade	-2,019	-653
Current liabilities	831	-466
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>9,133</b>	<b>10,942</b>
<b>Investment activities</b>		
Investment in intangible fixed assets	-1,370	-1,055
Investment in tangible fixed assets	-4,333	-4,473
Other investments	-170	-20
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-5,873</b>	<b>-5,548</b>
<b>Financing activities</b>		
Change in interest-bearing liabilities	5,750	4,097
Dividend	-8,110	-8,110
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-2,360</b>	<b>-4,013</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>900</b>	<b>1,381</b>
Cash and cash equivalents at beginning of the financial year	9,718	9,446
Cash flow for the period	900	1,381
Exchange rate effect	489	-172
Cash and cash equivalents at end of the period**	<b>11,107</b>	<b>10,655</b>

\* Interest paid for the group amounts to SEK 35 m (8).

\*\* Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 11,107 m (10,655).

## SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES

Q2, 1 March - 31 May

Market	Q2 - 2018	Q2 - 2017	Change in %		31 May - 18	Q2 - 2018	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	2,769	2,635	5	5	167		3
Norway	1,576	1,450	9	6	128		
Denmark	1,633	1,511	8	3	109	1	2
UK	3,924	3,755	5	2	291	7	2
Switzerland	1,383	1,539	-10	-8	97		2
Germany	10,131	10,149	0	-5	461	3	3
Netherlands	2,051	2,046	0	-4	145	5	3
Belgium	1,118	1,132	-1	-7	99	4	1
Austria	1,522	1,454	5	-1	86		
Luxembourg	113	118	-4	-10	10		
Finland	760	703	8	3	64	2	1
France	3,129	3,231	-3	-9	241	6	1
USA	5,994	7,017	-15	-10	546	3	
Spain	2,023	2,012	1	-6	174		1
Poland	1,631	1,363	20	12	182	5	
Czech Republic	484	398	22	9	52	2	
Portugal	338	320	6	-1	32		
Italy	2,315	2,325	0	-6	176	4	1
Canada	1,171	1,136	3	4	91	2	2
Slovenia	142	136	4	-2	12		
Ireland	316	279	13	7	24		
Hungary	533	442	21	15	46	1	
Slovakia	222	179	24	17	24	1	
Greece	518	469	10	4	35		
China	3,235	2,974	9	6	514	6	5
Hong Kong	385	456	-16	-11	28		1
Japan	1,340	1,415	-5	-3	85	4	1
Russia	1,744	1,548	13	24	136	1	
South Korea	567	577	-2	-2	44	3	
Turkey	772	793	-3	17	68	1	1
Romania	662	558	19	15	56		
Croatia	223	202	10	4	15		
Singapore	199	239	-17	-18	11		1
Bulgaria	183	159	15	10	20		
Latvia	107	95	13	6	8		
Malaysia	267	279	-4	-11	44		
Mexico	688	516	33	39	38		
Chile	430	378	14	11	8		
Lithuania	107	97	10	3	9		
Serbia	130	103	26	14	13	1	
Estonia	115	97	19	11	11	1	
Australia	622	700	-11	-8	35	3	
Philippines	265	268	-1	9	33	1	
Taiwan	155	204	-24	-23	12		
Peru	191	195	-2	4	8		
Macau	30	34	-12	-6	2		
India	347	298	16	24	32	3	
South Africa	250	232	8	4	18	1	
Puerto Rico	15	26	-42	-41	2		
Cyprus	22	22	0	-8	1		
New Zealand	71	42	69	74	3		
Kazakhstan	61	44	39	49	3		
Colombia	97	38	155	158	4	1	
Iceland	56				2		
Vietnam	58				3		
Georgia	25				2	1	
Franchise	1,248	1,150	9	15	241	16	
<b>Total</b>	<b>60,463</b>	<b>59,538</b>	<b>2</b>	<b>0</b>	<b>4,801</b>	<b>89</b>	<b>31</b>

**SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES**

Six months, 1 December - 31 May

Market	2018	2017	Change in %		31 May - 18	Six months	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	5,018	5,007	0	0	167		5
Norway	2,896	2,942	-2	0	128		
Denmark	3,024	2,849	6	2	109	1	2
UK	7,286	7,150	2	1	291	7	8
Switzerland	2,621	3,033	-14	-10	97		3
Germany	18,264	18,562	-2	-5	461	4	6
Netherlands	3,706	3,676	1	-3	145	6	6
Belgium	2,210	2,242	-1	-6	99	4	2
Austria	2,784	2,739	2	-2	86		
Luxembourg	219	229	-4	-9	10		
Finland	1,445	1,391	4	0	64	2	2
France	6,249	6,585	-5	-10	241	6	5
USA	12,026	13,807	-13	-6	546	13	3
Spain	4,004	3,894	3	-2	174	2	3
Poland	3,013	2,541	19	11	182	7	
Czech Republic	896	753	19	8	52	3	1
Portugal	665	637	4	0	32		
Italy	4,405	4,470	-1	-6	176	4	3
Canada	2,160	2,210	-2	1	91	2	2
Slovenia	267	260	3	-2	12		1
Ireland	608	554	10	5	24		
Hungary	975	834	17	13	46	1	
Slovakia	419	348	20	15	24	2	
Greece	994	913	9	4	35		
China	5,806	5,729	1	2	514	14	6
Hong Kong	771	935	-18	-10	28	1	1
Japan	2,309	2,437	-5	-1	85	4	1
Russia	2,939	2,642	11	21	136	2	
South Korea	991	1,004	-1	0	44	3	
Turkey	1,455	1,460	0	18	68	1	3
Romania	1,256	1,090	15	14	56		
Croatia	410	392	5	0	15		
Singapore	436	512	-15	-14	11		2
Bulgaria	343	307	12	8	20		
Latvia	192	178	8	3	8		
Malaysia	612	625	-2	-5	44		
Mexico	1,514	1,062	43	47	38	1	
Chile	916	746	23	24	8		
Lithuania	192	185	4	-1	9		
Serbia	232	193	20	11	13	1	
Estonia	209	185	13	8	11	1	
Australia	1,217	1,373	-11	-7	35	3	
Philippines	582	557	4	17	33	1	
Taiwan	344	428	-20	-17	12		
Peru	432	445	-3	5	8		
Macau	62	75	-17	-7	2		
India	696	586	19	26	32	5	
South Africa	517	478	8	8	18	1	
Puerto Rico	32	62	-48	-44	2		
Cyprus	45	48	-6	-12	1		
New Zealand	146	95	54	64	3		
Kazakhstan	105	44	139	162	3		
Colombia	220	38	479	511	4	1	
Iceland	116				2		
Vietnam	127				3	1	
Georgia	49				2	1	
Franchise	2,590	2,370	9	18	241	22	
<b>Total</b>	<b>114,017</b>	<b>113,907</b>	<b>0</b>	<b>0</b>	<b>4,801</b>	<b>127</b>	<b>65</b>

**FIVE YEAR SUMMARY**

Six months, 1 December - 31 May

	2014	2015	2016	2017	2018
Sales including VAT, SEK m	81,705	100,024	104,965	113,907	114,017
Sales excluding VAT, SEK m	69,970	86,143	90,565	98,368	98,165
Change sales excl. VAT from previous year in SEK, %	17	23	5	9	0
Change sales excl. VAT previous year in local currencies, %	14	12	7	5	0
Operating profit, SEK m	10,966	12,989	10,222	10,809	7,215
Operating margin, %	15.7	15.1	11.3	11.0	7.3
Depreciations for the period, SEK m	2,478	3,120	3,664	4,251	4,703
Profit after financial items, SEK m	11,129	13,158	10,329	10,920	7,275
Profit after tax, SEK m	8,458	10,066	7,902	8,354	6,010
Cash and cash equivalents and short-term investments, SEK m	9,592	10,293	8,387	10,655	11,107
Stock-in-trade, SEK m	14,915	19,699	25,339**	32,148**	36,333**
Equity, SEK m	38,516	47,239	48,907	52,469	51,889
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	5.11	6.08	4.77	5.05	3.63
Equity per share, SEK*	23.27	28.54	29.55	31.70	31.35
Cash flow from current operations per share, SEK*	7.20	8.21	7.59	6.61	5.52
Share of risk-bearing capital, %	70.1	69.0	63.0	57.0	50.0
Equity/assets ratio, %	65.5	64.4	58.3	52.1	46.1
Total number of stores	3,285	3,639	4,077	4,498	4,801
<b>Rolling twelve months</b>					
Earnings per share, SEK*	11.18	13.04	11.32	11.53	8.36
Return on equity, %	50.5	50.3	39.0	37.7	26.5
Return on capital employed, %	65.7	64.5	47.9	38.1	27.0

\* Before and after dilution.

\*\* The booked value of stock-in-trade for 2016-2018 is approximately 5 percent higher than previous years as a result of improved invoicing processes. Accounts payable have increased with the corresponding amount.

For definitions of key figures see the annual report



**SEGMENT REPORTING (SEK m)**

	Six months 2018	Six months 2017
<b>Asia and Oceania</b>		
External net sales	15,044	15,151
Operating profit	287	299
Operating margin, %	1.9	2.0
<b>Europe and Africa</b>		
External net sales	67,160	66,164
Operating profit	712	406
Operating margin, %	1.1	0.6
<b>North and South America</b>		
External net sales	15,961	17,053
Operating profit	-447	-398
Operating margin, %	-2.8	-2.3
<b>Group Functions</b>		
Net sales to other segments	34,670	37,469
Operating profit	6,663	10,502
<b>Eliminations</b>		
Net sales to other segments	-34,670	-37,469
<b>Total</b>		
External net sales	98,165	98,368
Operating profit	7,215	10,809
Operating margin, %	7.3	11.0

**PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)**

	Q2 2018	Q2 2017	Six months 2018	Six months 2017	1 Dec 2016- 30 Nov 2017
External sales excluding VAT	5	4	10	4	13
Internal sales excluding VAT*	1,016	1,128	2,015	2,044	4,069
<b>GROSS PROFIT</b>	<b>1,021</b>	<b>1,132</b>	<b>2,025</b>	<b>2,048</b>	<b>4,082</b>
Administrative expenses	-47	-45	-89	-89	-158
<b>OPERATING PROFIT</b>	<b>974</b>	<b>1,087</b>	<b>1,936</b>	<b>1,959</b>	<b>3,924</b>
Net financial items**	2,237	2,201	2,313	2,619	12,931
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>3,211</b>	<b>3,288</b>	<b>4,249</b>	<b>4,578</b>	<b>16,855</b>
Year-end appropriations	-	-	-	-	-328
Tax	-226	-234	-443	-424	-773
<b>PROFIT FOR THE PERIOD</b>	<b>2,985</b>	<b>3,054</b>	<b>3,806</b>	<b>4,154</b>	<b>15,754</b>

\* Internal sales in the quarter consists of royalty of SEK 1,014 m (1,086) and other SEK 2 m (42) received from group companies and for the six-month period of royalty of SEK 2,011 m (2,000) and other SEK 4 m (44).

\*\* Dividend income from subsidiaries in the quarter consists of SEK 2,184 m (2,224) and in the six-month period of SEK 2,234 m (2,650).

**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)**

	Q2 2018	Q2 2017	Six months 2018	Six months 2017	1 Dec 2016- 30 Nov 2017
PROFIT FOR THE PERIOD	2,985	3,054	3,806	4,154	15,754
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
Tax related to the above remeasurement	-	-	-	-	0
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-1</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,985</b>	<b>3,054</b>	<b>3,806</b>	<b>4,154</b>	<b>15,753</b>

**PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)**

	31 May - 2018	31 May - 2017	30 Nov 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	327	408	367
Financial fixed assets	1,820	1,559	1,627
	2,147	1,967	1,994
<b>Current assets</b>			
Current receivables	21,260	12,082	19,312
Cash and cash equivalents	93	108	133
	21,353	12,190	19,445
<b>TOTAL ASSETS</b>	<b>23,500</b>	<b>14,157</b>	<b>21,439</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	4,147	4,874	16,478
Untaxed reserves	417	429	417
Long-term liabilities*	182	191	182
Current liabilities**	18,754	8,663	4,362
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>23,500</b>	<b>14,157</b>	<b>21,439</b>

\* Relates to provisions for pensions.

\*\* Interest-bearing current liabilities amounts to SEK 10,000 m (0). Dividend to be paid amounts to SEK 8,027 m (8,027).