

## Full-year report

### Full-year (1 December 2018 – 30 November 2019)

- The H&M group continued to grow globally in 2019 in an ever-changing fashion industry. The group's net sales increased by 11 percent to SEK 232,755 m (210,400) in the 2019 financial year. In local currencies, net sales increased by 6 percent. The ongoing transformation work has contributed to continued positive sales development with more full-price sales, lower markdowns and increased market share.
- Gross profit increased to SEK 122,453 m (110,887). This corresponds to a gross margin of 52.6 percent (52.7).
- Profit after financial items increased by 11 percent to SEK 17,391 m (15,639).
- The group's profit after tax increased to SEK 13,443 m (12,652), corresponding to SEK 8.12 (7.64) per share. Profit after tax in the previous year was positively affected by one-off tax income of SEK 425 m as a result of the US tax reform (Tax Cuts & Jobs Act).
- The year's increase in profit means that SEK 86 m has been allocated to the H&M Incentive Program (HIP), which is for all employees.

### Fourth quarter (1 September 2019 – 30 November 2019)

- The H&M group's net sales increased by 9 percent to SEK 61,694 m (56,414) in the fourth quarter. In local currencies, net sales increased by 5 percent compared with the corresponding quarter the previous year.
- Gross profit increased by 9 percent to SEK 33,287 m (30,592). This corresponds to a gross margin of 54.0 percent (54.2).
- Profit after financial items increased by 24 percent to SEK 5,403 m (4,352). Before the allocation to HIP, profit for the quarter increased by 26 percent.
- The group's profit after tax increased to SEK 4,212 m (3,543), corresponding to SEK 2.54 (2.14) per share.
- The composition and level of the stock-in-trade continue to improve. Currency adjusted the stock-in-trade decreased by 6 percent. The book value of the stock-in-trade in SEK was 16.3 percent (17.9) of sales.

Full-year 2019

**SEK 233 billion**

in net sales

Operating profit Q4

**+25%**



H&M

- The board of directors proposes an unchanged dividend of SEK 9.75 per share for the 2018/2019 financial year, to be paid out on two occasions in 2020. The board's reasoning for the dividend proposal is that the business is showing gradual improvements, investments (capex) will reduce in 2020, the stock-in-trade situation has improved and the company remains in a strong financial position taking into consideration the capital structure target.
- Net sales in the period 1 December 2019 to 28 January 2020 increased by 5 percent in local currencies compared to the corresponding period the previous year.
- The cost of markdowns in relation to sales is estimated to decrease by around 0.5 – 1 percentage point in the first quarter of 2020 compared with corresponding quarter last year.
- Online and physical stores are being increasingly integrated with continued optimisation of the store portfolio. Around 200 new stores are planned to open in 2020, mainly in growth markets, while at the same time consolidation will continue with around 175 planned store closures, mainly in established markets. The net addition of new stores for full-year 2020 is expected to be around 25.
- Australia is scheduled to become a new H&M online market in the second half of 2020.
- H&M will be launched on the ecommerce platform SSG.COM in South Korea in 2020.
- An agreement has been signed with a new franchise partner in Central America. The first H&M store is planned to open in Panama at the end of 2020.
- The H&M group's industry-leading sustainability work has been recognised in various ways; H&M was named by Corporate Knights as one of the World's Most Sustainable Companies, while in the CDP (Carbon Disclosure Project) the H&M group is the first retail company to be included in the CDP A List.

## Comments by Karl-Johan Persson, CEO

“The H&M group’s transformation work continues to bear fruit. Increased full-price sales and decreased markdowns contributed to an improvement in profit for the full year and in the fourth quarter, when we achieved a 25 percent increase in operating profit while maintaining a high level of activity in our transformation work. It is clear from our well-received collections and increased market share that customers appreciate the initiatives we have taken. The composition and level of the stock-in-trade continue to improve, and we expect a decrease in markdowns again in the first quarter – for the sixth successive quarter.

Sales growth was good in many markets in the fourth quarter. In India sales increased by 33 percent in local currency, in Poland by 21 percent, in Mexico by 18 percent and in Russia by 12 percent. In Sweden sales increased by 7 percent, while sales in the US and UK increased by 6 and 3 percent respectively.

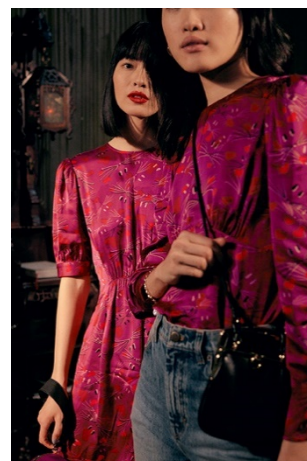
For the full year, the group’s sales increased by 11 percent in SEK and by 6 percent in local currencies. The sales growth was driven by both in-store and online sales, with a strong increase in online sales of 24 percent in SEK and 18 percent in local currencies.

This positive performance shows that we are on the right track. I would like to thank all employees of the H&M group for their fantastic work and commitment over the past year. It is pleasing to note that the increase in full-year profits means we can contribute a further SEK 86 million to the H&M Incentive Program, which is for all employees of the H&M group.

In view of the ongoing transformation of fashion retail, we have been making significant and necessary investments for several years to secure the H&M group’s position and long-term development. Among other things, we have invested in digitalisation, a more efficient supply chain – including new logistics centres and logistics systems, and in tech infrastructure, advanced analytics and AI. We are now seeing multiple positive effects of these initiatives, providing resources and support for our continued transformation work. One example of the changes that are under way is the creation of our new Business Tech function, which will gradually replace the previously separate functions of IT, Advanced Analytics & AI and Business Development, and where agile teams will work cross-functionally to increase our flexibility, speed and efficiency.

Our highest priority is to ensure the best customer offering for all our brands and we will continue to invest going forward in order to offer the best combination of fashion, quality, price and sustainability. The customer experience in store and online is constantly being improved and we are also testing various new services to help our customers achieve a sustainable lifestyle. Our digital and physical channels are becoming increasingly integrated and to ensure a relevant presence in each market we are accelerating our optimisation of the store portfolio, including renegotiations, closures and rebuilds. For 2020 we plan to open around 200 new stores, while around 175 stores will be closed. Most of the store openings will be in South America, Russia, Eastern Europe and Asia (excluding China), while the closures will take place mainly in Europe, the US and China.

The H&M group recently entered into an agreement with a new franchise partner in Central America, where the first H&M store is expected to open in Panama at the end of 2020. At the same time, our digital expansion continues. During the year we look forward to opening H&M online in Australia and also to launching H&M on the ecommerce platform SSG.COM in South Korea.



*& other Stories*

We take a long-term view of our business and continue to develop new concepts and business models aimed at adding profitable growth and contributing to sustainable development. We believe that more collaboration, shared knowledge and increased transparency is the way forward for solving the environmental challenges faced by the industry. We are very proud that organisations such as CDP have named us as one of the world's leading companies in the work to counter climate change. The H&M group has been included in CDP's A List for our work to reduce emissions, mitigate climate risk and contribute to the transition to a fossil-free economy.

Looking ahead, we remain humbled considering the challenges brought by the shift in fashion retail in the form of new consumer behaviours and a fast-changing competitive landscape. The H&M group's transformation work is therefore continuing at a fast pace in all parts of the company. Performance over the past year shows that we are taking steps in the right direction. Combined with our long-term investments and our ambitious sustainability agenda, we are therefore optimistic about the future and the opportunities for the H&M group to develop positively for many years to come."



ARKET

### Strategic focus areas

We are driving our transformation work based on our strategic focus areas in order to meet customers' ever-increasing expectations and to future-proof the H&M group.

#### Create the best customer offering

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

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

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

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

#### Fast, efficient and flexible product flow

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

Initiatives within advanced data analytics and AI.

#### Investments in infrastructure – our tech foundation

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

#### Adding growth

Digital expansion into new markets.

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

Develop new concepts and business models.

Read more about our initiatives and our sustainability work on the next page and at [hmgroupp.com](https://hmgroupp.com).

## Initiatives for an improved customer experience

Here are some examples of new and ongoing initiatives to create the best offering and experience for customers wherever we meet them.

- H&M's upgraded **customer loyalty programme** now has more than 65 million members in 19 markets and will continue to be rolled out to additional markets in 2020, including India and South Korea.
- **Pay Later** – members of H&M's customer loyalty programme can shop and pay later against invoice, whether shopping in store or online. This payment solution was launched in the autumn in the USA and is now in eight markets. Rollout to additional markets continues in 2020.
- **Digital receipts** – customers can now receive digital receipts in the H&M app in most of our markets.
- **Visual Search** is now available in 31 markets and uses image recognition to help customers by giving recommendations and suggested buys based on pictures that the customer has taken or been inspired by.
- **Next day delivery** is offered in 14 markets and more will be added in 2020.
- **Climate-smart delivery options** – H&M customers in the Netherlands can opt to receive and return items by a bicycle delivery service, a solution that is much appreciated by customers. Combined with using biogas vehicles from the logistics centre, this reduces CO2 emissions. It is planned to roll this out to additional markets in 2020.
- **Find in Store** is available in 22 markets and rollout will continue during 2020. This solution lets customers use their mobile to find an item they have seen online in the size and store they want.
- **Scan & Buy** is available in all online markets. The customer scans the QR code on a product in store to find and buy the item online in the size and colour they want.
- **In-Store Mode** allows customers to see on their mobiles which items are in the store they are currently in, as well as online. The service is available in 13 markets.
- **Click & Collect** is available in 14 markets where customers can pick up their online purchases in store. The service will be available in additional markets in 2020.
- **Online returns in store** is available in 16 markets and will be rolled out further in 2020.
- **#HMxME** enables customers to share their own fashion stories from Instagram while also providing an easy way to buy the items in the images. #HMxME is now live in most of H&M's online markets.
- **Recommended Size** helps customers find the right size online based on past purchases. Available in 20 markets.
- **Rate & Review** lets customers rate and review H&M products. Offered in 25 markets, with rollout continuing in 2020.
- **RFID** is currently in 18 H&M markets and more markets will be added in 2020. We are continuing our global rollout of RFID for COS and & Other Stories. Rollout for other brands within the H&M Group will also begin during the year.
- **Self-service express checkout** has been very well received by customers after being tested in stores in Sweden and the UK, and continued rollout to more markets is planned in 2020.
- Weekday has tested out new technology based on algorithms and 3D for **individually made-to-measure** jeans. The well-received pilot project will now be scaled up.
- **H&M's collaboration with Instagram** in the US, where customers can shop directly from inspirational images, is being developed further. Customers can now get notifications on Instagram when H&M releases new collections.



## Product flow

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

- A brand new high-tech logistics centre has opened in Milton Keynes, UK. It will gradually replace several existing logistics units and supply both the stores and the online channel.
- Replacement of the group's logistics system at the logistics centre in Shanghai, China, which was implemented in November, has gone according to plan.
- During the spring the logistics system for H&M stores in around 10 markets in Eastern Europe and Denmark will be replaced. H&M is also planning to replace the product flow system for the European stores of the majority of the H&M group's other brands.



MONKL

## Sustainability

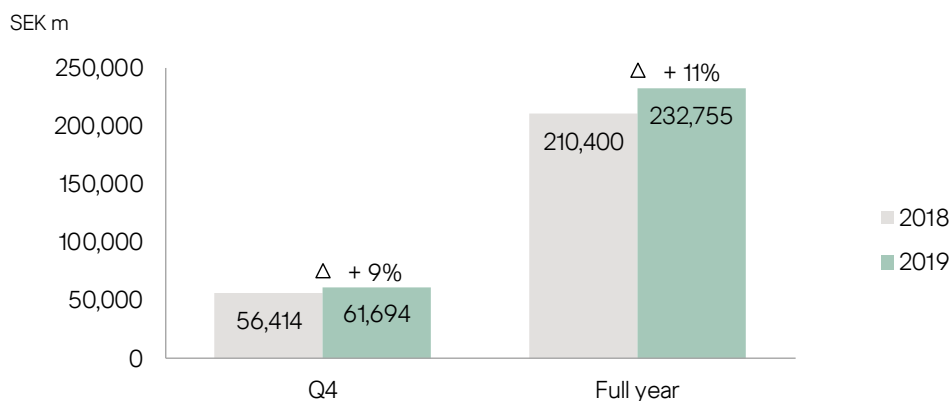
We continue to add value for our customers through our sustainability work, such as our goal to be climate positive throughout our value chain by 2040.

- The organisation CDP has included the H&M group in its A List of companies around the world that are leaders through their action on climate change. The H&M group was recognised for its transparency and efforts to reduce emissions, mitigate climate risks and contribute to the transition to a fossil-free economy.
- At the UN Climate Change Conference COP 25 in December 2019 the H&M group joined forces with the WWF and other companies to introduce a definition of the term “climate positive”. In 2020 we will invite companies from all industries to discuss a standard that can be verified by a third party.
- Cooperation with other companies is necessary in order to create a fashion industry that is entirely fossil free. We will therefore be prioritising collaboration with more than 100 other brands and organisations within the framework of the UN Fashion Industry Charter for Climate Action.
- The H&M group is ranked among the 30 most sustainable corporations in the world according to the Corporate Knights annual Global 100 index for 2020.
- In 2020 the H&M group will achieve its aim of sourcing 100 percent of its cotton from more sustainable sources.
- The H&M group is reviewing its packaging throughout the value chain to minimise the use of plastics. Tests are under way to reduce plastics in online packaging for all the H&M group's brands.
- The H&M group has a circular approach and is focusing on creating both new collections and innovative services that allow customers to contribute to a more circular use of resources. For example:
  - Restore – COS's collection of carefully restored garments.
  - Recommerce – & Other Stories sells second-hand via Sellpy, which is co-owned by the H&M group.
  - Remade – redesigned garments at Weekday, which also offers on-demand printing on T-shirts and reusable online packaging.
  - Rental – in cooperation with the YCloset clothing rental platform, which has 10 million users, customers in China can rent clothes from COS via a monthly subscription. H&M offers a party outfit rental service at a store in Stockholm.
  - Repair – mending and alterations through H&M Take Care.
  - H&M will be the first brand to offer garments produced from material made from chemically recycled fabric. The material is called Circulose and is produced by re:newcell, a start-up in which the H&M group has invested. The garments will be part of the spring Conscious Exclusive collection.

Read more about many of these initiatives and our sustainability work at [hmgroup.com](https://www.hmgroup.com).



## Sales



**Net sales** increased by 9 percent to SEK 61,694 m (56,414) in the fourth quarter. In local currencies net sales increased by 5 percent.

Sales development for the quarter compared with the previous year was affected by the fact that Black Friday in 2019 fell a week later, i.e. just before the end of November. This meant that some of the goods that customers ordered on 29 and 30 November were not recorded as sales until a few days later, i.e. in December, when the goods were delivered. The sales value of these goods was around SEK 500 m. Adjusted for this amount, sales in the fourth quarter of 2019 increased by 10 percent in SEK and by 6 percent in local currencies compared with the previous year.

Net sales in the financial year 2018/2019 increased by 11 percent and amounted to SEK 232,755 m (210,400). In local currencies the increase was 6 percent.

Online sales increased by 24 percent in SEK in the financial year, compared with the previous year. In local currencies the increase was 18 percent.

New Business increased sales in the financial year by 17 percent in SEK and by 16 percent in local currencies compared with the previous year.



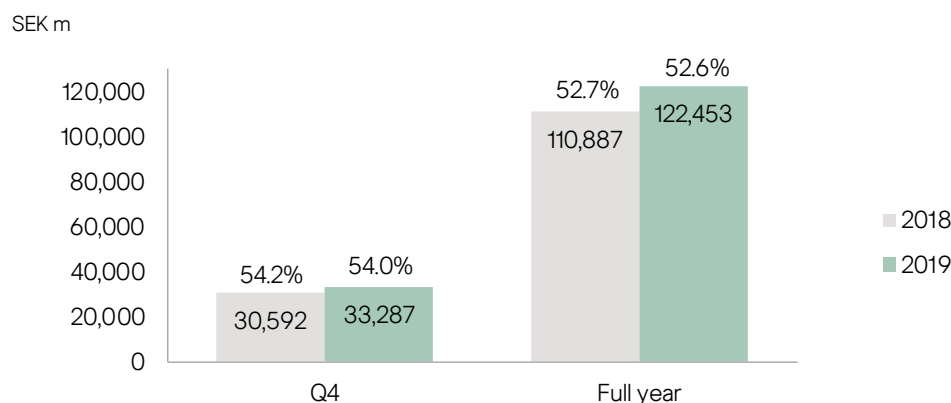
#MHOME

## Sales in top ten markets, fourth quarter

	Q4 - 2019	Q4 - 2018	Change in %		30 Nov - 19	Q4 - 2019
	SEK m net sales	SEK m net sales	SEK	Local currency	Number of stores	New stores (net)
Germany	9,138	8,713	5	1	466	4
USA	7,876	6,923	14	6	593	13
UK	3,963	3,714	7	3	305	5
France	3,172	2,980	6	3	235	3
China	3,153	2,982	6	1	520	-4
Italy	2,353	2,119	11	7	181	3
Sweden	2,288	2,131	7	7	177	-1
Spain	2,006	1,933	4	0	167	-1
Netherlands	1,851	1,712	8	5	138	2
Russia	1,817	1,468	24	12	147	5
Others	24,077	21,739	11	6	2,147	75
<b>Total</b>	<b>61,694</b>	<b>56,414</b>	<b>9</b>	<b>5</b>	<b>5,076</b>	<b>104</b>

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

## Gross profit and gross margin



COS

**Gross profit** increased to SEK 33,287 m (30,592) in the fourth quarter, corresponding to a gross margin of 54.0 percent (54.2). For the financial year, gross profit increased to SEK 122,453 m (110,887), corresponding to a gross margin of 52.6 percent (52.7).

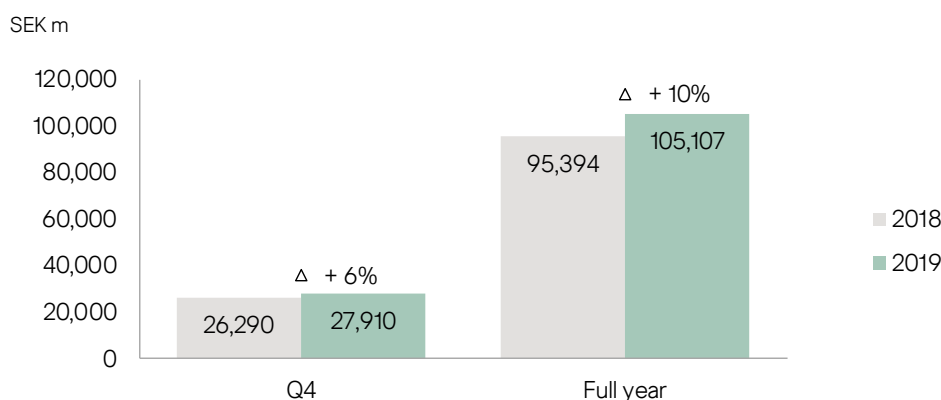
**Costs for markdowns** in relation to sales decreased by around 0.5 percentage points in the fourth quarter of 2019 compared with the corresponding quarter in 2018.

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

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

**For purchases made for the first quarter 2020** the overall market situation as regards external factors is expected to remain negative compared with the same purchasing period the previous year.

## Selling and administrative expenses

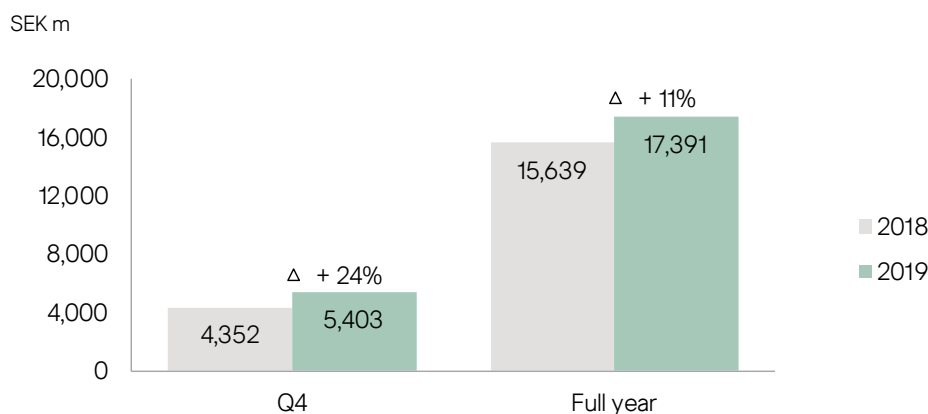


AFOUND

In the fourth quarter of 2019, selling and administrative expenses increased by 6 percent in SEK and by 2 percent in local currencies compared with the corresponding period the previous year. The cost increase in the quarter is mainly explained by store and online expansion, but also by the group's ongoing transformation work with investments in focus areas such as AI, tech, logistics and H&M's customer loyalty programme.

For the full-year, selling and administrative expenses increased by 10 percent in SEK and by 6 percent in local currencies compared with the corresponding period the previous year. Cost control in the group remains good.

## Profit after financial items



**Profit after financial items** increased by 24 percent to SEK 5,403 m (4,352) in the fourth quarter. Before the allocation to HIP, profit for the quarter increased by 26 percent.

Profit after financial items in the full-year increased by 11 percent to SEK 17,391 m (15,639).

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

An allocation of SEK 86 m has been made to the H&M Incentive Program (HIP) – which is aimed at all employees of the H&M group, in all countries, working in all positions and at all pay levels – for the 2019 financial year. Allocations are made to the programme if there has been an increase in the company's profits after tax between two consecutive financial years. Since HIP's assets are invested in H&M shares, the participants in HIP – i.e. the H&M group's employees – benefit each year from the dividend paid to the company's shareholders. HIP holds approximately 7.6 million H&M shares in total.



## Stock-in-trade

The composition and the level of the stock-in-trade continues to improve. Adjusted for currency effects the stock-in-trade decreased by 6 percent. However, the book value of the stock-in-trade in SEK is subject to a substantial currency effect due to the weakening of the Swedish krona. Expressed in SEK, therefore, the stock-in-trade increased marginally to SEK 37,823 m (37,721).

The book value of stock-in-trade in SEK represented 16.3 percent (17.9) of sales which amounted to SEK 232,755 m (210,400).

The cost of markdowns in relation to sales is estimated to decrease by around 0.5 – 1 percentage point in the first quarter of 2020 compared with corresponding quarter last year.

## Expansion

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

In 2019 H&M and H&M HOME opened online in Mexico, and H&M via franchise in Indonesia, Thailand and Egypt. This means H&M's online store is available in 51 markets and in addition, H&M was also launched on India's leading ecommerce platform Myntra. COS, Monki, Weekday, & Other Stories and ARKET opened online in Norway, & Other Stories also opened on Tmall in China and Afound opened online in the Netherlands.

New store markets in 2019 for H&M were Bosnia-Herzegovina, Belarus and – via a franchise partner – Tunisia. This means there are H&M stores in 74 markets. In 2019 Iceland became a new store market for COS, Weekday and Monki. Weekday, & Other Stories and ARKET opened their first stores in Luxembourg. COS also opened in Lithuania and Slovakia, while Monki also opened in Poland as well as via franchise in the United Arab Emirates. Weekday also opened in Poland and Switzerland and & Other Stories in Latvia.

By the end of 2019 customers in around 70 new markets were able to shop online at COS, Weekday, Monki, & Other Stories and ARKET. The exact number of markets per brand varies for this new service.

The shift in the industry has brought opportunities for better lease terms. In 2019 the H&M group renegotiated a large number of store leases as part of the company's intensified store optimisation, which also involves rebuilds and adjustment of the number of stores and of store space to ensure that the store portfolio is the best fit in each market. In 2020 there will be opportunity to renegotiate around a further 1,000 leases.

Adaptation to changes in customers' shopping patterns was accelerated during the year. The net addition of new stores for full-year 2019 was 108, rather than 175 as communicated at the beginning of the year.

For the 2020 financial year around 200 new stores are planned to open including franchise stores and there will be around 175 consolidations, i. e. closures, making a net addition of around 25 stores. The majority of the openings will be in South America, Asia (excluding China) and in Russia and Eastern Europe, while the consolidations will take place mainly in Europe, the US and China.

Australia is scheduled to become a new H&M online market in the second half of 2020. H&M will also be launched on the ecommerce platform SSG.COM in South Korea during 2020.

An agreement has been signed with a new franchise partner in Central America. The first H&M store is planned to open in Panama at the end of 2020.

The H&M group's growth target to increase sales in local currencies by 10–15 percent per year with continued high profitability remains a long-term target.



WEEKDAY

Brand	No. of markets 30 Nov - 2019		Expansion 2019	Expansion 2020
	Store	Online	New markets	New markets
H&M	74	51	Store: Bosnia-Herzegovina*, Belarus*, Tunisia (franchise)* Online: Mexico*, Indonesia (franchise)*, Thailand (franchise)*, Egypt (franchise)*	Store: Panama (franchise) Online: Australia
COS	44	22	Store: Iceland*, Lithuania*, Slovakia* Online: Norway*, Global selling**	Store: New Zealand Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
Monki	19	19	Store: Iceland*, Poland*, United Arab Emirates (franchise)* Online: Norway*, Global selling**	Store: Philippines Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
Weekday	14	19	Store: Iceland*, Luxembourg*, Switzerland*, Poland* Online: Norway*, Global selling**	Store: Russia Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
& Other Stories	20	22	Store: Luxembourg*, Latvia* Online: Norway*, China (Tmall)*, Portugal*, Slovenia*, Slovakia*, Hungary*, Czech Republic*, Global selling**	Store: Norway, Russia Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
ARKET	7	19	Store: Luxembourg* Online: Norway*, Global selling**	Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
Afound	1	2	Online: Netherlands*	
H&M HOME	51	42	Store: Kazakhstan* Online: Mexico*, Egypt (franchise)*	

\* Opened until 30 November 2019

\*\* Global selling: in 2019 customers in around 70 new markets were able to shop online at COS, Weekday, Monki, & Other Stories and ARKET. The exact number of markets per brand varies for this new service.

## Store count by brand

In the financial year 2018/2019, the H&M group opened 281 (375) stores including franchise and closed, i.e. consolidated, 173 (146) stores, making a net increase of 108 (229) stores. The group had a total of 5,076 (4,968) stores as of 30 November 2019, of which 272 (255) were operated by franchise partners.

Brand	New Stores 2019 (net)		Total No of stores	
	Q4	Full year	30 Nov - 2019	30 Nov - 2018
H&M	78	59	4,492	4,433
COS	8	21	291	270
Monki	4	3	130	127
Weekday	9	16	54	38
& Other Stories	2	1	71	70
Cheap Monday	0	-1	0	1
ARKET	1	4	20	16
Afound	1	2	7	5
H&M HOME*	1	3	11	8
<b>Total</b>	<b>104</b>	<b>108</b>	<b>5,076</b>	<b>4,968</b>

\* Concept stores. H&M HOME is also included with 383 shop-in-shop in H&M stores.

## Store count by region

Region	New Stores 2019 (net)		Total No of stores	
	Q4	Full year	30 Nov - 2019	30 Nov - 2018
Europe & Africa	38	18	3,087	3,069
Asia & Oceania	33	58	1,209	1,151
North & South America	33	32	780	748
<b>Total</b>	<b>104</b>	<b>108</b>	<b>5,076</b>	<b>4,968</b>

## Tax

The H&M group's tax rate for the 2018/2019 financial year was 22.7 (22.4) percent. The final tax rate for the year depends on the results of the group's various companies, the corporate tax rates in each country and any additional taxes relating to previous years.

The H&M group's tax rate for the 2019/2020 financial year is expected to be approximately 22-23 percent. In the first three quarters of the year a tax rate of 23 percent will be used to calculate tax expense on the result of each period.

## Employees

The average number of employees in the group, converted into full-time positions, was 126,376 (123,283), of which 11,221 (10,839) are employed in Sweden.

## Current quarter

Net sales in the period 1 December 2019 to 28 January 2020 increased by 5 percent in local currencies compared to the corresponding period the previous year.

Many years of long-term investment and the ongoing transformation work are continuing to have results, for example in the form of collections that are appreciated. This is expected to lead to continued increases in full-price sales and decreases in markdowns. The cost of markdowns in relation to sales are expected to decrease by around 0.5-1 percentage point in the first quarter 2020 compared to the same quarter last year.

Activity levels for the company's transformation work will remain high during the year.

## Financing

As of 30 November 2019, the group had SEK 6,909 m (9,153) in loans with a term of up to 12 months, of which SEK 4,330\* m (0) in commercial papers, SEK 6,306 m (5,170) in loans with a term of between 12 months and three years, SEK 2,102 m (5,000) in loans with a term of between three and five years and SEK 2,000 m (0) in loans with a term of over five years.

Loans from within the Nordic countries amounted to SEK 13,836 m (17,886) with an average interest rate of 0.65 percent. Loans in eurozone countries amounted to SEK 3,153 m (1,034) with an average interest rate of 0.21 percent, and loans from credit institutions in the rest of the world amounted to SEK 328 m (403) with an average interest rate of 8.26 percent. The group's strategy is to mainly centralise financing, 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 financing.

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 supplement this with other sources of funding on the credit market.

Total cash and cash equivalents as well as unutilised committed credit facilities amounted to SEK 24,169 m (18,829) and the average term of loans was 1.9 years (1.6).

\*As previously communicated H & M Hennes & Mauritz AB launched a Swedish commercial paper programme in May 2019.

## 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. Net debt / EBITDA was 0.2 (0.3) as of 30 November 2019.

IFRS 16 Leases, which is being applied from 1 December 2019, will have substantial effects on the reporting of liabilities, assets and EBITDA. However, the H&M group will continue to define the capital structure exclusive of IFRS 16 effects. The company considers this to provide a clearer picture at the present time of the actual debt/equity ratio, and it is also the measure used in internal monitoring.

## Dividend policy and dividend proposal

The board of directors' intention is to provide shareholders with a continued good dividend yield 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 dividend of SEK 9.75 per share (9.75) to the annual general meeting on 7 May 2020, corresponding to 120 percent (127.5) of the group's profit after tax.

The first payment of SEK 4.90 will be made in May and the second payment of SEK 4.85 will be made in November 2020.

The board of directors is of the opinion that the proposed dividend is justifiable since it is based on the fact that the underlying business is showing gradual improvements, investments (capex) will reduce in 2020, the stock-in-trade situation has improved and the company remains in a strong financial position. The dividend proposal takes into consideration the financial position and continued freedom of action of the group and the parent company, the capital structure target and the requirements that the nature and extent of the business and its risks, expansion and development plans impose on the group's and the parent company's equity and liquidity.

## Annual general meeting 2020

The 2020 annual general meeting will be held at 15:00 CEST on Thursday 7 May 2020 in the Erling Persson Hall, Aula Medica, Karolinska Institutet, Solna.

## Annual report 2019

The annual report and the corporate governance report are expected to be published at the end of March 2020 on [hmgroup.com](http://hmgroup.com) and will be sent out by post to shareholders that have so requested. The documents will also be available at the company's head office.

## Accounting principles

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

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for

2018 and which are described in Note 1 – Accounting principles, other than in respect of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 Financial instruments – in H&M's case this standard has been applied since 1 December 2018, replacing IAS 39 Financial Instruments: Recognition and Measurement. 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: at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss. The asset is classified up on initial recognition, based on the characteristics of the asset and the company's business model. In the case of financial liabilities, there are no significant changes compared to IAS 39. Finally, new principles have been introduced regarding impairment of financial assets using a model based on expected losses. One of the aims of the new model is that provision for credit losses will be made at an earlier stage. For the H&M group, the measurement of doubtful receivables is not affected to any significant degree. Overall, the introduction of IFRS 9 has not required any significant changes to be made to the consolidated accounts.

IFRS 15 Revenue from Contracts with Customers – in H&M's case, this standard has been applied since 1 December 2018 and replaces all past issued standards and interpretations addressing 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 Transfer 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 goods or services. Initially a customer agreement is 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. 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. The group's income statement has not been significantly affected by the introduction of IFRS 15. The only exception is that the group reports provisions for expected returns gross. The group has elected to apply a prospective transition method and comparative figures have therefore not been restated.

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which essentially involves applying IFRS. In accordance with RFR 2, the parent company does not apply IFRS 9 when measuring financial instruments, nor does it capitalise development costs.

For definitions see the annual report and consolidated financial statements for 2018.

## Future accounting principles

IFRS 16 Leases – this standard applies to H&M with effect from the financial year beginning on 1 December 2019 and supersedes IAS 17 Leases and its associated interpretations. The standard requires lessees to report assets and liabilities for all leases, unless the lease term is less than 12 months and/or the asset has a low value. Assets are depreciated over their useful life and liabilities constitute the present value of lease payments discounted by an interest rate for borrowing. H&M applies the recognition exemption for leases of low value as well as leases with a term of less than 12 months. These will therefore not be included in the lease liability but will instead continue to be reported as previously.

In 2019 preparations were made by the H&M group for the introduction of IFRS 16. This involved assessing the group's leases to determine whether they constitute a service or a lease. Under IFRS 16, a lease is an agreement that controls the right to use an identifiable asset during a given period against payment. The group's review shows that the majority of the contracts that H&M classifies as leases in accordance with IFRS 16 are leases for store premises where H&M runs its own operations. Offices and warehouses used by the group are also classified as leases. Variable lease payments, such as sales-based rent, are not included in the lease liability.

The H&M group has more than 5,000 stores as well as multiple offices and warehouses all around the world. The assumption that has the greatest effect on the size of the lease liability is the assessment of the lease term. On the expiry of the lease term the lease may be terminated entirely, renegotiated or extended depending on the provisions in the contract. In certain

circumstances, a right to terminate the contract during the lease term may reduce the lease term used for the calculation. The option to extend must be taken into account if it is reasonably certain that the lessee will exercise this option. To facilitate assessment of the lease term used to calculate the lease obligation according to IFRS 16, the assumptions are based on the type of contract. The assumptions used to establish the lease term for each type of contract are based on the best possible assessment and on historical data, as well as the current market situation. The group's assumptions will be evaluated on an ongoing basis taking into account changes in the industry.

IFRS 16 offers alternative rules for transition. The H&M group has chosen to apply the simplified transition approach, whereby calculation of the liability at the time of transition to IFRS 16 is based on the remaining lease payments for the leased asset and is reported as an adjustment of the opening balance. As of 1 December 2019 the H&M group's remaining payments for all leases were therefore included as a lease liability. The discount rate used for the calculation corresponds to the H&M group's marginal interest rate for borrowing at the time of transition, taking into account aspects such as country and length of the respective leases. As of the transition date right-of-use assets are recognised at the same value as the present value of the lease liability less contributions from lessors, i.e. lease incentives. The transition approach chosen involves prospective application of IFRS 16.

The H&M group's calculation as of 1 December 2019 indicates an opening balance of SEK 73 billion in right-of-use assets and SEK 77 billion in lease liabilities according to IFRS 16. The difference consists primarily of contributions from lessors, i.e. lease incentives. The calculation was based on agreements in place at the time.

The introduction of IFRS 16 will have significant effects on future financial statements. Based on profit for the 2018/19 financial year, and all other things being equal, the H&M group expects the introduction of IFRS 16 to increase operating profit for the full year by around 7–9 percent since a portion of the lease expenses will be recognised as interest expense. Correspondingly, a 2–3 percent increase in full-year profit after financial items is expected. The effect may vary from one quarter to another. The H&M group constantly reviews all its lease commitments, which means that a large number of leases are renegotiated, stores are closed and new leases are negotiated on an ongoing basis. As a result, future effects on profits are preliminary and will be updated as the year goes on.

The overall effect on cash flow is expected to be marginal. However, there will be effects between the lines since cash flow from current operations is expected to increase while financing activities decrease by the same amount. This is because the repayment portion of the lease payments is reported as an outgoing payment in financing activities. Indicators for the group will be affected by the introduction of IFRS 16 and accordingly, the H&M group will initially recognise selected indicators both with and without the effects of IFRS 16.

## Financial instruments

H & M Hennes & Mauritz AB's financial instruments consist mainly of accounts receivable, other receivables, cash and cash equivalents, accounts payable, accrued trade payables, interest-bearing securities and liabilities, and currency derivatives. Currency derivatives are measured at fair value based on Level 2 inputs in the IFRS 13 hierarchy. As of 30 November 2019, forward contracts with a positive market value amount to SEK 771 m (419), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 568 m (311), which is reported under other current liabilities. Other financial assets and liabilities have short terms and are measured at amortised cost. It is therefore judged that the fair values of these financial instruments are approximately equal to their book values.

## Risks and uncertainties

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

For a more detailed description of risks and uncertainties, refer to the administration report and to Note 2 in the annual report and consolidated accounts for 2018.



## Calendar

16 March 2020	Sales development in first quarter, 1 Dec 2019 – 29 Feb 2020
3 April 2020	Three-month report, 1 Dec 2019 – 29 Feb 2020
7 May 2020	Annual general meeting
15 June 2020	Sales development in second quarter, 1 March 2020 – 31 May 2020
26 June 2020	Six-month report, 1 Dec 2019 – 31 May 2020
15 September 2020	Sales development in the third quarter, 1 Jun 2020 – 31 Aug 2020
1 October 2020	Nine-month report, 1 Dec 2019 – 31 Aug 2020

This full-year report has not been audited by the company's auditors.

Stockholm, 29 January 2020  
Board of Directors

## Press and telephone conference in conjunction with the full-year report

The full-year report 2019, i.e. 1 December 2018 – 30 November 2019, will be published at 08:00 CET on 30 January 2020, followed by a press conference at 09:30 CET hosted by CEO Karl-Johan Persson and Head of IR Nils Vinge. The press conference for the financial market and media will be held in Swedish at H&M's head office in Stockholm, Ljussgården, Mäster Samuelsgatan 49, 3rd floor. The presentation material will be available at [hmgroup.com/investors](http://hmgroup.com/investors) after the press conference.

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. For login details to the telephone conference please register at [hmgroup.com](http://hmgroup.com) or via this link:

<http://emea.directeventreg.com/registration/1381235>

To book interviews with CEO Karl-Johan Persson and Head of IR Nils Vinge in conjunction with the full-year report on 30 January, please contact:

Kristina Stenvinkel, Communications Director  
Phone +46 8 796 39 08  
Email: [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

For more information about the H&M Group visit [hmgroup.com](http://hmgroup.com).

Information in this full-year 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 30 January 2020. This full-year report and other information about the H&M group, is available at [hmgroup.com](http://hmgroup.com).

*H & M Hennes & Mauritz AB (publ) was founded in Sweden in 1947 and is quoted on Nasdaq Stockholm. H&M's business idea is to offer fashion and quality at the best price in a sustainable way. In addition to H&M, the group includes the brands COS, Monki, Weekday, & Other Stories, H&M HOME and ARKET as well as Afound. The H&M group has 51 online markets and more than 5,000 stores in 74 markets including franchise markets. In 2019, net sales were SEK 233 billion. The number of employees amounts to approximately 179,000. For further information, visit [hmgroup.com](http://hmgroup.com).*

**GROUP INCOME STATEMENT (SEK m)**

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
Net sales	61,694	56,414	232,755	210,400
Cost of goods sold	-28,407	-25,822	-110,302	-99,513
<b>GROSS PROFIT</b>	<b>33,287</b>	<b>30,592</b>	<b>122,453</b>	<b>110,887</b>
<i>Gross margin, %</i>	54.0	54.2	52.6	52.7
Selling expenses	-25,544	-24,249	-96,279	-87,512
Administrative expenses	-2,366	-2,041	-8,828	-7,882
<b>OPERATING PROFIT</b>	<b>5,377</b>	<b>4,302</b>	<b>17,346</b>	<b>15,493</b>
<i>Operating margin, %</i>	8.7	7.6	7.5	7.4
Interest income (incl finance lease)	101	95	376	292
Interest expense and similar items (incl finance lease)	-75	-45	-331	-146
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>5,403</b>	<b>4,352</b>	<b>17,391</b>	<b>15,639</b>
Tax	-1,191	-809	-3,948	-2,987
<b>PROFIT FOR THE PERIOD</b>	<b>4,212</b>	<b>3,543</b>	<b>13,443</b>	<b>12,652*</b>

\* Profit after tax in 2018 was affected by a one-off positive tax income of SEK 425 m as a result of the US tax reform (Tax Cuts & Jobs Act).

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

Earnings per share, SEK**	2.54	2.14	8.12	7.64
Number of shares, thousands**	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	2,835	2,590	11,051	9,671
of which cost of goods sold	142	138	570	558
of which selling expenses	2,529	2,323	9,887	8,566
of which administrative expenses	164	129	594	547

\*\* Before and after dilution.

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

	Q4 2019	Q4 2018	Full year 2019	Full year 2018
PROFIT FOR THE PERIOD	4,212	3,543	13,443	12,652
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Translation differences	-902	-479	1,150	1,895
<i>Change in hedging reserves</i>				
Change in the value of derivatives	159	522	-209	483
Reclassified to profit or loss	365	52	365	52
Tax attributable to change in hedging reserves	-121	-132	-36	-123
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of defined benefit pension plans	-68	14	-68	14
Tax related to the above remeasurement	15	-3	15	-3
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-552</b>	<b>-26</b>	<b>1,217</b>	<b>2,318</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,660</b>	<b>3,517</b>	<b>14,660</b>	<b>14,970</b>

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

**GROUP BALANCE SHEET (SEK m)**

ASSETS	30 Nov - 2019	30 Nov - 2018
<b>FIXED ASSETS</b>		
<b>Intangible fixed assets</b>		
Leasehold and similar rights	411	508
Capitalised expenditures	10,973	9,046
Goodwill	64	64
	<b>11,448</b>	<b>9,618</b>
<b>Tangible fixed assets</b>		
Buildings and land	813	831
Equipment, tools, fixture and fittings	40,079	41,608
	<b>40,892</b>	<b>42,439</b>
<b>Financial fixed assets</b>		
Participations in associated companies	210	126
Other shares and participating rights	429	352
	<b>639</b>	<b>478</b>
<b>Other fixed assets</b>		
Long-term receivables	912	885
Deferred tax receivables	4,322	3,794
	<b>5,234</b>	<b>4,679</b>
<b>TOTAL FIXED ASSETS</b>	<b>58,213</b>	<b>57,214</b>
<b>CURRENT ASSETS</b>		
<b>Stock-in-trade</b>	<b>37,823</b>	<b>37,721</b>
<b>Current receivables</b>		
Accounts receivable	5,879	6,329
Tax receivables	1,555	1,448
Other receivables	1,736	1,607
Prepaid expenses	2,967	2,881
	<b>12,137</b>	<b>12,265</b>
<b>Cash and cash equivalents</b>	<b>12,312</b>	<b>11,590</b>
<b>TOTAL CURRENT ASSETS</b>	<b>62,272</b>	<b>61,576</b>
<b>TOTAL ASSETS</b>	<b>120,485</b>	<b>118,790</b>

**GROUP BALANCE SHEET (SEK m)**

<b>EQUITY AND LIABILITIES</b>	<b>30 Nov - 2019</b>	<b>30 Nov - 2018</b>
<b>EQUITY</b>		
Share capital	207	207
Reserves	4,592	3,322
Retained earnings	52,270	55,017
<b>TOTAL EQUITY</b>	<b>57,069</b>	<b>58,546</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Provisions for pensions*	510	445
Deferred tax liabilities	4,423	5,088
Liabilities to credit institutions*	10,413	10,170
Other interest-bearing liabilities*	234	322
	<b>15,580</b>	<b>16,025</b>
<b>Current liabilities</b>		
Accounts payable	7,838	6,800
Tax liabilities	2,752	1,163
Liabilities to credit institutions**	6,904	9,153
Interest-bearing liabilities**	147	136
Other liabilities	4,476	3,800
Accrued expenses and prepaid income	25,719	23,167
	<b>47,836</b>	<b>44,219</b>
<b>TOTAL LIABILITIES</b>	<b>63,416</b>	<b>60,244</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>120,485</b>	<b>118,790</b>

\* Interest-bearing long-term liabilities amounts to SEK 11,157 m (10,937).

\*\* Interest-bearing current liabilities amounts to SEK 7,051 m (9,289).

## GROUP CHANGES IN EQUITY (SEK m)

All shareholders' equity is attributable to the shareholders of the parent company, H & M Hennes & Mauritz AB.

	Share capital	Translation effects	Hedging reserves	Retained earnings	Total shareholders' equity
<b>Shareholder's equity, 1 December 2018</b>	207	3,248	74	55,017	58,546
Profit for the year	-	-	-	13,443	13,443
<b>Other comprehensive income</b>					
Translation differences	-	1,150	-	-	1,150
<b>Change in hedging reserves</b>					
Value change derivative	-	-	-209	-	-209
Transfer to income statement	-	-	365	-	365
Tax attributable to hedging reserves	-	-	-36	-	-36
Revaluations relating to defined benefit pension plans	-	-	-	-68	-68
Tax attributable to the above revaluation	-	-	-	15	15
<b>Other comprehensive income</b>	-	1,150	120	-53	1,217
<b>Total comprehensive income</b>	-	1,150	120	13,390	14,660
Dividend	-	-	-	-16,137	-16,137
<b>Shareholder's equity, 30 November 2019</b>	207	4,398	194	52,270	57,069

	Share capital	Translation effects	Hedging reserves	Retained earnings	Total shareholders' equity
<b>Shareholder's equity, 1 December 2017</b>	207	1,353	-338	58,491	59,713
Profit for the year	-	-	-	12,652	12,652
<b>Other comprehensive income</b>					
Translation differences	-	1,895	-	-	1,895
<b>Change in hedging reserves</b>					
Value change derivative	-	-	483	-	483
Transfer to income statement	-	-	52	-	52
Tax attributable to hedging reserves	-	-	-123	-	-123
Revaluation of defined benefit pension plans	-	-	-	14	14
Tax attributable to the above revaluation	-	-	-	-3	-3
<b>Other comprehensive income</b>	-	1,895	412	11	2,318
<b>Total comprehensive income</b>	-	1,895	412	12,663	14,970
Dividend	-	-	-	-16,137	-16,137
<b>Shareholder's equity, 30 November 2018</b>	207	3,248	74	55,017	58,546



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

	Full year 2019	Full year 2018
<b>Current operations</b>		
Profit after financial items*	17,391	15,639
- Provisions for pensions	-12	0
- Depreciation	11,051	9,671
- Tax paid	-3,700	-3,098
- Other	23	39
<b>Cash flow from current operations before changes in working capital</b>	<b>24,753</b>	<b>22,251</b>
<b>Cash flow from changes in working capital</b>		
Current receivables	753	-587
Stock-in-trade	273	-3,489
Current liabilities	3,207	3,112
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>28,986</b>	<b>21,287</b>
<b>Investing activities</b>		
Investment in leasehold and similar rights	-47	-64
Investments in other intangible assets	-2,909	-3,207
Investment in buildings and land	0	-5
Investment in fixed assets	-7,384	-9,552
Other investments	-188	-324
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-10,528</b>	<b>-13,152</b>
<b>Financial activities</b>		
Short-term loans	-2,249	-592
New loans	243	10,170
Amortisation finance lease	-149	-126
Dividend	-16,137	-16,137
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-18,292</b>	<b>-6,685</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>166</b>	<b>1,450</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>11,590</b>	<b>9,718</b>
Cash flow for the year	166	1,450
Exchange rate effect	556	422
<b>Cash and cash equivalents at end of the financial year**</b>	<b>12,312</b>	<b>11,590</b>

\* Interest paid for the group amounts to SEK 308 m (107).

Received interest for the group amounts to SEK 376 m (292).

\*\* Cash and cash equivalents and short-term investments at the end of the financial year amounted to SEK 12,312 m (11,590).

## NET SALES BY MARKET AND NUMBER OF STORES

Full year, 1 December - 30 November

Market	2019	2018	Change in %		30 Nov - 19	Stores	
	SEK m	SEK m	SEK	cal currency	No. of stores	New	Closed
Sweden	8,993	8,404	7	7	177	12	10
Norway	5,085	4,964	2	1	127	3	6
Denmark	5,157	5,045	2	-1	112	1	2
UK	14,897	13,760	8	4	305	13	12
Switzerland	5,676	5,145	10	3	99	3	4
Germany	33,540	32,367	4	0	466	11	13
Netherlands	6,813	6,465	5	1	138	6	12
Belgium	4,214	3,815	10	7	98	6	4
Austria	5,302	4,901	8	4	87	3	3
Luxembourg	490	406	21	16	15	5	0
Finland	2,530	2,412	5	1	68	5	4
France	12,196	11,311	8	4	235	10	12
USA	29,976	24,798	21	11	593	28	13
Spain	7,930	7,373	8	4	167	4	9
Poland	6,336	5,285	20	17	190	4	0
Czech Republic	1,789	1,610	11	7	52	0	0
Portugal	1,309	1,179	11	7	29	0	3
Italy	8,401	7,630	10	6	181	10	8
Canada	5,094	4,569	11	5	95	5	4
Slovenia	505	488	3	0	12	0	0
Ireland	1,181	1,104	7	3	24	0	0
Hungary	1,903	1,646	16	13	47	0	0
Slovakia	813	750	8	5	27	2	0
Greece	1,869	1,718	9	5	35	0	0
China	12,059	10,743	12	7	520	21	31
Hong Kong	1,448	1,502	-4	-12	26	2	3
Japan	4,987	4,573	9	-1	105	15	1
Russia	6,852	5,737	19	15	147	10	2
South Korea	2,213	1,957	13	9	53	8	1
Turkey	2,797	2,852	-2	10	66	1	3
Romania	2,642	2,299	15	13	57	1	0
Croatia	779	719	8	4	16	0	0
Singapore	822	801	3	-5	14	2	0
Bulgaria	672	635	6	2	21	0	0
Latvia	365	356	3	-1	9	1	0
Malaysia	1,360	1,177	16	9	47	2	2
Mexico	3,685	2,854	29	19	52	7	0
Chile	1,834	1,488	23	22	15	2	0
Lithuania	397	351	13	9	10	1	0
Serbia	459	423	9	4	14	1	0
Estonia	406	381	7	3	13	1	0
Australia	2,539	2,283	11	10	49	5	0
Philippines	1,273	1,007	26	15	40	6	0
Taiwan	650	627	4	-2	12	0	0
Peru	970	763	27	18	13	2	0
Macau	125	120	4	-5	2	0	0
India	2,007	1,408	43	35	47	8	0
South Africa	937	842	11	12	27	4	0
Puerto Rico	122	80	53	40	2	0	0
Cyprus	87	79	10	7	1	0	0
New Zealand	401	284	41	35	8	4	0
Kazakhstan	221	203	9	12	6	3	0
Colombia	528	405	30	33	7	3	0
Iceland	251	192	31	37	6	3	0
Vietnam	434	271	60	49	8	2	0
Georgia	120	102	18	18	3	1	0
Ukraine	224	57	293	246	3	1	0
Uruguay	332	64	419	442	3	2	0
Bosnia-Herzegovina	32	0			1	1	0
Belarus	15	0			2	2	0
Franchise and other	5,711	5,620	2	-7	272	28	11
<b>Total</b>	<b>232,755</b>	<b>210,400</b>	<b>11</b>	<b>6</b>	<b>5,076</b>	<b>281</b>	<b>173</b>

**FIVE YEAR SUMMARY****Full year, 1 December - 30 November**

	2015	2016	2017	2018	2019
Net sales, SEK m	180,861	192,267	200,004	210,400	232,755
Change net sales from previous year in SEK, %	19	6	4	5	11
Change net sales previous year in local currencies, %	11	7	3	3	6
Operating profit, SEK m	26,942	23,823	20,569	15,493	17,346
Operating margin, %	14.9	12.4	10.3	7.4	7.5
Depreciations for the year, SEK m	6,399	7,605	8,488	9,671	11,051
Profit after financial items, SEK m	27,242	24,039	20,809	15,639	17,391
Profit after tax, SEK m	20,898	18,636	16,184	12,652	13,443
Cash and cash equivalents and short-term investments, SEK m	12,950	9,446	9,718	11,590	12,312
Stock-in-trade, SEK m	24,833	31,732	33,712	37,721	37,823
Equity, SEK m	58,049	61,236	59,713	58,546	57,069
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	12.63	11.26	9.78	7.64	8.12
Equity per share, SEK*	35.07	37.00	36.08	35.37	34.48
Cash flow from current operations					
per share, SEK*	14.54	14.36	13.04	12.86	17.51
Dividend per share, SEK	9.75	9.75	9.75	9.75	**
Return on equity, %	38.1	31.2	26.8	21.4	23.3
Return on capital employed, %	49.3	39.2	31.0	21.2	23.0
Share of risk-bearing capital, %	72.7	67.1	61.0	53.6	51.0
Equity/assets ratio, %	67.6	62.1	56.0	49.3	47.4
Total number of stores	3,924	4,351	4,739	4,968	5,076
Average number of employees	104,634	114,586	120,191	123,283	126,376

\* Before and after dilution.

\*\* Proposed by the Board of Directors.

For definitions of key figures see the annual report

## SEGMENT REPORTING (SEK m)

	2019	2018
<b>Asia and Oceania</b>		
External net sales	35,646	31,902
Operating profit	1,114	735
Operating margin, %	3.1	2.3
Assets excluding tax receivables and internal receivables	16,116	16,102
Liabilities excluding tax liabilities and internal liabilities	2,938	2,400
Investments	817	1,047
Depreciation	1,781	1,667
<b>Europe and Africa*</b>		
External net sales	154,555	143,480
Operating profit	5,090	4,787
Operating margin, %	3.3	3.3
Assets excluding tax receivables and internal receivables	47,536	47,571
Liabilities excluding tax liabilities and internal liabilities	17,069	15,952
Investments	3,573	4,378
Depreciation	4,642	4,528
<b>North and South America</b>		
External net sales	42,554	35,018
Operating profit	1,186	946
Operating margin, %	2.8	2.7
Assets excluding tax receivables and internal receivables	20,322	19,863
Liabilities excluding tax liabilities and internal liabilities	8,589	7,909
Investments	2,057	2,915
Depreciation	2,923	2,437
<b>Group Functions</b>		
Net sales to other segments	82,898	67,795
Operating profit	9,956	9,025
Operating margin, %	12.0	13.3
Assets excluding tax receivables and internal receivables	30,633	30,012
Liabilities excluding tax liabilities and internal liabilities	27,644	27,732
Investments	3,943	4,557
Depreciation	1,705	1,039
<b>Eliminations</b>		
Net sales to other segments	-82,898	-67,795
<b>Total</b>		
External net sales	232,755	210,400
Operating profit	17,346	15,493
Operating margin, %	7.5	7.4
Assets excluding tax receivables and internal receivables	114,607	113,548
Liabilities excluding tax liabilities and internal liabilities	56,240	53,993
Investments	10,390	12,897
Depreciation	11,051	9,671

\*South Africa

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

	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>Full year 2019</b>	<b>Full year 2018</b>
External net sales	7	6	31	22
Internal net sales*	1,222	1,177	4,444	4,262
<b>GROSS PROFIT</b>	<b>1,229</b>	<b>1,183</b>	<b>4,475</b>	<b>4,284</b>
Administrative expenses	-27	-32	-157	-156
<b>OPERATING PROFIT</b>	<b>1,202</b>	<b>1,151</b>	<b>4,318</b>	<b>4,128</b>
Dividend from subsidiaries	15,069	10,076	15,840	13,793
Interest income and similar items**	-27	-12	55	97
Interest expense and similar items***	-34	-25	-142	-44
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>16,210</b>	<b>11,190</b>	<b>20,071</b>	<b>17,974</b>
Year-end appropriations	-2,961	-1,164	-2,961	-1,164
Tax	406	2	-275	-673
<b>PROFIT FOR THE PERIOD</b>	<b>13,655</b>	<b>10,028</b>	<b>16,835</b>	<b>16,137</b>

\* Internal sales in the quarter consists of royalty of SEK 1,158 m (1,091) and other SEK 64 m (86) received from group companies and for the full-year of royalty of SEK 4,364 m (4,169) and other SEK 80 m (93).

\*\* Interest income and similar items in the quarter consists of SEK 13 m (14) in interest income and SEK -41 m (-26) in translation effects from group companies and in the full-year of SEK 18 m (19) in interest income and SEK 37 m (78) in translation effects from group companies.

\*\*\* Interest expense and similar items in the quarter consists of SEK -34 m (-25) in interest expense and SEK 0 m (0) in translation effects from group companies and in the full-year of SEK -142 m (-44) in interest expense and SEK 0 m (0) in translation effects from group companies.

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

	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>Full year 2019</b>	<b>Full year 2018</b>
PROFIT FOR THE PERIOD	13,655	10,028	16,835	16,137
Other comprehensive income				
<i>Items that have not been and will not be reclassified to profit or loss</i>				
Remeasurement of defined benefit pension plans	-3	-9	-3	-9
Tax related to the above remeasurement	1	2	1	2
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-2</b>	<b>-7</b>	<b>-2</b>	<b>-7</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>13,653</b>	<b>10,021</b>	<b>16,833</b>	<b>16,130</b>

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

	30 Nov - 2019	30 Nov - 2018
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
<b>Tangible fixed assets</b>		
Buildings and land	139	146
Equipment, tools, fixture and fittings	93	143
	<b>232</b>	<b>289</b>
<b>Other fixed assets</b>		
Shares and participation rights	918	588
Receivables from subsidiaries	796	842
Long-term receivables	117	115
Deferred tax receivables	82	76
	<b>1,913</b>	<b>1,621</b>
<b>TOTAL FIXED ASSETS</b>	<b>2,145</b>	<b>1,910</b>
<b>CURRENT ASSETS</b>		
<b>Current receivables</b>		
Accounts receivable	8	6
Receivables from subsidiaries	30,992	30,104
Tax receivables	421	-
Other receivables	-	2
Prepaid expenses	21	121
	<b>31,442</b>	<b>30,233</b>
<b>Cash and cash equivalents</b>	<b>2</b>	<b>93</b>
<b>TOTAL CURRENT ASSETS</b>	<b>31,444</b>	<b>30,326</b>
<b>TOTAL ASSETS</b>	<b>33,589</b>	<b>32,236</b>



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

	30 Nov - 2019	30 Nov - 2018
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
<b>Restricted equity</b>		
Share capital	207	207
Restricted reserves	88	88
	<b>295</b>	<b>295</b>
<b>Non-restricted equity</b>		
Retained earnings	39	46
Profit for the year	16,833	16,130
	<b>16,872</b>	<b>16,176</b>
<b>TOTAL EQUITY</b>	<b>17,167</b>	<b>16,471</b>
<b>UNTAXED RESERVES</b>	<b>57</b>	<b>96</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Provisions for pensions*	176	181
Liabilities to credit institutions*	10,266	9,113
	<b>10,442</b>	<b>9,294</b>
<b>Short-term liabilities</b>		
Accounts payable	5	1
Tax liabilities	-	21
Liabilities to credit institutions*	5,530	6,000
Other liabilities	202	200
Accrued expenses and prepaid income	186	153
	<b>5,923</b>	<b>6,375</b>
<b>TOTAL LIABILITIES</b>	<b>16,365</b>	<b>15,669</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,589</b>	<b>32,236</b>

\* Only provisions for pensions and liabilities to credit institutions are interest-bearing.