



H & M Hennes & Mauritz AB

Nine-month report

Nine months 2018

SEK 179 billion

Sales incl VAT

Nine months (1 December 2017 – 31 August 2018)

- The H&M group's sales including VAT increased by 3 percent to SEK 178,817 m (173,290) during the first nine months of the financial year. Sales excluding VAT amounted to SEK 153,986 m (149,597), an increase of 3 percent. In local currencies, sales including VAT increased by 1 percent.
- Profit after financial items amounted to SEK 11,287 m (15,936). The group's profit after tax amounted to SEK 9,109 m (12,191), corresponding to SEK 5.50 (7.37) per share.

Third quarter (1 June 2018 – 31 August 2018)

- The group's sales including VAT increased by 9 percent to SEK 64,800 m (59,383) during the third quarter. Sales excluding VAT amounted to SEK 55,821 m (51,229), an increase of 9 percent. In local currencies, sales including VAT increased by 4 percent. The ongoing transition has contributed to gradually improved sales and increased market share in most markets.
- The group's online sales increased by 32 percent.
- Gross profit amounted to SEK 28,091 m (26,350). This corresponds to a gross margin of 50.3 percent (51.4)
- Profit after financial items amounted to SEK 4,012 m (5,016). The group's profit after tax amounted to SEK 3,099 m (3,837), corresponding to SEK 1.87 (2.32) per share.
- The problems that arose during the implementation of new logistics systems in the US, France, Italy and Belgium during the spring led to extraordinary costs of around SEK 400 m in the third quarter. Sales in these markets decreased by 8 percent overall, while overall sales for the other 66 markets increased by 8 percent in local currencies during the quarter.
- Successful launch of the new brand, Afound, both in stores and online in Sweden.
- H&M very well received in Ukraine.

- Online and physical stores are being increasingly integrated, while in parallel the rollout of online to all existing store markets as well as to other markets continues at full speed.
- COS to open online in China and on Tmall in autumn 2018.
- Uruguay will become a new H&M store market in autumn 2018.

	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017
SEK m				
Net sales	55,821	51,229	153,986	149,597
Gross profit	28,091	26,350	80,295	80,161
<i>gross margin, %</i>	<i>50.3</i>	<i>51.4</i>	<i>52.1</i>	<i>53.6</i>
Operating profit	3,976	4,939	11,191	15,748
<i>operating margin, %</i>	<i>7.1</i>	<i>9.6</i>	<i>7.3</i>	<i>10.5</i>
Net financial items	36	77	96	188
Profit after financial items	4,012	5,016	11,287	15,936
Tax	-913	-1,179	-2,178	-3,745
Profit for the period	3,099	3,837	9,109	12,191
Earnings per share, SEK	1.87	2.32	5.50	7.37

Definitions on key figures, see annual report 2017.



Morris & Co x H&M

Comments by Karl-Johan Persson, CEO

“The rapid changes in the fashion industry are continuing and the H&M group is in an exciting transitional period. Our transformation work has contributed to a gradual improvement in sales development with increased market share in most markets during the third quarter, particularly in Germany, Sweden, Eastern Europe, Russia and China.

In the US, France, Italy and Belgium, however, store sales were negatively impacted by the problems that arose when we introduced new logistics systems in these markets. Intensive work to correct the problems – which have now largely been resolved – resulted in extraordinary costs of around SEK 400 million in the quarter. The new logistics systems are an essential part of our work to make our supply chain faster, more flexible and more efficient, and to continue the integration of stores and online.

The group’s online sales increased by more than 30 percent in the third quarter. Today H&M online is in 47 markets and we are continuing at full speed to roll out online globally to all our existing store markets as well as to other markets.

The most important aspect of our improvement work is to develop the assortment in line with customers’ increased expectations and to offer the best combination of fashion, quality and price in a sustainable way. On top of that, we are also working to enhance the customer experience. We are getting a positive response from customers to the changes that we are making both online and in stores – including in those H&M stores, where we are trying out various adjustments to our assortment, product display and shop fittings. We are therefore now scaling up this to more stores and markets. Our improvement work is benefiting from our investments in advanced data analytics and AI in areas such as quantification, allocation, pricing and trend forecasting.

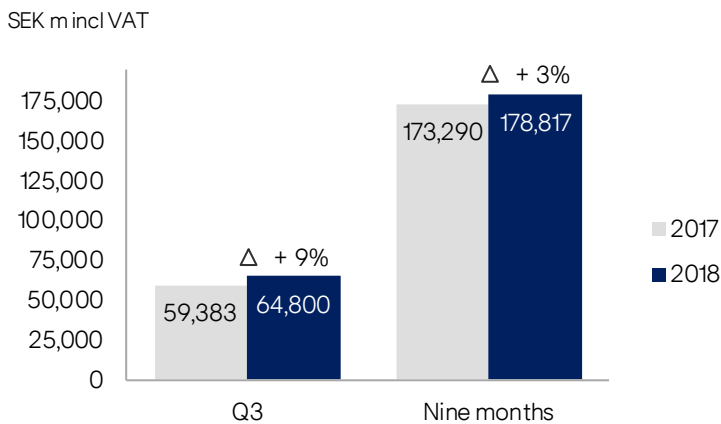
We are continuing to optimise the store portfolio in order to accommodate customers’ changed shopping patterns in the ongoing shift online. In the year to date this has meant a lower net addition of new stores within the group. We are also seeing that the shift provides opportunities to achieve even better lease terms for both new and existing stores.

As always, we have a long-term perspective. Our improvement work is continuing and although many challenges remain, there are more and more indications that we are on the right track. We are therefore positive towards the future and the opportunities that exist for the H&M group.”



H&M

Sales



Sales including VAT increased by 9 percent to SEK 64,800 m (59,383) in the third quarter. Sales including VAT in the nine-month period increased by 3 percent to SEK 178,817 m (173,290). In local currencies the H&M group's sales including VAT increased by 4 percent in the third quarter and by 1 percent in the nine-month period.

Sales excluding VAT increased by 9 percent to SEK 55,821 m (51,229) in the third quarter and by 3 percent to SEK 153,986 m (149,597) in the nine-month period.

The group's total online sales in SEK increased by 32 percent compared to the third quarter last year and total sales for the new brands (New Business) increased by 20 percent.

Sales development in the US, France, Italy and Belgium was negatively affected during the quarter by the problems that emerged during the implementation of new logistics systems in the spring. Sales in these markets decreased by 8 percent overall, while overall sales for the other 66 markets increased by 8 percent in local currencies during the quarter.



H&M

Sales in top ten markets, third quarter

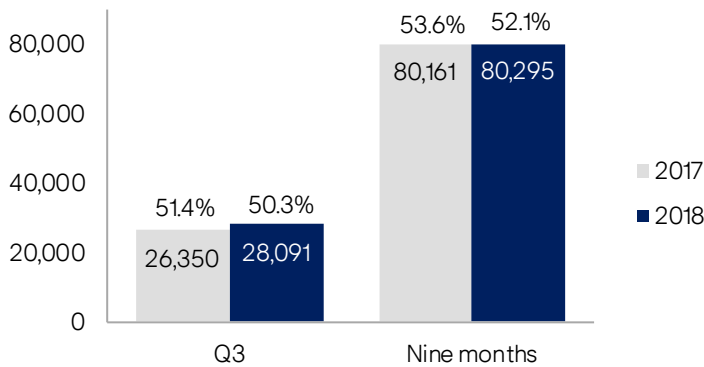
	Q3 - 2018	Q3 - 2017	Change in %		31 Aug - 18	Q3 - 2018
	SEK m incl VAT	SEK m incl VAT	SEK	Local currency	Number of stores	Net stores
Germany	9,851	8,748	13	6	458	-3
USA	6,869	7,198	-5	-10	559	13
UK	4,330	3,726	16	9	294	3
France	3,749	3,752	0	-7	240	-1
China	3,225	2,660	21	13	522	8
Sweden	2,821	2,619	8	8	168	1
Spain	2,490	2,265	10	3	173	-1
Italy	2,319	2,301	1	-6	175	-1
Netherlands	2,038	1,873	9	3	143	-2
Russia	2,015	1,671	21	24	137	1
Others*	25,093	22,570	11	7	1,972	22
Total	64,800	59,383	9	4	4,841	40
<i>* Of which franchises</i>	<i>1,570</i>	<i>1,323</i>	<i>19</i>	<i>12</i>	<i>247</i>	<i>6</i>

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

Gross profit and gross margin

The H&M group'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.

Gross profit SEK m



ARKET

Gross profit amounted to SEK 28,091 m (26,350) in the third quarter, corresponding to a gross margin of 50.3 percent (51.4). For the nine-month period, gross profit amounted to SEK 80,295 m (80,161), corresponding to a gross margin of 52.1 percent (53.6).

Markdowns in relation to sales increased by 0.7 percentage points in the third quarter of 2018 compared with the corresponding quarter in 2017.

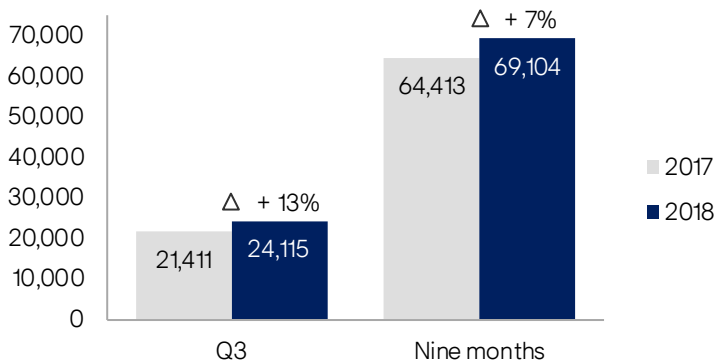
The change in gross margin is also explained by increased costs that arose in connection with the implementation of new logistics systems.

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

For purchases made for the fourth 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

SEK m



In the third quarter of 2018, selling and administrative expenses increased by 13 percent in SEK and by 8 percent in local currencies compared with the corresponding period the previous year. The increase is mainly explained by store and online expansion, along with extraordinary costs in connection with the implementation of new logistics systems.

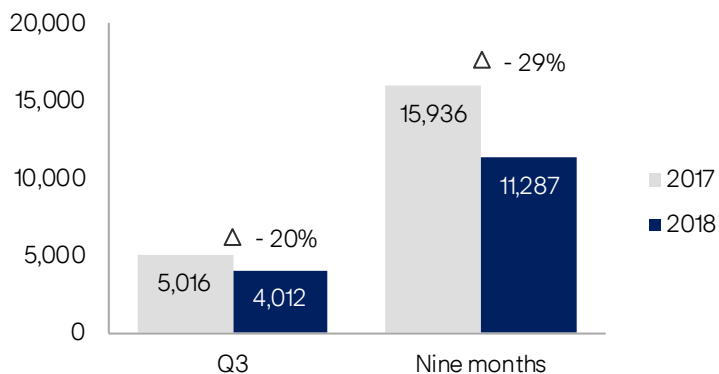
For the nine-month period, selling and administrative expenses increased by 7 percent in SEK and by 6 percent in local currencies compared with the corresponding period last year.



H&M Home

Profit after financial items

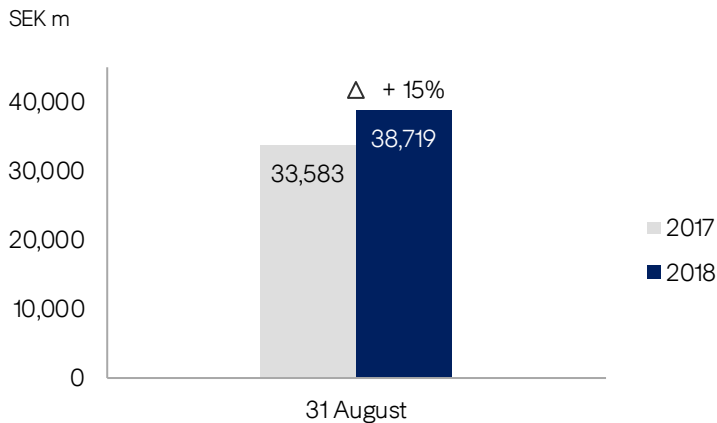
SEK m



Profit after financial items amounted to SEK 4,012 m (5,016) in the third quarter. Profit after financial items in the nine-month period amounted to SEK 11,287 m (15,936).

Profit in the third quarter was affected, among other things, by the problems that emerged in connection with the implementation of new logistics systems, which led to lost revenue and extraordinary costs. These extraordinary costs are estimated to amount to approximately SEK 400 m in the third quarter.

Stock-in-trade



Stock-in-trade amounted to SEK 38,719 m (33,583), an increase of 15 percent in SEK compared with the same point in time last year. In local currencies the increase was 12 percent.

The inventory level is still high, but the quality and balance is better than at the same point last year. One sign that the group's improvement work is starting to bear fruit is that stock turnover on new products is gradually increasing. The overall inventory situation is entirely manageable, and the company therefore assess that markdowns in relation to sales will not increase in the fourth quarter compared to the same period last year.

The stock-in-trade amounted to 18.9 percent (16.6) of sales excluding VAT, rolling twelve months and 32.7 percent (33.5) of total assets.

Expansion

The global integration of physical stores and online is increasing. Work is continuing at full speed to roll out online globally to all existing store markets as well as to other markets. Mexico will become a new online market in 2018/2019, along with Egypt (via franchise).

H&M was very positively received at the opening of its first store in Kiev, Ukraine in August. Uruguay will become a new H&M market in autumn 2018 and in 2019 the first H&M stores are planned to open in Belarus and Bosnia-Herzegovina, along with Tunisia (via franchise).

H&M Home launched its first standalone concept store at Biblioteksgatan in Stockholm in August. Its second store opened in Munich in September, and an additional six H&M Home stores are planned to be launched in Europe later in 2018.

COS is to open online in China and on Tmall in autumn 2018.

Afound was successfully launched online and in stores in Sweden. The first store opened in Stockholm in June, followed by Malmö (June) and Skärholmen (August). A fourth store opened in Kristianstad in September.

The optimisation of the store portfolio continues 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. For full-year 2018 the H&M group plans to open approximately 380 stores and close 140, resulting in a net addition of around 240 new stores for the year. Many of the openings are planned for the end of the financial year. As always, some new openings may fall at the start of the next financial year. Most of the H&M store openings will be in emerging markets, while most of the closures will take place in established markets.



& Other Stories

Brand	No. of markets 31 Aug - 2018		Expansion 2018
	Store	Online	New markets
H&M	70	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 Online: China
Monki	16	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	6	18	Store: Netherlands*, Sweden*
Afound	1	1	Store: Sweden* Online: Sweden*
H&M HOME	48	40	Store: Ukraine*, Morocco (franchise)*, Chile, Iceland Online: Kuwait (franchise)*, United Arab Emirates (franchise)*, Saudi Arabia (franchise)*



H&M Conscious Exclusive

* Opened until 31 Aug - 2018

** Opened in September- 2018

Store count by brand

In the nine-month period, excluding franchise, the group opened 173 (247) stores and closed 99 (66) stores, i.e. a net increase of 74 (181) new stores. Via franchise partners 28 (22) stores were opened and 0 (1) stores were closed. The group had 4,841 (4,553) stores as of 31 August 2018, of which 247 (209) were operated by franchise partners.

Brand	New Stores 2018 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2018	31 Aug - 2017
H&M	25	65	4,353	4,133
COS	8	24	255	215
Monki	-1	0	119	115
Weekday	0	1	34	30
& Other Stories	1	3	63	56
Cheap Monday	0	-2	1	3
ARKET	3	7	12	1
Afound	3	3	3	0
H&M HOME*	1	1	1	0
Total	40	102	4,841	4,553

* Concept stores, H&M HOME is included with 345 shop-in-shop in H&M stores

Store count by region

Region	New Stores 2018 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2018	31 Aug - 2017
Europe & Africa	-6	0	3,008	2,924
Asia & Oceania	25	69	1,115	986
North & South America	21	33	718	643
Total	40	102	4,841	4,553

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 418 m in the nine-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 August 2018, the group had SEK 14,309 m (3,503) in loans from credit institutions with a term of up to 12 months as well as SEK 1,064 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.

Net debt in relation to EBITDA amounted to 0.1.

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 August 2018, forward contracts with a positive market value amount to SEK 712 m (1,344), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 1,202 m (685), 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 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
27 June 2019	Six-month report, 1 Dec 2018 - 31 May 2019

Stockholm, 26 September 2018
Board of Directors

Telephone conference in conjunction with the nine-month report

The nine-month report, 1 December 2017 - 31 August 2018, will be published at 8:00 CET on 27 September 2018. A telephone conference for the financial market and media will be held in English the same day at 9:00 CET when CEO Karl-Johan Persson, CFO Jyrki Tervonen and Head of IR Nils Vinge will participate.

Participants for the telephone conference are kindly asked to register at:

<http://emea.directeventreg.com/registration/9314879>

For interview requests with CEO Karl-Johan Persson and Head of IR Nils Vinge in conjunction with the nine-month report please contact:

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Review report

H & M Hennes & Mauritz AB (publ), corporate identity number 556042-7220

Introduction

We have reviewed the interim report for H & M Hennes & Mauritz AB (publ) as of 31 August 2018 and for the nine-month period which ended on this date. It is the responsibility of the Board of Directors and the Chief Executive Officer to prepare and present this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

Focus and scope of review

We conducted our review in accordance with the International Standard on Review Engagements (ISRE 2410), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope compared with the focus and scope of an audit conducted in accordance with the International Standards on Auditing and the generally accepted auditing practices.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not provide the same level of assurance as an opinion expressed on the basis of an audit.

Conclusion

On the basis of our review, nothing has come to our attention that causes us to believe that the interim report, in all material aspects, was not prepared in accordance with IAS 34 and the Swedish Annual Accounts Act in the case of the group and in accordance with the Annual Accounts Act in the case of the parent company.

Stockholm, 26 September 2018

Ernst & Young AB

Åsa Lundvall

Authorised Public Accountant

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 27 September 2018. This interim report and other information about H&M, is available at about.hm.com.

GROUP INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	1 Dec 2016- 30 Nov 2017
Sales including VAT	64,800	59,383	178,817	173,290	231,771
Sales excluding VAT	55,821	51,229	153,986	149,597	200,004
Cost of goods sold	-27,730	-24,879	-73,691	-69,436	-91,914
GROSS PROFIT	28,091	26,350	80,295	80,161	108,090
<i>Gross margin, %</i>	50.3	51.4	52.1	53.6	54.0
Selling expenses	-22,192	-19,756	-63,263	-59,233	-80,427
Administrative expenses	-1,923	-1,655	-5,841	-5,180	-7,094
OPERATING PROFIT	3,976	4,939	11,191	15,748	20,569
<i>Operating margin, %</i>	7.1	9.6	7.3	10.5	10.3
Net financial items	36	77	96	188	240
PROFIT AFTER FINANCIAL ITEMS	4,012	5,016	11,287	15,936	20,809
Tax	-913	-1,179	-2,178	-3,745	-4,625
PROFIT FOR THE PERIOD	3,099	3,837	9,109	12,191	16,184

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

Earnings per share, SEK*	1.87	2.32	5.50	7.37	9.78
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	2,378	2,073	7,081	6,324	8,488
of which cost of goods sold	133	173	420	551	736
of which selling expenses	2,113	1,760	6,243	5,347	7,175
of which administrative expenses	132	140	418	426	577

* Before and after dilution.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	1 Dec 2016- 30 Nov 2017
PROFIT FOR THE PERIOD	3,099	3,837	9,109	12,191	16,184
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Translation differences	353	-2,748	2,374	-3,581	-1,496
Change in hedging reserves	-405	1,267	-39	1,068	-179
Tax attributable to change in hedging reserves	93	-304	9	-256	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
OTHER COMPREHENSIVE INCOME	41	-1,785	2,344	-2,769	-1,577
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,140	2,052	11,453	9,422	14,607

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

GROUP BALANCE SHEET IN SUMMARY (SEK m)

ASSETS	31 Aug - 2018	31 Aug - 2017	30 Nov 2017
Fixed assets			
Intangible fixed assets	8,625	6,572	7,043
Property, plant and equipment	42,234	36,926	39,818
Other fixed assets	3,595	3,657	3,955
	54,454	47,155	50,816
Current assets			
Stock-in-trade	38,719	33,583	33,712
Current receivables	11,431	9,708	12,316
Cash and cash equivalents	13,963	9,665	9,718
	64,113	52,956	55,746
TOTAL ASSETS	118,567	100,111	106,562
EQUITY AND LIABILITIES			
Equity	55,029	54,521	59,713
Long-term liabilities*	6,130	5,951	6,126
Current liabilities**	57,408	39,639	40,723
TOTAL EQUITY AND LIABILITIES	118,567	100,111	106,562

* Interest-bearing long-term liabilities amounts to SEK 1,933 m (814).

** Interest-bearing current liabilities amounts to SEK 14,442 m (3,597).

CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)

	31 Aug - 2018	31 Aug - 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	11,453	9,422	14,607
Dividend	-16,137	-16,137	-16,137
Shareholders' equity at the end of the period	55,029	54,528	59,713

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

GROUP CASH FLOW STATEMENT (SEK m)

	Nine months 2018	Nine months 2017
Current operations		
Profit after financial items*	11,287	15,936
Provisions for pensions	63	66
Depreciation	7,081	6,324
Tax paid	-1,385	-3,545
Other	37	-29
Cash flow from current operations before changes in working capital	17,083	18,752
Cash flow from changes in working capital		
Current receivables	-798	-509
Stock-in-trade	-4,295	-2,822
Current liabilities	2,930	818
CASH FLOW FROM CURRENT OPERATIONS	14,920	16,239
Investment activities		
Investment in intangible fixed assets	-2,083	-1,596
Investment in tangible fixed assets	-6,422	-7,015
Other investments	-201	-49
CASH FLOW FROM INVESTMENT ACTIVITIES	-8,706	-8,660
Financing activities		
Change in interest-bearing liabilities	5,535	1,391
Dividend	-8,110	-8,110
CASH FLOW FROM FINANCING ACTIVITIES	-2,575	-6,719
CASH FLOW FOR THE PERIOD	3,639	860
Cash and cash equivalents at beginning of the financial year	9,718	9,446
Cash flow for the period	3,639	860
Exchange rate effect	606	-641
Cash and cash equivalents at end of the period**	13,963	9,665

* Interest paid for the group amounts to SEK 62 m (17).

** Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 13,963 m (9,665).

SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES

Q3, 1 June - 31 August

Market	Q3 - 2018	Q3 - 2017	Change in %		31 Aug - 18	Q3 - 2018	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	2,821	2,619	8	8	168	4	3
Norway	1,801	1,698	6	1	128		
Denmark	1,632	1,414	15	8	106	2	5
UK	4,330	3,726	16	9	294	4	1
Switzerland	1,461	1,521	-4	-7	98	1	
Germany	9,851	8,748	13	6	458	2	5
Netherlands	2,038	1,873	9	3	143	2	4
Belgium	1,231	1,181	4	-3	97		2
Austria	1,490	1,347	11	4	86		
Luxembourg	120	120	0	-7	10		
Finland	819	768	7	0	64		
France	3,749	3,752	0	-7	240	1	2
USA	6,869	7,198	-5	-10	559	18	5
Spain	2,490	2,265	10	3	173		1
Poland	1,813	1,454	25	18	182		
Czech Republic	503	424	19	9	52		
Portugal	405	369	10	3	31		1
Italy	2,319	2,301	1	-6	175		1
Canada	1,462	1,336	9	6	93	2	
Slovenia	166	145	14	7	12		
Ireland	351	291	21	13	24		
Hungary	530	460	15	13	46		
Slovakia	229	190	21	12	24		
Greece	552	525	5	-2	35		
China	3,225	2,660	21	13	522	11	3
Hong Kong	363	386	-6	-12	28		
Japan	1,218	1,133	8	2	87	3	1
Russia	2,015	1,671	21	24	137	1	
South Korea	593	494	20	11	44		
Turkey	851	923	-8	21	68		
Romania	705	630	12	7	56		
Croatia	229	225	2	-5	15		
Singapore	216	239	-10	-16	11		
Bulgaria	202	199	2	-4	20		
Latvia	127	118	8	1	8		
Malaysia	321	300	7	-5	46	2	
Mexico	844	608	39	41	43	5	
Chile	384	314	22	15	8		
Lithuania	123	112	10	2	9		
Serbia	123	109	13	3	13		
Estonia	138	131	5	-1	11		
Australia	652	637	2	1	37	2	
Philippines	278	236	18	17	34	1	
Taiwan	155	183	-15	-20	12		
Peru	248	238	4	1	9	1	
Macau	28	31	-10	-11	2		
India	428	288	49	49	34	2	
South Africa	230	206	12	9	19	1	
Puerto Rico	28	27	4	-3	2		
Cyprus	23	22	5	-1	1		
New Zealand	70	34	106	104	4	1	
Kazakhstan	66	77	-14	-8	3		
Colombia	137	91	51	47	4		
Iceland	60	13	362	343	2		
Vietnam	69				4	1	
Georgia	36				2		
Ukraine	13				1	1	
Franchise	1,570	1,323	19	12	247	6	
Total	64,800	59,383	9	4	4,841	74	34

SALES INCLUDING VAT BY MARKET AND NUMBER OF STORES

Nine months, 1 December - 31 August

Market	2018	2017	Change in %		31 Aug - 18	Nine months	
	SEK m	SEK m	SEK	Local currency	No. of stores	New stores	Closed stores
Sweden	7,839	7,626	3	3	168	4	8
Norway	4,697	4,640	1	0	128		
Denmark	4,656	4,263	9	4	106	3	7
UK	11,616	10,876	7	4	294	11	9
Switzerland	4,082	4,554	-10	-9	98	1	3
Germany	28,115	27,310	3	-2	458	6	11
Netherlands	5,744	5,549	4	-1	143	8	10
Belgium	3,441	3,423	1	-5	97	4	4
Austria	4,274	4,086	5	0	86		
Luxembourg	339	349	-3	-8	10		
Finland	2,264	2,159	5	0	64	2	2
France	9,998	10,337	-3	-9	240	7	7
USA	18,895	21,005	-10	-7	559	31	8
Spain	6,494	6,159	5	0	173	2	4
Poland	4,826	3,995	21	13	182	7	
Czech Republic	1,399	1,177	19	8	52	3	1
Portugal	1,070	1,006	6	1	31		1
Italy	6,724	6,771	-1	-6	175	4	4
Canada	3,622	3,546	2	3	93	4	2
Slovenia	433	405	7	1	12		1
Ireland	959	845	13	8	24		
Hungary	1,505	1,294	16	13	46	1	
Slovakia	648	538	20	14	24	2	
Greece	1,546	1,438	8	2	35		
China	9,031	8,389	8	5	522	25	9
Hong Kong	1,134	1,321	-14	-11	28	1	1
Japan	3,527	3,570	-1	0	87	7	2
Russia	4,954	4,313	15	22	137	3	
South Korea	1,584	1,498	6	4	44	3	
Turkey	2,306	2,383	-3	19	68	1	3
Romania	1,961	1,720	14	11	56		
Croatia	639	617	4	-2	15		
Singapore	652	751	-13	-14	11		2
Bulgaria	545	506	8	3	20		
Latvia	319	296	8	2	8		
Malaysia	933	925	1	-5	46	2	
Mexico	2,358	1,670	41	45	43	6	
Chile	1,300	1,060	23	21	8		
Lithuania	315	297	6	0	9		
Serbia	355	302	18	8	13	1	
Estonia	347	316	10	4	11	1	
Australia	1,869	2,010	-7	-5	37	5	
Philippines	860	793	8	17	34	2	
Taiwan	499	611	-18	-18	12		
Peru	680	683	0	3	9	1	
Macau	90	106	-15	-9	2		
India	1,124	874	29	34	34	7	
South Africa	747	684	9	8	19	2	
Puerto Rico	60	89	-33	-31	2		
Cyprus	68	70	-3	-9	1		
New Zealand	216	129	67	75	4	1	
Kazakhstan	171	121	41	53	3		
Colombia	357	129	177	181	4	1	
Iceland	176	13	1,254	1,216	2		
Vietnam	196				4	2	
Georgia	85				2	1	
Ukraine	13				1	1	
Franchise	4,160	3,693	13	16	247	28	
Total	178,817	173,290	3	1	4,841	201	99

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

	2014	2015	2016	2017	2018
Sales including VAT, SEK m	126,964	153,444	161,767	173,290	178,817
Sales excluding VAT, SEK m	108,775	132,167	139,547	149,597	153,986
Change sales excl. VAT from previous year in SEK, %	18	22	6	7	3
Change sales excl. VAT previous year in local currencies, %	15	12	8	4	1
Operating profit, SEK m	17,852	19,858	16,469	15,748	11,191
Operating margin, %	16.4	15.0	11.8	10.5	7.3
Depreciations for the period, SEK m	3,709	4,708	5,535	6,324	7,081
Profit after financial items, SEK m	18,096	20,094	16,630	15,936	11,287
Profit after tax, SEK m	13,754	15,372	12,722	12,191	9,109
Cash and cash equivalents and short-term investments, SEK m	13,451	10,963	8,680	9,665	13,963
Stock-in-trade, SEK m	17,940	25,205**	31,231**	33,583**	38,719**
Equity, SEK m	44,576	52,030	54,146	54,521	55,029
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	8.31	9.29	7.69	7.37	5.50
Equity per share, SEK*	26.93	31.44	32.72	32.94	33.25
Cash flow from current operations per share, SEK*	10.88	10.76	10.60	9.81	9.01
Share of risk-bearing capital, %	70.2	68.5	63.6	59.6	50.0
Equity/assets ratio, %	65.8	64.2	59.3	54.5	46.4
Total number of stores	3,341	3,675	4,135	4,553	4,841
Rolling twelve months					
Earnings per share, SEK*	11.66	13.05	11.03	10.94	7.92
Return on equity, %	46.1	44.7	34.4	33.3	23.9
Return on capital employed, %	60.0	57.3	42.9	39.8	25.0

* Before and after dilution.

** The booked value of stock-in-trade for 2015-2018 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)

	Nine months 2018	Nine months 2017
Asia and Oceania		
External net sales	23,382	22,376
Operating profit	194	403
Operating margin, %	0.8	1.8
Europe and Africa		
External net sales	105,431	101,056
Operating profit	2,330	622
Operating margin, %	2.2	0.6
North and South America		
External net sales	25,173	26,165
Operating profit	-269	-127
Operating margin, %	-1.1	-0.5
Group Functions		
Net sales to other segments	46,756	56,287
Operating profit	8,936	14,850
Eliminations		
Net sales to other segments	-46,756	-56,287
Total		
External net sales	153,986	149,597
Operating profit	11,191	15,748
Operating margin, %	7.3	10.5

PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	1 Dec 2016- 30 Nov 2017
External sales excluding VAT	6	5	16	9	13
Internal sales excluding VAT*	1,070	961	3,085	3,005	4,069
GROSS PROFIT	1,076	966	3,101	3,014	4,082
Administrative expenses	-35	-45	-124	-134	-158
OPERATING PROFIT	1,041	921	2,977	2,880	3,924
Net financial items**	1,494	327	3,807	2,946	12,931
PROFIT AFTER FINANCIAL ITEMS	2,535	1,248	6,784	5,826	16,855
Year-end appropriations	-	-	-	-	-328
Tax	-232	-185	-675	-609	-773
PROFIT FOR THE PERIOD	2,303	1,063	6,109	5,217	15,754

* Internal sales in the quarter consists of royalty of SEK 1,066 m (959) and other SEK 4 m (2) received from group companies and for the nine-month period of royalty of SEK 3,076 m (2,932) and other SEK 8 m (73).

** Dividend income from subsidiaries in the quarter consists of SEK 1,483 m (409) and in the nine-month period of SEK 3,717 m (3,059).

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2018	Q3 2017	Nine months 2018	Nine months 2017	1 Dec 2016- 30 Nov 2017
PROFIT FOR THE PERIOD	2,303	1,063	6,109	5,217	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
OTHER COMPREHENSIVE INCOME	-	-	-	-	-1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,303	1,063	6,109	5,217	15,753

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	31 Aug - 2018	31 Aug - 2017	30 Nov 2017
ASSETS			
Fixed assets			
Property, plant and equipment	307	388	367
Financial fixed assets	1,828	1,467	1,627
	2,135	1,855	1,994
Current assets			
Current receivables	23,548	13,348	19,312
Cash and cash equivalents	348	88	133
	23,896	13,436	19,445
TOTAL ASSETS	26,031	15,291	21,439
EQUITY AND LIABILITIES			
Equity	6,450	5,937	16,478
Untaxed reserves	417	429	417
Long-term liabilities*	182	191	182
Current liabilities**	18,982	8,734	4,362
TOTAL EQUITY AND LIABILITIES	26,031	15,291	21,439

* 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).