

H & M Hennes & Mauritz AB (publ) – Annual General Meeting 2019

Item 9b in accordance with the proposed agenda for the annual general meeting on 7 May 2019.
Resolution on distribution of the company's earnings as stated in the adopted balance sheet and establishment of the record date for the dividend.

The board's proposal for the dividend and record date

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

Funds at the disposal of the annual general meeting (SEK):		16,175,585,104
The board of directors proposes that		
the shareholders are paid a dividend of SEK 9.75 per share	SEK	16,136,952,000
To be carried forward as retained earnings	SEK	38,633,104
Total	SEK	16,175,585,104

Statement by the board of directors concerning the proposed dividend

The board of directors has decided to propose to shareholders that the annual general meeting on 7 May 2019 resolve to pay a dividend of SEK 9.75 per share, amounting to SEK 16,136,952,000 in total. The dividend will be paid in cash, split into two instalments – one in May and one in November. The record date proposed for the first payment of SEK 4.90 is 9 May 2019. This would then be paid out on 14 May 2019. The record date proposed for the second dividend payment of SEK 4.85 is 12 November 2019. This would then be paid out on 15 November 2019.

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

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

The capital structure is defined as net debt in relation to EBITDA. Over time, this should not exceed 1.0 x EBITDA. Net debt/EBITDA was 0.3 as of 30 November 2018.

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

The proposed distribution of earnings to the shareholders represents 127.5 percent (99.7) of the group's profit after tax. The proposed distribution of earnings also represents around 99.8 percent of the funds at the disposal of the annual general meeting. The earnings to be distributed amount to less than the cash flow from current operations before changes in working capital. The group's equity/assets ratio is 49.3 percent before payment of the dividend and 41.3 percent after payment of the dividend. The parent company's equity includes no unrealised changes in value from the measurement of financial instruments at fair value.

The board of directors is of the opinion that the proposed dividend is justifiable since it is based on the fact that the underlying operations are showing gradual improvements, investments (capex) will reduce in 2019 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, its risks and expansion and development plans impose on the group's and the parent company's equity and liquidity.

Stockholm, February 2019

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