

Nine-month report

Nine months (1 December 2021 – 31 August 2022)

- The H&M group's net sales in SEK increased by 13 percent in the first nine months of the financial year to SEK 161,120 m (142,154). In local currencies the increase was 8 percent.
- As communicated previously, a one-time cost for winding down the Russian operations has impacted the results for the period.
- The gross margin excluding the one-time cost for Russia was 51.3 percent (51.8). The reported gross margin was 51.1 percent (51.8).
- Operating profit excluding the one-time cost for Russia was SEK 8,099 m (8,996) and the operating margin was 5.0 percent (6.3). The reported operating profit was SEK 6,348 m (8,996), corresponding to an operating margin of 3.9 percent (6.3). For rolling 12 months the operating margin was 5.8 percent (6.6).
- The group's profit after tax excluding the one-time cost for Russia was SEK 5,778 m (6,389), corresponding to SEK 3.49 (3.86) per share. Reported profit after tax amounted to SEK 4,430 m (6,389), corresponding to SEK 2.68 (3.86) per share.
- Financial net cash was SEK 17,441 m (24,874). Cash and cash equivalents plus undrawn credit facilities amounted to SEK 45,700 m (55,408).



H&M

Third quarter (1 June 2022 – 31 August 2022)

- Net sales increased by 3 percent to SEK 57,450 m (55,585). In local currencies, net sales decreased by 4 percent.
- A one-time cost of SEK 2,104 m related to the winding down of the Russian operations has impacted the result for the quarter.
- Gross margin excluding the one-time cost for Russia was 50.4 percent (53.2). The reported gross margin was 49.0 percent (53.2). Increased raw materials and freight prices as well as a stronger US dollar resulted in substantial cost increases for purchases of goods.
- Operating profit excluding the one-time cost for Russia was SEK 3,006 m (6,272), corresponding to an operating margin of 5.2 percent (11.3). The reported operating profit was SEK 902 m (6,272), corresponding to an operating margin of 1.6 percent (11.3).
- The group's profit after tax excluding the one-time cost for Russia was SEK 2,151 m (4,692), corresponding to SEK 1.30 (2.83) per share. Reported profit after tax amounted to SEK 531 m (4,692), corresponding to SEK 0.32 (2.83) per share.

- The autumn collections have been well received. Sales increased by 7 percent in local currencies in the period 1 – 27 September 2022 compared with the same period in 2021.
- A cost and efficiency programme is being initiated to further streamline the business. Overall, this is expected to result in annual savings of around SEK 2 billion. The savings from the programme is expected to become visible in the second half of 2023.
- Agreements have been signed with developers of new solar farms to secure access to renewable energy for many years to come. This will help the H&M group reach its carbon reduction targets as well as securing energy prices for parts of its own operations.

"The autumn collections have been well received and sales in September are up on the previous year, providing important proof that the H&M group is growing even when customers' purchasing power is decreasing," says Helena Helmersson, CEO.

Comments by Helena Helmersson, CEO

“The third quarter has largely been impacted by our decision to pause sales and then wind down the business in Russia. This has had a significant effect on our sales and profitability, which explains half of the decrease in profits compared with the third quarter last year. Many other external challenges also made their mark on the quarter. In common with the rest of the industry, sales were weak in many of our major markets at the start of the period. Sales then gradually improved, despite of a heatwave in several European countries and some remaining delays in the supply of goods. Increased raw materials and freight prices as well as a stronger US dollar resulted in substantial cost increases for purchases of goods. We have chosen not to fully compensate for the increased costs, which is reflected in the gross margin. Overall, these factors had a substantial negative impact on profit for the quarter.

Long-term initiatives to meet customers’ ever-increasing expectations are continuing. This involves ensuring the best customer offering for all the brands and the best customer experience. In a situation of high inflation where household living costs are rising significantly it is more important than ever to offer customers the best value for money.

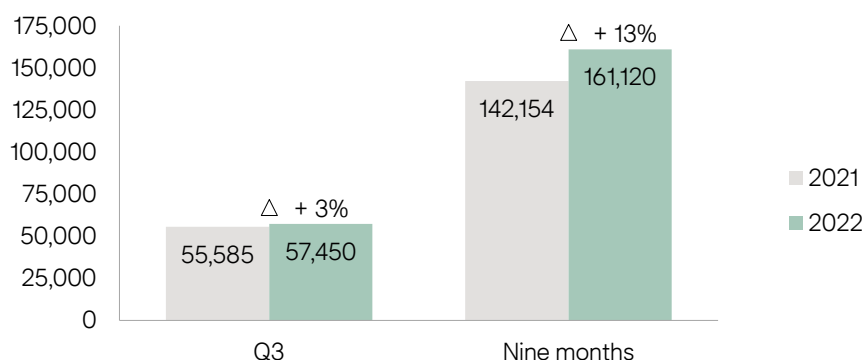
Sales channels are being increasingly integrated, alongside continued digitalisation of the supply chain. Efficiency, speed and flexibility have never been more important. In parallel, a programme to reduce costs and further improve efficiency is being initiated. From the second half of 2023 onwards this is expected to result in annual savings of around SEK 2 billion.

With loyal customers all over the world, engaged colleagues and sound finances, in combination with a long-term perspective, we see good opportunities to strengthen our position despite the situation in the world around us. The autumn collections have been well received and sales in September are up on the previous year, providing important proof that the H&M group is growing even when customers’ purchasing power is decreasing.”



Sales

SEK m



COS

The H&M group's net sales in the third quarter increased by 3 percent to SEK 57,450 m (55,585). In local currencies, net sales decreased by 4 percent.

The proportion of sales made online and in physical stores was the same for the third quarter as in the previous year.

Net sales in the nine-month period increased by 13 percent to SEK 161,120 m (142,154). In local currencies the increase was 8 percent.

Sales for Portfolio Brands in the third quarter increased by 12 percent in SEK and by 5 percent in local currencies.

Sales per region, third quarter

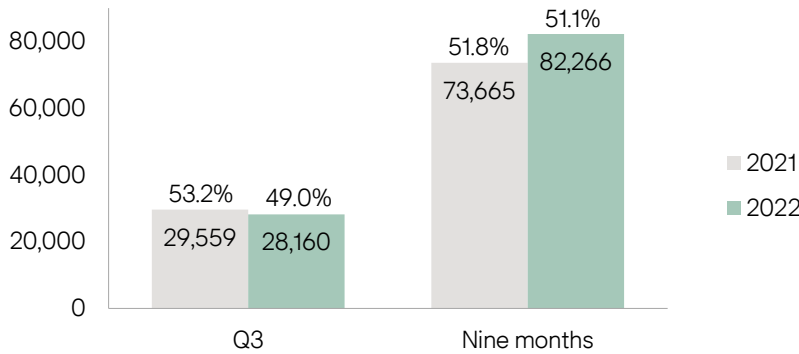
	SEK m		SEK	LCY	New stores (net)	Number of stores	
	Q3 - 2022	Q3 - 2021				Change in %	Q3 - 2022
The Nordics	5,426	5,792	-6	-9	-5	405	441
Western Europe	17,797	18,727	-5	-9	-9	1,085	1,142
Eastern Europe	5,898	6,891	-14	-22	0	654	647
Southern Europe	7,356	7,544	-2	0	-5	628	662
North & South America	13,085	10,765	22	3	-1	733	754
Asia, Oceania & Africa	7,888	5,866	34	22	-18	1,159	1,210
Total	57,450	55,585	3	-4	-38	4,664	4,856

Eastern Europe has been impacted by the war and that all sales in Russia, Belarus and Ukraine were paused at the time of the invasion. In August stores in Russia were re-opened to sell off the remaining stock as part of the ongoing winding down of the Russian operations. The stores will gradually be permanently closed as goods sell out. The online store has remained closed.

Gross profit and gross margin

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.

SEK m



ARKET

Gross profit amounted to SEK 28,160 m (29,559) for the third quarter, corresponding to a gross margin of 49.0 percent (53.2). Excluding the one-time cost for Russia, gross profit for the third quarter was SEK 28,929 m and the gross margin was 50.4 percent.

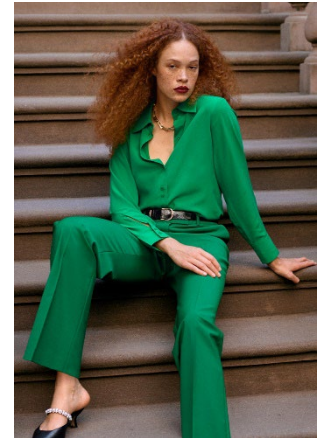
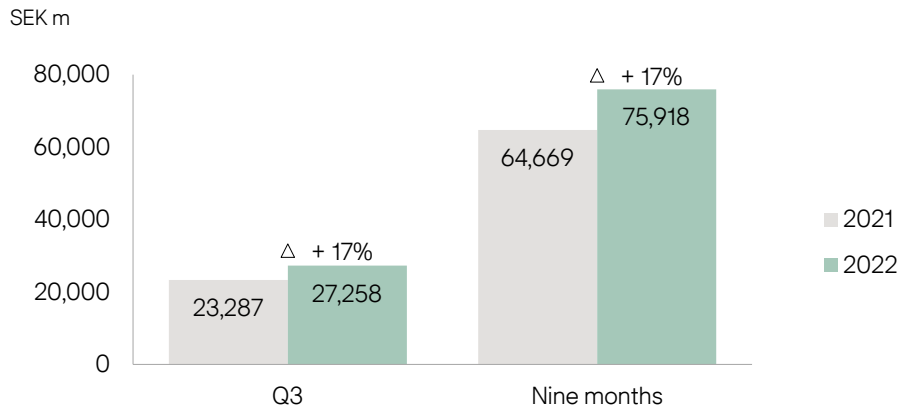
For the third quarter the overall effect of external factors that influence purchasing costs was very negative compared with the same purchasing period the previous year, driven mainly by increased prices for shipping and raw materials and a strong US dollar. The company has decided not to fully compensate for this in the form of increased prices to the customer.

Markdowns increased somewhat in the quarter, which had a negative impact on gross margin of around 0.5 percentage points compared with the same quarter the previous year.

For the nine-month period, gross profit increased to SEK 82,266 m (73,665), corresponding to a gross margin of 51.1 percent (51.8). Excluding the one-time cost for Russia, gross profit for the nine-month period was SEK 82,682 m and the gross margin was 51.3 percent.

For purchases made for the fourth quarter 2022 the overall market situation as regards external factors is very negative compared with the same purchasing period in the previous year, mainly driven by the ever stronger US dollar.

Selling and administrative expenses



& other Stories

Operating costs. Selling and administrative expenses increased in the third quarter by 17 percent to SEK 27,258 m (23,287). In local currencies the increase was 11 percent. Excluding the one-time cost for Russia, operating costs increased by 11 percent in SEK and by 6 percent in local currencies. The increase in costs in local currencies is due to long-term initiatives centred on tech and the supply chain, but also to high energy prices and rising freight costs for customer deliveries.

As the Covid restrictions have decreased, government assistance has been scaled back. In the third quarter pandemic assistance of SEK 21 m (150) was received. No assistance was received in Sweden during 2022.

For the nine-month period, selling and administrative expenses increased by 17 percent in SEK compared with the same period last year. In local currencies the increase was 12 percent. Excluding the one-time cost for Russia, operating costs increased by 15 percent in SEK and by 11 percent in local currencies.

Operating profit and operating margin

Operating profit in the third quarter amounted to SEK 902 m (6,272), corresponding to an operating margin of 1.6 percent (11.3).

The lower profit in the third quarter when compared with the previous year is mainly explained by the following factors:

- Russia: around SEK 2.5 billion, of which SEK 2.1 billion is a one-time cost for winding down of the Russian operations
- Increased raw materials and freight costs combined with a stronger US dollar despite adjustment of pricing to the customer: around SEK 1.5 billion
- Long-term initiatives particularly in tech and the supply chain
- Higher energy prices and increased costs for customer deliveries

Excluding the one-time cost for Russia, operating profit in the third quarter was SEK 3,006 m and the operating margin was 5.2 percent.

Operating profit in the nine-month period amounted to SEK 6,348 m (8,996) corresponding to an operating margin of 3.9 percent (6.3). For rolling 12 months the operating margin was 5.8 percent (6.6). Excluding the one-time cost for Russia, operating profit for the nine-month period was SEK 8,099 m and the operating margin was 5.0 percent.



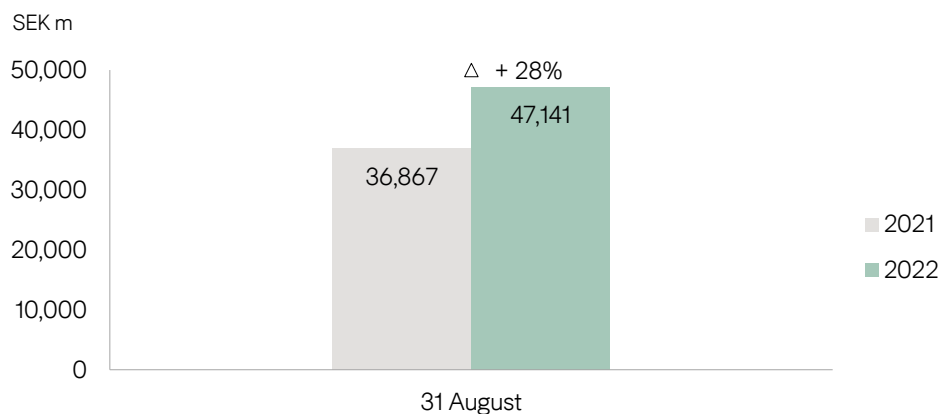
#MHOME

Income statement including and excluding IFRS 16 effects

	Q3	Q3	Nine	Nine
	2022	2021	months	months
SEK m	2022	2021	2022	2021
Net sales	57,450	55,585	161,120	142,154
Gross profit	28,160	29,559	82,266	73,665
Gross profit excl. IFRS 16	28,144	29,550	82,212	73,620
Operating profit	902	6,272	6,348	8,996
<i>Operating margin, %</i>	<i>1.6</i>	<i>11.3</i>	<i>3.9</i>	<i>6.3</i>
Operating profit excl. IFRS 16	662	6,007	5,583	8,155
<i>Operating margin, %, excl. IFRS 16</i>	<i>1.2</i>	<i>10.8</i>	<i>3.5</i>	<i>5.7</i>
Net financial items	-213	-179	-595	-699
Net financial items, excl. IFRS 16	-21	16	-29	-97
Profit after financial items	689	6,093	5,753	8,297
Profit after financial items, excl. IFRS 16	641	6,023	5,554	8,058
Profit for the period	531	4,692	4,430	6,389
Profit for the period, excl. IFRS 16	494	4,638	4,277	6,205
Depreciation & amortisation / write-downs	6,186	5,456	16,788	16,781
Depreciation & amortisation / write-downs, excl. IFRS 16	2,889	2,540	7,840	7,640

For definitions of alternative performance measures, see the last page of the report.

Stock-in-trade



MONKL

The carrying amount of the stock-in-trade amounted to SEK 47,141 m (36,867), an increase of 28 percent compared with the same point in the previous year. Currency adjusted the increase was 14 percent. The remaining increase is explained by orders having been brought forward to counter delays in the supply chain, and by increased purchasing and freight costs. The composition is assessed to be good.

Thanks to the streamlining of working capital management that has been implemented in recent years, the increase in the stock-in-trade has had a limited effect on cash flow and on operating working capital. For more information see below section Cash flow and working capital on page 9.

The stock-in-trade in SEK represented 21.6 percent (18.9) of rolling 12-month sales, which amounted to SEK 217,933 m (194,703).

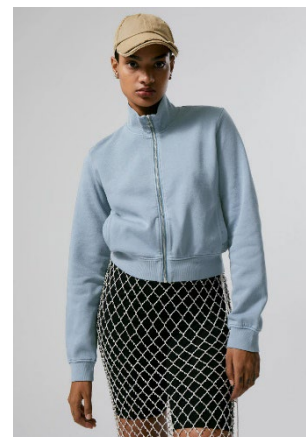
The ongoing supply chain efficiency efforts and the integration of the sales channels continue. Over time there will be a good basis for lower stock levels in relation to sales.

Expansion through integrated channels

The H&M group’s expansion is taking place with a focus on increased omnichannel sales. In 2022 H&M is launching in six new markets. Cambodia opened via franchise in March, North Macedonia opened in August and also via franchise in Costa Rica. The remaining new H&M markets in 2022 will be Ecuador, Kosovo and via franchise in Guatemala. The company is accelerating its expansion in the North and South America region, with a focus on Latin America.

So far this year H&M online has launched in Colombia, Peru and Uruguay. In September H&M online launched via franchise in Israel and on Shopee in Thailand. In the spring COS launched online in Australia and via Zalora in the Philippines. At the end of the year COS online will be launched via franchise in Thailand. Monki has launched on AboutYou, as well as on Zalora in Singapore and Malaysia, & Other Stories on HURR in the UK, and Arket on YOOX. In September & Other Stories opened in Singapore and also on Zalora in Singapore, Malaysia and the Philippines. In the fourth quarter COS will be launching on YOOX, Nordstrom and Breuninger. In the fourth quarter Arket will open its first stores in France and Finland.

The H&M group is continuing to renegotiate a large number of 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 the best store portfolio in each market. The H&M group’s contracts allow around a third of leases to be renegotiated or exited each year. For 2022 the plan is to open around 89 new stores and close around 254 stores, making a net decrease of around 165 stores excluding Russia, Belarus and Ukraine. Most of the openings will be in growth markets, while the closures will mainly be in established markets.



WEEKDAY

Expansion 2022

Brand	New markets
H&M	Store: Ecuador, Kosovo, North Macedonia*, Costa Rica (franchise)*, Guatemala (franchise), Cambodia (franchise)* Online: Colombia*, Peru*, Uruguay*, Israel (franchise)**
COS	Online: Australia*, Saudi Arabia (franchise)*
Monki	-
Weekday	-
& Other Stories	Store: Singapore*
ARKET	Store: France, Russia*, Finland
Afound	Online: Denmark*, Norway*, Finland*
H&M HOME	Store: Austria, Qatar (franchise)** Online: India*

* Opened until 31 August 2022

** Opened in September 2022

Store count and markets by brand

As at 31 August 2022 the H&M group had 4,664 (4,856) stores, i.e. the total number of stores has decreased by 192 compared with 31 August 2021. In the current financial year 55 (68) new stores have opened and 192 (230) stores have closed. A total of 282 (268) of the group's stores are operated by franchise partners. For most of the quarter the stores in Russia were closed due to the war. The stores in Belarus and Ukraine were closed throughout the whole quarter. At the end of the quarter an additional 23 stores were temporarily closed in China due to Covid-19.



H&M

Brand	New Stores 2022 (net)		Total No of stores		No. of markets	
	Q3	Nine months	31 Aug - 2022	31 Aug - 2021	Store	Online
H&M	-35	-120	4,122	4,289	77	57
COS	-3	-11	264	276	48	38
Monki	-2	-9	89	108	18	30
Weekday	0	0	57	57	16	30
& Other Stories	0	-2	76	75	25	33
ARKET	0	1	25	23	10	32
Afound	0	0	0	3	0	7
H&M HOME*	2	4	31	25	55	43
Total	-38	-137	4,664	4,856		

* Concept stores. H&M HOME is also included with shop-in-shop in 405 H&M stores.

COS, Monki, Weekday, & Other Stories and ARKET offer Global selling which enables customers in around 70 additional markets to shop online. The exact number of markets per brand that have this service varies.

Financing and liquidity

The H&M group aims to secure financial flexibility and freedom of action on the best possible terms. As previously, the efforts focus on continued improvements in working capital, cash flow and more efficient financing.

Cash flow and working capital

Cash flow from operating activities in the nine-month period amounted to SEK 18,221 m (37,210).

Excluding IFRS 16 cash flow from operating activities amounted to SEK 9,074 m (27,913).

Thanks to the streamlining of invoice management and payment processes that has taken place in recent years, operating working capital increased by only SEK 3,815 m to SEK 20,684 m (16,869) despite the reported stock-in-trade increasing by SEK 10,274 m. Accounts payable increased to SEK 29,128 m (23,060).

SEK m	31 Aug - 2022	31 Aug - 2021	30 Nov - 2021
Accounts receivable	2,671	3,062	3,059
Stock-in-trade	47,141	36,867	37,306
Accounts payable	-29,128	-23,060	-20,382
Operating working capital	20,684	16,869	19,983

Liquidity and debt financing

The H&M group's liquidity remains very good. As at 31 August cash and cash equivalents amounted to SEK 27,547 m (35,298). In addition, the group has undrawn credit facilities of SEK 18,153 m (20,110). The total liquidity buffer, i.e. cash and cash equivalents plus undrawn credit facilities, amounted to SEK 45,700 m (55,408).

Interest-bearing liabilities in the form of commercial papers, bonds and loans from credit institutions amounted to SEK 10,106 m (10,424). The average maturity of interest-bearing liabilities was 4.8 (5.3) years.

Financial net cash amounted to SEK 17,441 m (24,874). Net debt including provisions for pensions and excluding IFRS 16 amounted to SEK -17,271 m (-24,209). Net debt in relation to EBITDA amounted to -0.8 (-1.1) excluding IFRS 16.

A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities is given in the table below.

Year	Commercial papers	Bonds (EMTN)	Loans from credit institutions	Unused credit facilities
2022	300	-	317	-
2023	-	-	2,150	-
2024	-	-	-	7,475
2025	-	-	-	-
2026	-	-	2,000	-
2027	-	-	-	10,678
2028	-	-	-	-
2029	-	5,339	-	-
Total SEK m	300	5,339	4,467	18,153

Share buybacks

As previously communicated, the board of directors has decided to buy back own B shares for SEK 3 billion based on the mandate given by the annual general meeting. The buyback programme was initiated on 29 June 2022; for more information see the separate press release issued on 29 June 2022. During the period 29 June – 31 August 2022 a total of 9,577,503 own B shares were repurchased for SEK 1.22 billion. As at 31 August the total number of outstanding shares, excluding own shares, was 1,645,494,497.

Tax

The group's tax rate for the 2022 financial year is expected to be around 23.0 percent. In the first three quarters of the year a tax rate of 23.0 percent was used to calculate tax expense on the result of the period. The final tax rate for the year depends, among other things, on the results of the group's various companies and the corporate tax rate in each country.

Current quarter

The autumn collections have been well received. Sales increased by 7 percent in local currencies in the period 1 – 27 September 2022 compared with the same period in 2021.

The cost of markdowns in relation to sales in the fourth quarter is expected to increase slightly compared with the corresponding quarter the previous year.

A cost and efficiency programme is being initiated to further streamline the business. Overall, this is expected to result in annual savings of around SEK 2 billion. The savings from the programme is expected to become visible in the second half of 2023.

Accounting principles

The group applies International Financial Reporting Standards (IFRS) and interpretations by the IFRS Interpretations Committee as adopted by the EU. This report has been prepared according to IAS 34 Interim Financial Reporting, the Swedish Financial Reporting Board's Recommendation RFR 1 Supplementary Rules for Consolidated Financial Statements and the Swedish Annual Accounts Act.

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. IFRS 16 is also not applied in the parent company.

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual and sustainability report and consolidated financial statements for 2021. No new or revised IFRS standards or interpretations applied from 1 December 2021 have had any significant impact on the consolidated financial statements.

The group's assessment is that no significant impact on its financial statements arises as a result of Türkiye's classification as a country with hyperinflation.

For a more detailed description of the accounting principles applied to the group and the parent company in this interim report, see pages 85–86 of the annual and sustainability report for the 2021 financial year.

Government assistance in connection with the Covid-19 situation

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance – due to the extraordinary situation brought about by the pandemic the H&M group received government assistance in certain markets, mainly in respect of rents and staffing. In Sweden, no government assistance has been received for the period since 31 March 2021.

The H&M group has chosen to report these grants as a reduction in the cost of the items to which the grants relate. The grants are reported in the income statement and balance sheet when it is reasonably certain that the grants will be received.

Financial instruments

The H&M group's financial instruments consist mainly of accounts receivable, other receivables, cash and cash equivalents, accounts payable, 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 31 August 2022, forward contracts with a positive market value amount to SEK 2,740 m (664), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 1,537 m (387), which is recognised in other current liabilities. Equity instruments are measured at fair value, either through profit or loss or through other comprehensive income. Where equity interests are assessed to be strategic, the H&M group has chosen to recognise changes in value in other comprehensive income.

Other financial assets and liabilities are measured at amortised cost. Liabilities to credit institutions accrue interest at rates which essentially correspond to current market rates. Therefore the fair values of these and other financial instruments are assessed to be approximately equal to their book values.



& other Stories

Risks and uncertainties

Risks may be due to events in the outside world and affect a certain sector or market, or they may be associated with the group's own business. The H&M group carries out regular risk analysis for both operational and financial risks. Operational risks are mainly associated with the business and the external risks that affect the group. Business decisions determine whether action is to be taken to reduce the likelihood of the risk in question occurring and if so, to what extent. Business decisions also determine the extent to which the consequences of a risk that has occurred may be mitigated.

There are external risks and uncertainties affecting the H&M group that are related to the shift in the industry, fashion, competitors, information security and cybersecurity, sustainability issues, weather, macroeconomics and geopolitical events, pandemics, foreign currencies, taxes, customs duty, and various regulations and ordinances, but also in connection with expansion into new markets, the launch of new concepts and how the brands are managed. More detailed information concerning the financial risks is given in H&M Group's annual and sustainability report.

Information concerning exposure to Russia, Belarus and Ukraine

On 24 February 2022 the H&M group paused sales in Ukraine as a consequence of Russia's invasion.

On 2 March 2022 all sales in Russia were paused. On 18 July 2022 the H&M group announced that it had decided to exit Russia and begin winding down the business in a responsible manner. As part of this process, it was decided to open physical stores temporarily for a limited period to dispose of remaining stock in Russia. A one-time cost of around SEK 2.1 billion has impacted earnings for the third quarter in respect of the wind-down. This amount is somewhat higher than previously communicated due to the weakening of the Swedish krona against the Russian ruble. The amount includes a negative effect relating to the unrealised exchange gains of SEK 353 m reported in the second quarter, thereby making the cumulative effect neutral. The one-time cost has had no impact on cash flow in the third quarter but is expected to have a negative cash flow impact of around SEK 1 billion in the future. To date just above 30 out of 172 stores have closed permanently.

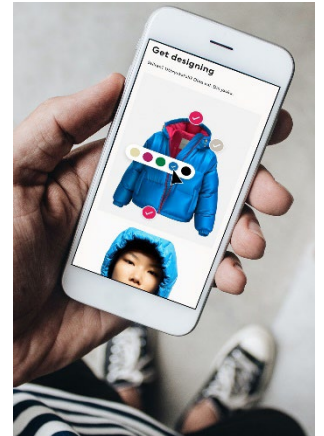
The business in Belarus will also be wound down. As part of this the country's three stores have temporarily reopened, after which the operations in the country will be closed down.

The company is monitoring developments in Ukraine closely. The safety of colleagues and customers always has highest priority. The hope is to be able to reopen H&M's operations in the country as soon as this is possible.

Initiatives for an improved customer experience

Customer behaviour is changing rapidly, and the H&M group works continually on improvements in order to offer customers the best possible experience. Here are some examples of ongoing initiatives:

- **H&M's customer loyalty programme** rewards members not just for purchases, but also for their commitment – such as bringing in old clothes for H&M's garment collecting, choosing climate-smart delivery options, bringing their own bag when shopping and choosing products made from more sustainable materials. The customer loyalty programme continues to be rolled out to more markets.
- **More payment options.** Members of H&M can pay now or later through the H&M app, whether shopping in store or online.
- **Digital receipts.** Customers can receive digital receipts in the H&M app in most markets.
- **Visual Search.** Image recognition helps customers by making recommendations and suggesting potential buys based on pictures that the customer has taken or been inspired by.
- **Next day delivery and express delivery** continue to be rolled out in more markets.
- **Climate-smart delivery options.** H&M customers in the Netherlands, Sweden, Italy, France and Germany can opt to receive and return items using 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. In Sweden, Norway and parts of Germany deliveries are also made to climate smart lockers. Various kinds of climate-smart deliveries are offered in different markets and they continue to be rolled out in more markets.
- **Find in Store.** On seeing an item online, customers can use their mobile to find it quickly and easily in the size they want in a physical store as well as online.
- **Scan & Buy.** Customers can scan 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, through their mobile device, see which items are available in a physical store nearby.
- **Click & Collect** allows customers to pick up online purchases in store.
- **Online returns in store** is a service that continues to be rolled out.
- **#HMxME** enables customers to share their own fashion stories from Instagram while also providing an easy way to buy the items.
- **Rate & Review** lets customers rate and review H&M products.
- **RFID (Radio Frequency Identification)** means items with a digital price tag can be located quickly, to get precise information on an item's availability.
- **Self-service checkouts** have been much appreciated by customers and are being rolled out to more markets.
- **Instagram.** In the US, H&M customers can shop directly from inspirational images and videos on Instagram and get notifications on Instagram when H&M releases new collections.
- **Rental in store.** Offers customers the opportunity to rent occasional wear. Customers book an appointment in the store to view available garments. Available in selected H&M stores in the Netherlands, Sweden and Germany.
- **Styleboard.** Members can create their own moodboard in the H&M app and shop directly from it. In the styleboard customers can add items from other brands outside the H&M universe as well. Currently available in Sweden and Germany.
- **Personalised start page.** A personally customised start page has been introduced for customers in Sweden and Germany to offer tailor-made inspiration and advice based on individual preferences.
- **Stylestory** is a creative tool where customers can express and share their favourite styles, while engaging other customers who can in turn discover and shop directly for the styles that inspire them. The tool is launched in Sweden and Germany.
- **Smart mirrors in COS fitting rooms.** COS in the US is testing fitting rooms equipped with smart mirrors that recognise products brought into the room with the possibility to offer personalised product and styling recommendations.
- **Customisable puffer jacket.** H&M now offers customers in Sweden the possibility to design their own winter jacket. The customer can choose between a shorter and longer model, as well as colour and combine with the outer, lining, draw string and zipper. The jackets are offered in size XS to 2XL and are made from recycled materials.



Product flow

The H&M group is continuing to fully integrate the channels in an omni model. An important part of this is the group's logistics systems and investments within tech and AI. Several initiatives involving new highly automated logistics centres with a focus on innovation are in progress globally. This will create additional capacity, flexibility and speed between sales channels as well as increasing assortment availability.

A new highly automated logistics centre is under construction in Ajax, Canada. This will supplement the logistics centres that have opened on the US East and West Coasts, creating further capacity for the H&M group's continued expansion in North America. The new logistics centre is scheduled for completion in late 2022/early 2023.

Sustainability

The H&M group's sustainability vision is to lead the change towards achieving a circular fashion industry with net zero climate impact, while being a fair and equal company. More detailed information about the group's sustainability work can be found in the Sustainability Disclosure 2021 at [hmgroup.com](https://www.hmgroup.com). Some of the latest sustainability initiatives are:

Climate goals verified by SBTi. Ahead of UN Climate Week, H&M Group's climate goals were verified by the Science Based Targets initiative (SBTi). H&M Group commits to accelerate climate action beyond its value chain and the minimum ambition needed to align with 1.5°C science. The ambition is to achieve net-zero greenhouse gas emissions (net-zero standard according to the SBTi) by 2040 and to reduce carbon emissions in the value chain in absolute terms by 56 percent by 2030.

During UN Climate Week in September 2022 H&M Group attended a partnership meeting with the Apparel Impact Institute about the Fashion Climate Fund, highlighting the organisation's goal to apply USD 250M in funds for supply chain decarbonisation, and to unlock a further USD 2B or more in aligned sustainable finance. H&M Group is one of the lead investors and this partnership falls under H&M Group's green investments.

New water strategy. In connection to the World Water Week, H&M Group launched a new 2023-2030 water strategy, containing the company's key goals and actions in its full value chain. To achieve the company's ambition of having a positive impact on freshwater, it will raise the value of water in its operations, incentivize good practice and set standards for reducing water use in the production of its products.

Fashion Transparency Index. H&M Group was ranked 4th out of 250 brands reviewed by the Fashion Transparency Index 2022. The Fashion Transparency Index was created by Fashion Revolution to hold brands accountable and encourage greater transparency. It measures how much information brands disclose publicly across 246 indicators covering social, human rights and environmental topics.

Read more about many of the initiatives above and the group's sustainability work in the latest H&M Group Annual and Sustainability Report and at [hmgroup.com](https://www.hmgroup.com).



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Calendar

15 December 2022	Sales development in the fourth quarter, 1 Sep 2022 – 30 Nov 2022
27 January 2023	Full-year report, 1 Dec 2021 – 30 Nov 2022
15 March 2023	Sales development in the first quarter, 1 Dec 2022 – 28 feb 2023
30 March 2023	Three-month report, 1 Dec 2022 – 28 Feb 2023
4 May 2023	Annual general meeting at 15:00 (CEST)

Stockholm, 28 September 2022
Board of Directors

Communication in conjunction with the nine-month report

The nine-month report, i.e., 1 December 2021 – 31 August 2022, will be published at 08:00 CEST on 29 September 2022, followed by a telephone conference at 09:00 CEST for the financial market and media. The telephone conference will be held in English, hosted by CEO Helena Helmersson, CFO Adam Karlsson and Head of IR Nils Vinge.

For log in details for the telephone conference please register at [hmgroupp.com](https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=2619696&linkSecurityString=3035c8a40) or via this link: <https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=2619696&linkSecurityString=3035c8a40>

To book interviews in conjunction with the nine-month report on 29 September 2022, please contact: Kristina Stenvinkel, telephone: +46 70 796 54 40, stenvinkel@hm.com or Anna Frosch Nordin, Head of Media Relations, telephone +46 73 432 93 14, anna.froschnordin@hm.com.

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COS

For more information about the H&M group visit [hmgroupp.com](https://www.hmgroupp.com).

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) for the period December 1, 2021 – August 31, 2022. The Board of Directors and the CEO are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

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 than an audit conducted in accordance with ISA and other 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 conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm, September 28, 2022

Deloitte AB

Didrik Roos

Authorized 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 (EU) No 596/2014. The information was submitted for publication by the abovementioned persons at 08:00 (CEST) on 29 September 2022. This interim report and other information about the H&M group, is available at 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. For further information, visit hmgroup.com.

GROUP INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2022	Q3 2021	Nine months 2022	Nine months 2021	1 Dec 2020- 30 Nov 2021
Net sales	57,450	55,585	161,120	142,154	198,967
Cost of goods sold	-29,290	-26,026	-78,854	-68,489	-93,961
GROSS PROFIT	28,160	29,559	82,266	73,665	105,006
<i>Gross margin, %</i>	49.0	53.2	51.1	51.8	52.8
Selling expenses	-24,813	-20,956	-68,111	-57,868	-80,535
Administrative expenses	-2,445	-2,331	-7,807	-6,801	-9,216
OPERATING PROFIT	902	6,272	6,348	8,996	15,255
<i>Operating margin, %</i>	1.6	11.3	3.9	6.3	7.7
Net financial items	-213	-179	-595	-699	-955
PROFIT AFTER FINANCIAL ITEMS	689	6,093	5,753	8,297	14,300
Tax	-158	-1,401	-1,323	-1,908	-3,290
PROFIT FOR THE PERIOD	531	4,692	4,430	6,389	11,010

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

Earnings per share, SEK*	0.32	2.83	2.68	3.86	6.65
Average number of shares outstanding, thousands*	1,651,760	1,655,072	1,653,960	1,655,072	1,655,072
Depreciation and amortisation / write-downs, total	6,186	5,456	16,788	16,781	22,320
of which cost of goods sold	519	392	1,286	1,260	1,617
of which selling expenses	5,443	4,851	14,883	14,878	19,831
of which administrative expenses	224	213	619	643	872

* Before and after dilution, excluding own shares.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY (SEK m)

	Q3 2022	Q3 2021	Nine months 2022	Nine months 2021	1 Dec 2020- 30 Nov 2021
PROFIT FOR THE PERIOD	531	4,692	4,430	6,389	11,010
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Translation differences	1,674	627	4,288	310	1,430
Change in hedging reserves	-718	155	-215	-316	-101
Tax attributable to change in hedging reserves	137	-52	33	56	26
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of defined benefit pension plans	52	-	342	-	187
Tax related to the above remeasurement	-12	-	-79	-	-43
Remeasurement of financial assets	-2,588	3,347	-2,800	3,347	3,644
OTHER COMPREHENSIVE INCOME	-1,455	4,077	1,569	3,397	5,143
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	-924	8,769	5,999	9,786	16,153

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 - 2022	31 Aug - 2021	30 Nov - 2021
Non-current assets			
Intangible non-current assets	9,317	9,792	9,556
Property, plant and equipment	24,382	27,184	26,576
Right-of-use assets	54,071	51,889	53,086
Non-current financial assets	3,189	4,605	5,091
Other non-current assets	8,097	6,805	6,486
	99,056	100,275	100,795
Current assets			
Stock-in-trade	47,141	36,867	37,306
Current receivables	18,256	12,849	14,209
Cash, cash equivalents and short-term investments	27,547	35,298	27,471
	92,944	85,014	78,986
TOTAL ASSETS	192,000	185,289	179,781
EQUITY AND LIABILITIES			
Equity	54,071	64,409	60,018
Long-term liabilities*	14,135	13,899	13,207
Long-term leasing liabilities*	46,659	44,132	45,379
Current liabilities**	65,689	51,165	49,479
Current leasing liabilities**	11,446	11,684	11,698
TOTAL EQUITY AND LIABILITIES	192,000	185,289	179,781

* Interest-bearing long-term liabilities including leasing amounts to SEK 56,304 m (54,060), excluding leasing SEK 9,645 m (9,929) of which provisions for pensions SEK 170 m (665).

** Interest-bearing current liabilities including leasing amounts to SEK 12,077 m (12,844), excluding leasing SEK 631 m (1,161).

CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)

	31 Aug - 2022	31 Aug - 2021	30 Nov - 2021
Shareholders' equity at the beginning of the period	60,018	54,623	54,623
Total comprehensive income for the period	5,999	9,786	16,153
Dividend	-10,726	-	-10,758
Repurchase of shares	-1,220	-	-
Shareholders' equity at the end of the period	54,071	64,409	60,018

GROUP CASH FLOW STATEMENT IN SUMMARY (SEK m)

	Nine months 2022	Nine months 2021
Operating activities		
Profit after financial items*	5,753	8,297
<i>Adjustment for non-cash items</i>		
- Provisions for pensions	53	50
- Depreciation and amortisation / write-downs	16,788	16,781
Taxes paid	-3,001	-3,411
Cash flow from operating activities before changes in working capital	19,593	21,717
Changes in working capital		
Operating receivables	149	-261
Stock-in-trade	-8,242	1,197
Operating liabilities	6,721	14,557
CASH FLOW FROM OPERATING ACTIVITIES	18,221	37,210
Investing activities		
Investments in intangible fixed assets	-1,035	-544
Investments in tangible fixed assets	-2,588	-2,071
Other	-933	-377
CASH FLOW FROM INVESTING ACTIVITIES	-4,556	-2,992
Financial activities		
Change in interest-bearing liabilities	174	-5,907
Amortisation lease	-9,147	-9,298
Dividend	-5,379	-
Repurchase of shares	-1,162	-
CASH FLOW FROM FINANCIAL ACTIVITIES	-15,514	-15,205
CASH FLOW FOR THE PERIOD	-1,849	19,013
Cash and cash equivalents at beginning of the financial year	27,471	16,540
Cash flow for the period	-1,849	19,013
Exchange rate effect	1,925	-255
Cash and cash equivalents at end of the period**	27,547	35,298

* Interest paid for the group amounts to SEK 137 m (233). Interest expense related to leases amounts to SEK 566 m (602) for the group. Received interest for the group amounts to SEK 108 m (136).

** Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 27,547 m (35,298).

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

	2018*	2019*	2020	2021	2022
Net sales, SEK m	153,986	171,061	134,482	142,154	161,120
Change net sales from previous year in SEK, %	3	11	-21	6	13
Change net sales previous year in local currencies, %	1	6	-21	13	8
Operating profit, SEK m	11,191	11,969	-798	8,996	6,348
Operating margin, %	7.3	7.0	-0.6	6.3	3.9
Depreciation and amortisation for the period, SEK m	7,081	8,216	20,084	16,781	16,788
Profit after financial items, SEK m	11,287	11,988	-1,613	8,297	5,753
Profit after tax, SEK m	9,109	9,231	-1,242	6,389	4,430
Cash and cash equivalents and short-term investments, SEK m	13,963	13,064	12,138	35,298	27,547
Stock-in-trade, SEK m	38,719	42,044	42,076	36,867	47,141
Equity, SEK m	55,029	53,409	52,786	64,409	54,071
Average number of shares outstanding, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,653,960
Earnings per share, SEK**	5.50	5.58	-0.75	3.86	2.68
Cash flow from operating activities per share, SEK**	9.01	10.43	9.66	22.48	11.02
Number of shares outstanding as of the closing day, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,645,494
Equity per share, SEK**	33.25	32.27	31.89	38.92	32.86
Share of risk-bearing capital, %	50.0	45.3	31.6	36.9	30.4
Equity/assets ratio, %	46.4	41.7	29.2	34.8	28.2
Total number of stores	4,841	4,972	5,043	4,856	4,664
Rolling twelve months					
Earnings per share, SEK**	7.92	7.72	1.79	5.36	5.47
Return on equity, %	23.9	23.6	5.6	15.1	15.3
Return on capital employed, %	25.0	23.1	4.6	9.6	10.1

* Excluding IFRS 16.

** Before and after dilution, excluding own shares.

For definitions and explanations of the alternative performance measures in this report, see page 111-113 in the annual and sustainability report for the 2021 financial year.

SEGMENT REPORTING (SEK m)

	Nine months 2022	Nine months 2021
Asia and Oceania		
External net sales	21,765	19,399
Operating profit	-305	-91
Operating margin, %	-1.4	-0.5
Europe and Africa*		
External net sales	102,754	94,276
Operating profit	443	539
Operating margin, %	0.4	0.6
North and South America		
External net sales	36,601	28,479
Operating profit	1,064	1,407
Operating margin, %	2.9	4.9
Group Functions		
Net sales to other segments	48,960	34,202
Operating profit	5,146	7,141
Eliminations		
Net sales to other segments	-48,960	-34,202
Total		
External net sales	161,120	142,154
Operating profit	6,348	8,996
<i>Operating margin, %</i>	3.9	6.3
Net financial items	-595	-699
Profit after financial items	5,753	8,297

* South Africa

PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2022	Q3 2021	Nine months 2022	Nine months 2021	1 Dec 2020- 30 Nov 2021
Net sales	1,900	1,102	2,896	2,827	3,981
GROSS PROFIT	1,900	1,102	2,896	2,827	3,981
Administrative expenses	-64	-29	-100	-84	-46
OPERATING PROFIT	1,836	1,073	2,796	2,743	3,935
Net financial items*	4,035	-39	5,860	-179	8,172
PROFIT AFTER FINANCIAL ITEMS	5,871	1,034	8,656	2,564	12,107
Year-end appropriations	-	-	-	-	-4
Tax	-370	-223	-561	-550	-825
PROFIT FOR THE PERIOD	5,501	811	8,095	2,014	11,278

* Revenue from interests in group companies in the quarter consists of SEK 4,070 m (0) and in the nine-month period of SEK 5,931 m (0).

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2022	Q3 2021	Nine months 2022	Nine months 2021	1 Dec 2020- 30 Nov 2021
PROFIT FOR THE PERIOD	5,501	811	8,095	2,014	11,278
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	11	-	26	-	7
Tax related to the above remeasurement	-2	-	-5	-	-1
OTHER COMPREHENSIVE INCOME	9	-	21	-	6
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,510	811	8,116	2,014	11,284

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	31 Aug - 2022	31 Aug - 2021	30 Nov 2021
ASSETS			
Non-current assets			
Property, plant and equipment	159	178	173
Other non-current assets	1,444	1,091	1,099
	1,603	1,269	1,272
Current assets			
Current receivables	31,150	31,942	29,713
Cash and cash equivalents	0	0	-
	31,150	31,942	29,713
TOTAL ASSETS	32,753	33,211	30,985
EQUITY AND LIABILITIES			
Equity	16,569	21,887	20,399
Untaxed reserves	32	38	32
Long-term liabilities*	9,351	9,403	9,377
Current liabilities**	6,801	1,883	1,177
TOTAL EQUITY AND LIABILITIES	32,753	33,211	30,985

* All long-term liabilities are interest-bearing.

** Interest-bearing current liabilities amounts to SEK 300 m (1,075). Dividend to be paid amounts to SEK 5,379 m (0).

ALTERNATIVE PERFORMANCE MEASURES

For other alternative performance measures see page 111-113 in the annual and sustainability report for the 2021 financial year.

Gross profit excl IFRS 16

	Q3 - 2022	Q3 - 2021	Nine months 2022	Nine months 2021
Gross profit	28,160	29,559	82,266	73,665
IFRS 16 effect	-16	-9	-54	-45
Gross profit excl IFRS 16	28,144	29,550	82,212	73,620

Definition: Gross profit adjusted with the effect from IFRS 16.

Reason for use: To create comparability in analyses where years prior to IFRS 16 are included.

Operating profit excl IFRS 16

	Q3 - 2022	Q3 - 2021	Nine months 2022	Nine months 2021
Operating profit	902	6,272	6,348	8,996
IFRS 16 effect	-240	-265	-765	-841
Operating profit excl IFRS 16	662	6,007	5,583	8,155

Definition: Operating profit adjusted with the effect from IFRS 16.

Reason for use: To create comparability in analyses where years prior to IFRS 16 are included.

Net financial items excl IFRS 16

	Q3 - 2022	Q3 - 2021	Nine months 2022	Nine months 2021
Net financial items	-213	-179	-595	-699
IFRS 16 effect	192	195	566	602
Net financial items excl IFRS 16	-21	16	-29	-97

Definition: Net financial items adjusted with the effect from IFRS 16.

Reason for use: To create comparability in analyses where years prior to IFRS 16 are included.

Profit after financial items excl IFRS 16

	Q3 - 2022	Q3 - 2021	Nine months 2022	Nine months 2021
Profit after financial items	689	6,093	5,753	8,297
IFRS 16 effect	-48	-70	-199	-239
Profit after financial items excl IFRS 16	641	6,023	5,554	8,058

Definition: Profit after financial items adjusted with the effect from IFRS 16.

Reason for use: To create comparability in analyses where years prior to IFRS 16 are included.

Profit for the period excl IFRS 16

	Q3 - 2022	Q3 - 2021	Nine months 2022	Nine months 2021
Profit for the period	531	4,692	4,430	6,389
IFRS 16 effect	-37	-54	-153	-184
Profit for the period excl IFRS 16	494	4,638	4,277	6,205

Definition: Profit for the period adjusted with the effect from IFRS 16.

Reason for use: To create comparability in analyses where years prior to IFRS 16 are included.