

## Three-month report

### First quarter (1 December 2022 – 28 February 2023)

- The H&M group's net sales in SEK increased by 12 percent in the first quarter to SEK 54,872 m (49,166). In local currencies the increase was 3 percent. Excluding Russia, Belarus and Ukraine the increase was 16 percent in SEK and 7 percent in local currencies.
- The gross margin was 47.2 percent (49.3). The external factors for purchases made for the first quarter were very negative compared with the corresponding period last year.
- Sellpy, which is one of Europe's largest second-hand platforms and was previously an associated company is being consolidated into the H&M group from the first quarter.
- Operating profit amounted to SEK 725 m (458), corresponding to an operating margin of 1.3 percent (0.9). A positive effect from remeasurement of associates, primarily a one time effect relating to Sellpy, is included at SEK 999 m (0).
- The result after tax was SEK 540 m (217), corresponding to SEK 0.33 (0.13) per share.
- Cash flow from operating activities increased to SEK 4,986 m (3,624).
- Financial net cash amounted to SEK 10,424 m (17,446). Cash and cash equivalents plus undrawn credit facilities was SEK 38,923 m (42,848).
- Sales for Portfolio Brands in the first quarter increased by 19 percent in SEK and by 11 percent in local currencies.
- Stock-in-trade decreased by 16 percent currency-adjusted compared with the previous year.



H&M

- For the period 1–31 March 2023 sales in local currencies are expected to increase by 4 percent compared with the same period last year. The start of the spring season has been delayed in many important markets as a result of cold weather. The spring collections have been well received where the weather has warmed up.
- In a recent report by environmental and climate organisation Stand.earth the H&M group was the brand ranked highest for its climate actions out of a total of 43 fashion brands.
- The H&M group is making progress towards reaching its long-term climate goals, as shown in the annual and sustainability report for 2022 that is published today.
- The annual general meeting will be held on 4 May 2023 to resolve, among other things, on the board's proposed ordinary dividend of SEK 6.50 per share, to be paid in two instalments, and the authorisation allowing it to buy back the group's own B shares in the period up to the 2024 annual general meeting for a maximum of SEK 3 billion. The board of directors will wait to see how the company develops during the year and the authorisation will only be used if certain conditions are met.

*"The H&M group continues to stand strong with a robust financial position, stable cash flow and a well-balanced inventory. The start of the year shows that we have taken further steps towards the goal of achieving an operating margin of 10 percent already next year," says Helena Helmersson, CEO.*

## Comments by Helena Helmersson, CEO

Although the world around us remains challenging, we are seeing several areas where developments are going in the right direction. The external factors that influence purchasing costs continue to improve, work on the cost and efficiency programme is proceeding at full speed, and many of the changes that we have made in recent years are starting to have an effect. At the same time, the spring collections have been well received in the markets where spring has arrived. We see progress in all growth areas:

**H&M.** We are continuing with a number of initiatives aimed at offering our customers even more value. Thanks to our investments in areas such as tech, AI and the supply chain, we have improved precision and faster response times – giving our customers access to an even wider and more relevant assortment that is adjusted to regions, stores and online. This can be seen most clearly within H&M womenswear, which is attracting more and more customers. We are also continuing with our initiatives to improve the customer experience, with more inspiration and flexibility in our physical stores and digital channels.

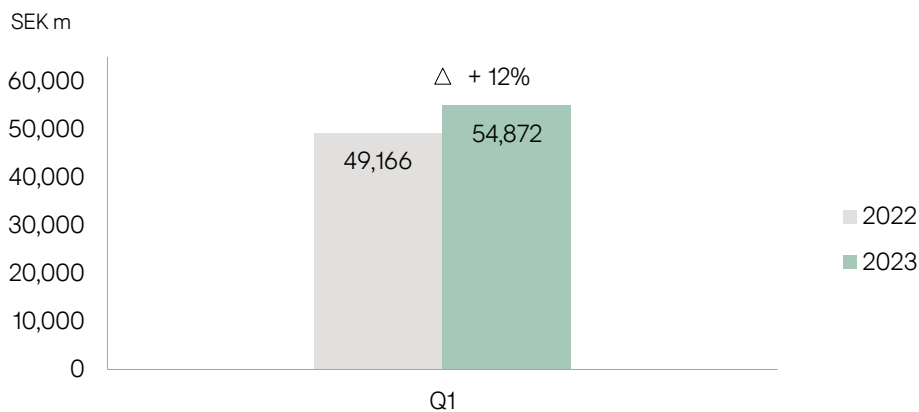
**Portfolio brands** – COS, Monki, Weekday, & Other Stories and Arket – have developed strongly and are making an increasingly important contribution to the group's growth. COS has carried out an extensive upgrade of its assortment and strengthened its positioning in the premium segment. Arket continues to grow at a fast pace and has tripled its sales since 2019.

**New growth and ventures** include new business models, partnerships and investments in startups. Ten years ago we began investing in Sellpy, which in a short time has become one of Europe's largest second-hand platforms. Now we are consolidating the company into the group, which visualises its value and generates a remeasurement effect of around SEK 1 billion in the quarter. We have more than 25 other promising companies in our portfolio such as Renewcell, TreeToTextile and Smartex, to name just a few.

To sum up, the H&M group continues to stand strong with a robust financial position, stable cash flow and a well-balanced inventory. Our increased level of investment within all three growth areas makes us well placed for continued sustainable and profitable growth. The start of the year shows that we have taken further steps towards the goal of achieving an operating margin of 10 percent already next year.



## Sales



COS

**The H&M group's net sales** in the first quarter increased by 12 percent to SEK 54,872 m (49,166). In local currencies, net sales increased by 3 percent. Excluding Russia, Belarus and Ukraine the increase was 16 percent in SEK and 7 percent in local currencies.

Around 70 percent of total sales take place in physical stores and around 30 percent online. Sales in the physical stores increased in the quarter despite there being 7 percent fewer stores than in the previous year.

**Sales for Portfolio Brands** in the first quarter increased by 19 percent in SEK and by 11 percent in local currencies.

## Sales per region, first quarter

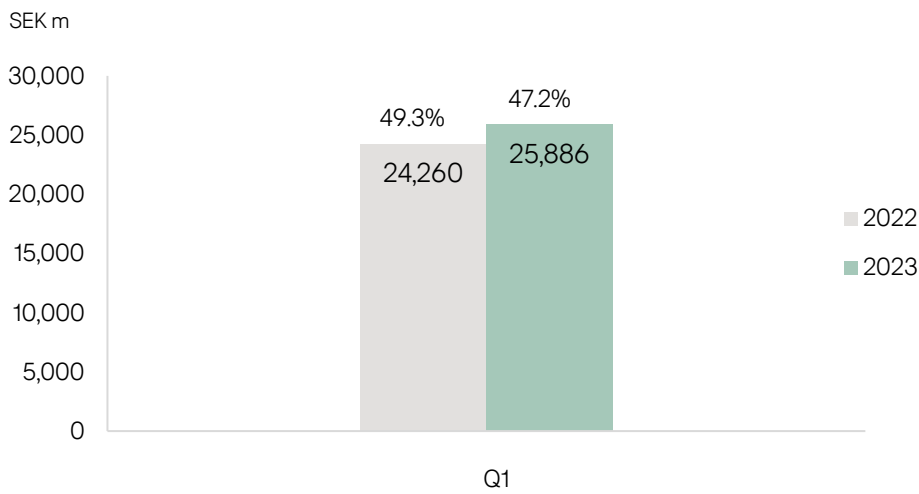
	SEK m		Change in %		New stores (net)		Number of stores	
	Q1 - 2023	Q1 - 2022	SEK	LCY	Q1 - 2023	28 Feb - 23	28 Feb - 22	
The Nordics	4,842	4,440	9	6	-5	394	412	
Western Europe	17,558	15,074	16	9	-14	1,065	1,106	
Eastern Europe	4,081	5,152	-21	-30	-3	478	657	
Southern Europe	7,047	6,300	12	6	-4	619	635	
North & South America	13,526	10,931	24	9	-2	738	734	
Asia, Oceania & Africa	7,818	7,269	8	0	-23	1,120	1,177	
<b>Total</b>	<b>54,872</b>	<b>49,166</b>	<b>12</b>	<b>3</b>	<b>-51</b>	<b>4,414</b>	<b>4,721</b>	

Excluding Russia, Belarus and Ukraine sales increased in the Eastern Europe region by 23 percent in SEK and by 16 percent in local currencies.

The H&M group's operations in Russia and Belarus have been wound down since 30 November 2022, while operations in Ukraine have been paused.

## 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 combination of fashion, quality, price and sustainability.



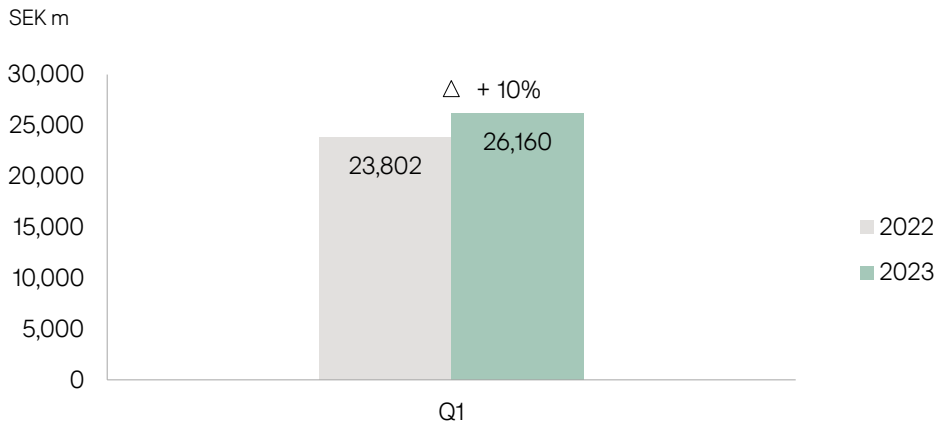
ARKET

**Gross profit** increased to SEK 25,886 m (24,260) for the first quarter, corresponding to a gross margin of 47.2 percent (49.3).

High raw materials and freight costs combined with a strong US dollar had a very negative impact on purchases made for the first quarter when compared with the previous year. Costs for markdowns in relation to sales were flattish compared with the same quarter last year.

For most goods sold in the second quarter the market situation for purchases of goods was also very negative at the time the orders were placed. The situation is gradually becoming less negative and is expected to become positive for goods that will be sold later in the year.

## Selling and administrative expenses



*& Anna Starck*

**Selling and administrative expenses** increased in the first quarter by 10 percent to SEK 26,160 m (23,802). In local currencies the increase was 3 percent.

Work on the cost and efficiency programme is progressing at full intensity. The programme is expected to result in annual savings of around SEK 2 billion. The positive effects are expected to gradually become visible starting in the second half of 2023.

## Operating profit and operating margin

**Operating profit** in the first quarter amounted to SEK 725 m (458), corresponding to an operating margin of 1.3 percent (0.9).

Compared with the same quarter last year operating profit was mainly affected by the following factors:

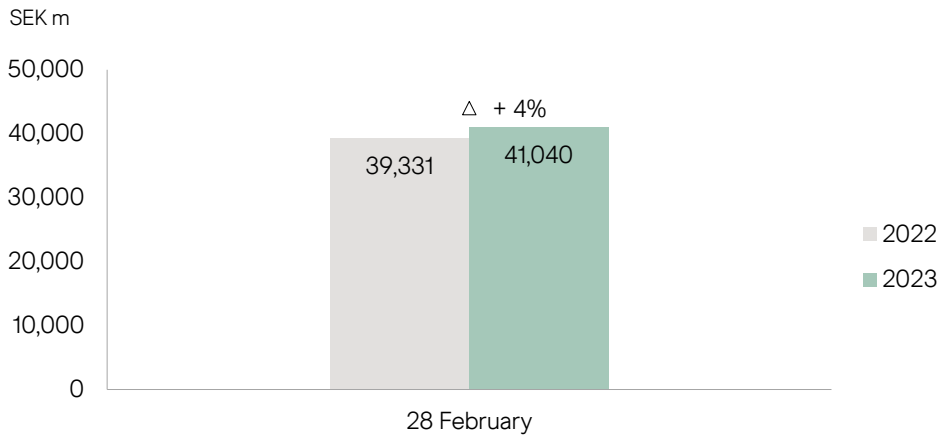
- Increased raw materials and freight costs combined with a stronger US dollar, despite adjustment of pricing to the customer: around SEK 1.1 billion.
- Operating profit formerly contributed by Russia: around SEK 480 m.
- Higher energy prices: around SEK 200 m.
- Positive effect from remeasurement of associates: around SEK 1 billion.

## Income statement including and excluding IFRS 16 effects

SEK m	Q1 2023	Q1 2022
Net sales	54,872	49,166
Gross profit	25,886	24,260
Gross profit excl. IFRS 16	25,866	24,241
Operating profit	725	458
<i>Operating margin, %</i>	<i>1.3</i>	<i>0.9</i>
Operating profit excl. IFRS 16	353	208
<i>Operating margin, %, excl. IFRS 16</i>	<i>0.6</i>	<i>0.4</i>
Net financial items	-329	-176
Net financial items, excl. IFRS 16	9	17
Profit after financial items	396	282
Profit after financial items, excl. IFRS 16	362	225
Profit for the period	540	217
Profit for the period, excl. IFRS 16	515	173
Depreciation & amortisation / write-downs	5,505	5,393
Depreciation & amortisation / write-downs, excl. IFRS 16	2,415	2,475

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

## Stock-in-trade



MONKL

Currency adjusted the stock-in-trade decreased by 16 percent compared with last year. Converted into Swedish kronor the stock-in-trade amounted to SEK 41,040 m (39,331).

The composition of the stock-in-trade is assessed to be good.

The stock-in-trade in SEK represented 17.9 percent (18.9) of rolling 12-month sales.

The investments in the supply chain and the integration of the sales channels continue. With a higher share of nearshoring, shorter lead times, more purchasing in season and more stable external logistics, the group is well placed for a continued improvement in the stock situation.

## Expansion through integrated channels

Expansion is taking place with a focus on omnichannel sales. Customers want to be able to shop and be inspired where, when and how they choose – in the stores, on the brands' own websites, on digital marketplaces and on social media. The optimisation of the store portfolio is continuing in parallel, meeting customers' needs in interaction with the digital channels.

H&M opened its first store in Albania in mid-March. In the first quarter H&M opened online in Ecuador and launched on the Superbalist marketplace in South Africa. COS will launch in Mexico and Arket is scheduled to open in Estonia during the first half of the year, while & Other Stories will open its first store in Switzerland in 2023. Monki will open on Zalora in Hong Kong and & Other Stories on The Iconic in Australia during 2023.

The H&M group is continuing to renegotiate a large number of leases as part of the company's 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 2023 the plan is to open around 100 new stores and close around 200 stores, making a net decrease of around 100 stores. Most of the openings will be in growth markets, while the closures will mainly be in established markets.



WEEKDAY

## Store count and markets by brand

As at 28 February 2023 the H&M group had 4,414 (4,721) stores, i.e. the total number of stores has decreased by 307 compared with the same point in time last year. 175 of the stores closed were in Russia and Belarus, where the business was wound down in 2022. During the current financial year 7 (15) new stores have opened and 58 (95) stores were closed. A total of 282 (274) of the group's stores are operated by franchise partners.

Brand	New Stores (net) Q1 - 2023	Total No of stores		No. of markets	
		28 Feb - 2023	28 Feb - 2022	Store	Online
				28 Feb - 2023	
H&M	-40	3,907	4,167	76	59
COS	-5	254	271	47	38
Monki	-4	74	96	17	29
Weekday	-1	53	57	15	29
& Other Stories	-2	69	77	24	32
ARKET	1	26	25	11	31
Afound	0	0	0	0	7
H&M HOME*	0	31	28	55	42
Sellpy	0	0	0	0	24
<b>Total</b>	<b>-51</b>	<b>4,414</b>	<b>4,721</b>		

\* Concept stores. H&M HOME is also available through shop-in-shop in 392 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 three-month period increased to SEK 4,986 m (3,624). Excluding IFRS 16, cash flow from operating activities increased to SEK 1,862 m (737). Working capital from operating activities amounted to SEK 21,441 m (18,857).

SEK m	28 Feb - 2023	28 Feb - 2022	30 Nov - 2022
Accounts receivable	2,594	2,442	3,014
Stock-in-trade	41,040	39,331	42,495
Accounts payable	-22,193	-22,916	-21,090
<b>Operating working capital</b>	<b>21,441</b>	<b>18,857</b>	<b>24,419</b>

### Liquidity and debt financing

The H&M group's liquidity remains very good. As at 28 February 2023 cash and cash equivalents amounted to SEK 21,290 m (27,403). In addition, the group has undrawn credit facilities of SEK 17,633 m (15,445). The total liquidity buffer, i.e. cash and cash equivalents plus undrawn credit facilities, amounted to SEK 38,923 m (42,848).

Interest-bearing liabilities in the form of commercial papers, bonds and loans from credit institutions amounted to SEK 10,866 m (9,957) as at 28 February 2023. The average maturity of interest-bearing liabilities was 4.1 (5.3) years.

Financial net cash amounted to SEK 10,424 m (17,446). Net debt including provisions for pensions and excluding IFRS 16 amounted to SEK -10,081 m (-17,098). Net debt in relation to EBITDA amounted to -0.6 (-0.7) excluding IFRS 16.

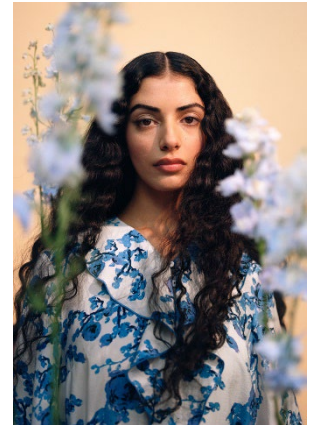
A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities is given in the table below.

Year	Commercial papers	Bonds (EMTN)	Loans from credit institutions	Unused credit facilities
2023	720	-	2,386	-
2024	-	-	250	-
2025	-	-	-	3,306
2026	-	-	2,000	-
2027	-	-	-	14,327
2028	-	-	-	-
2029	-	5,510	-	-
<b>Total SEK m</b>	<b>720</b>	<b>5,510</b>	<b>4,636</b>	<b>17,633</b>

## Tax

The group's tax rate for the financial year 2022/2023 is expected to be 24–25 percent. For the first three quarters of the year an estimated tax rate of 24 percent is used to calculate the tax expense on the underlying result in each period. The final tax rate depends, among other things, on the results of the group's various companies, the corporate tax rates in each country, non-deductible costs and tax expense relating to previous years.

The result for the first quarter includes a non-taxable effect on results from remeasurement of associates of SEK 999 m (0). Excluding this effect on results the tax rate for the quarter is 24 percent.



*& other stories*



## Current quarter

The spring collections have been well received where the weather has warmed up. The start of the spring season has been delayed in many important markets as a result of cold weather. For the period 1–31 March 2023 sales in local currencies are expected to increase by 4 percent compared with the same period last year.

## 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.

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 2022. No new or revised IFRS standards or interpretations applied from 1 December 2022 have had any significant impact on the consolidated financial statements.

For a more detailed description of the accounting principles applied to the group and the parent company in this interim report, see the notes of the annual and sustainability report for the 2022 financial year.

## Financial instruments

The H&M group's financial instruments consist mainly of shares and interests, accounts receivable, other receivables, cash and cash equivalents, accounts payable, interest-bearing securities and liabilities, and currency derivatives.

Measurement principles and classification of financial instruments are unchanged from the information disclosed in note 21 in the annual and sustainability report for 2022.

Currency derivatives are measured at fair value based on level 2 inputs in the IFRS 13 hierarchy. As of 28 February 2023, forward contracts with a positive market value amount to SEK 604 m (2,270), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 920 m (508), which is recognised in other current liabilities.

Shares are measured at fair value, either through profit or loss or through other comprehensive income. Where holding of shares are assessed to be strategic, the H&M group has chosen to recognise changes in value in other comprehensive income. The valuation of the holding in Renewcell is based on the share price, which is a level 1 input according to IFRS 13, and the fair value amounts to SEK 363 m (482) as of 28 February 2023. The fair value of the remaining shares and interests is based on level 3 inputs according to IFRS 13 and amounts to SEK 2,342 m (3,781) as of 28 February 2023, the largest investments being Instabee at SEK 709 m (377), Sheertex at SEK 526 m (31) and Klarna at SEK 456 m (2,939). The effect of measurement of the group's other shares and interests is reported in other comprehensive income and amounts to SEK -8 m (-394) for the first quarter.

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. The fair values of these and other financial instruments are therefore assessed to be approximately equal to their book values.

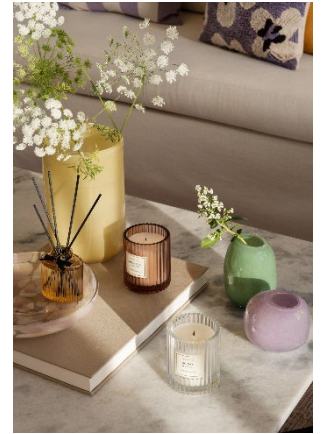


COS

## 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, logistics resources, 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 the H&M group's annual and sustainability report.



#MHOME

## 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 and Belarus were also paused. On 18 July 2022 the H&M group announced that it had decided to begin winding down the business in Russia in a responsible manner. By 30 November 2022 all of the H&M group's 172 stores in Russia had been permanently closed. The business in Belarus, where there were three stores, had also been wound down at this date.

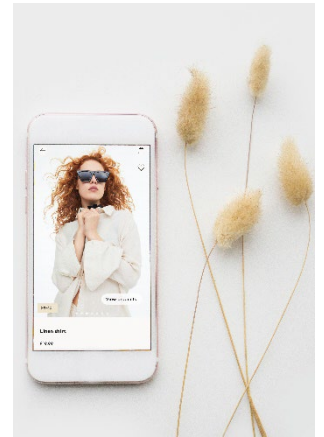
There was no effect on earnings in the first quarter as a result of winding down these operations. Cash flow in the quarter was negatively impacted by outgoing payments of around SEK 600 m relating to the costs of winding down the business.

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 the H&M group'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 only for purchases, but also for their commitment – such as bringing in old clothes for H&M's garment collecting and using their own bag when shopping in store. Members also receive personal offers and digital services for inspiration and an easy shopping experience.
- **More payment options.** H&M Members can pay now or later through the H&M app, whether shopping in store or online.
- **Digital receipts** are offered to customers in the H&M app so they can keep track of their receipts in one place and refer to their past purchases easily and accessibly. Available in most markets.
- **Visual Search.** Image recognition provides recommendations and suggestions for styling and matching items based on pictures customers have taken and are been inspired by.
- **Next day delivery and express delivery** continue to be rolled out in more markets.
- **Preferred delivery options.** In some selected markets, customers can opt to receive and return items using a bicycle delivery service, that is much appreciated by customers. Combined with using biogas vehicles from the logistics centre to the bicycle delivery service, this reduces greenhouse gas emissions compared to conventional delivery options. Other preferred delivery options are offered in different markets, and they continue to be rolled out.
- **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.
- **Click & collect** allows customers to pick up online purchases in store.
- **Online returns in store** allows customers to return online purchases in physical stores.
- **#HMxME** enables customers to share their own personal style as stories on Instagram. Customers can shop directly from their feed.
- **Rate & review** allows customers to rate and review their purchases.
- **RFID (Radio Frequency Identification)** is used to help customers locate items with a digital price tag quickly and easily to get real-time 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 Instagram posts and reels and receive notifications when H&M releases new collections.
- **Rental in store** offers customers the opportunity to rent garments. Available in selected H&M stores in the UK, the Netherlands, Sweden and Germany.
- **Styleboard.** Members in selected markets can create their own moodboard in the H&M app and shop directly from it. Customers can also add items from brands outside the H&M universe.
- **Personalised start page** on hm.com offers a customised welcome page when customers visit the site in a few markets. They are offered tailor-made inspiration and suggestions based on individual style preferences.
- **Smart mirrors in fitting rooms** in the US. Mirrors that recognise products brought inside the fitting room and offer personalised product and styling recommendations, or additional sizes and colours.
- **Buy online, pick-up in store** allows customers in the US to shop online from the assortment in a selected number of physical stores and pick up the purchase in store.
- **Digital returns** Customers in the US, UK, Canada and India can register their H&M returns online or through the H&M app without having to fill out paper forms in the parcel.



## 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 improved availability.

The new highly automated logistics centre in Ajax, Canada is preparing for its opening in April 2023. This will supplement the logistics centres opened on the US East and West Coasts and will create further capacity for the H&M group's continued expansion in North America. A new logistics centre for online sales has recently been taken into operation in New Delhi, India. Preparations continue for the planned logistics centre in the Czech Republic.



H&M

## Sustainability

The H&M group's sustainability vision is to lead the change to 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 2022 published today at hmgroup.com. Some sustainability-linked highlights from 2022 and the last quarter include:

- 84 percent of all our materials are either recycled or sourced in a more sustainable way. This figure includes a share of 23 percent recycled materials, taking us closer to our goal of 30 percent by 2025.
- We achieved an absolute reduction of 7 percent in scope 3 greenhouse gas emissions and an 8 percent absolute reduction in scopes 1 and 2 compared to the 2019 baseline – contributing to our target to reduce absolute scope 1, 2 and 3 emissions by 56 percent by 2030.
- The H&M group achieved a CDP rating of A- in the climate module based on the scope of reporting on environmental topics and performance in relation to this.
- The company's climate goals were verified by the Science Based Targets initiative (SBTi). The ambition is to achieve net zero greenhouse gas emissions by 2040 and to reduce scope 1, 2 and 3 GHG emissions by 56 percent in absolute terms by 2030.
- We have achieved a 44 percent reduction in plastic packaging compared to the 2018 baseline.
- The H&M group launched a new water strategy for 2030 and reduced total water consumption in the supply chain by 38 percent compared to the 2017 baseline through efficiency improvements and increased wastewater recycling.

Environmental and climate organisation Stand.earth's recent Fashion Scorecard ranked the H&M group highest out of a total of 43 fashion brands. This was based on efforts to eliminate fossil fuels within production, materials and shipping.

In support of the H&M group's overall climate goals the ambition is to buy 100 percent renewable electricity in the group's own operations and in the supply chain by 2030. Agreements have been signed with developers of new solar parks to secure access to renewable energy for many years to come.

*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.*

## Calendar

4 May 2023	Annual general meeting at 15:00 (CEST), Erling Persson Hall, Aula Medica, Karolinska Institutet in Solna
15 June 2023	Sales development in the second quarter, 1 Mar 2023 – 31 May 2023
29 June 2023	Six-month report, 1 Dec 2022 – 31 May 2023
15 September 2023	Sales development in the third quarter, 1 Jun 2023 – 31 Aug 2023
28 September 2023	Nine-month report, 1 Dec 2022 – 31 Aug 2023
15 December 2023	Sales development in the fourth quarter, 1 Sep 2023 – 30 Nov 2023
31 January 2024	Full-year report, 1 Dec 2022 – 30 Nov 2023



H&M

Stockholm, 29 March 2023  
Board of Directors

## Communication in conjunction with the three-month report

The three-month report, i.e., 1 December 2022 – 28 February 2023, will be published at 08:00 CEST on 30 March 2023, 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 on [hmgroupp.com](https://hmgroupp.com) or via this link: <https://app.webinar.net/ELXv5NR5P84>

To book interviews in conjunction with the three-month report on 30 March 2023, please contact: Anna Frosch Nordin, Head of Media Relations, telephone +46 73 432 93 14, [anna.froschnordin@hm.com](mailto:anna.froschnordin@hm.com).

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

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 30 March 2023. This interim report and other information about the H&M group, is available at [hmgroupp.com](https://hmgroupp.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, ARKET and Afound as well as Selly. For further information, visit [hmgroupp.com](https://hmgroupp.com).*

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

	Q1 2023	Q1 2022	1 Dec 2021- 30 Nov 2022
Net sales	54,872	49,166	223,553
Cost of goods sold*	-28,986	-24,906	-110,183
<b>GROSS PROFIT</b>	<b>25,886</b>	<b>24,260</b>	<b>113,370</b>
<i>Gross margin, %</i>	47.2	49.3	50.7
Selling expenses	-23,108	-21,061	-94,542
Administrative expenses*	-3,052	-2,741	-11,390
Result from investments in associated companies and joint ventures*	999	-	-269
<b>OPERATING PROFIT</b>	<b>725</b>	<b>458</b>	<b>7,169</b>
<i>Operating margin, %</i>	1.3	0.9	3.2
Net financial items	-329	-176	-953
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>396</b>	<b>282</b>	<b>6,216</b>
Tax	144	-65	-2,650
<b>PROFIT FOR THE PERIOD</b>	<b>540</b>	<b>217</b>	<b>3,566</b>
Attributable to:			
The shareholders of H & M Hennes & Mauritz AB	541	217	3,566
Non-controlling interest	-1	-	-
Earnings per share, SEK**	0.33	0.13	2.16
Average number of shares outstanding, thousands**	1,629,687	1,655,072	1,649,847
Depreciation and amortisation / write-downs, total***	5,505	5,393	22,579
of which cost of goods sold	417	383	1,709
of which selling expenses	4,810	4,806	19,928
of which administrative expenses	278	204	942

\* For the 2021/2022 financial year, SEK 93 m and SEK 176 m respectively have been reallocated from cost of goods sold and administrative expenses respectively to result from investments in associated companies and joint ventures. Result from investments in associated companies and joint ventures in Q1 2023 relates to revaluation of associated companies of which mainly the former associated company Sellpy.

\*\* Before and after dilution, excluding own shares.

\*\*\* Of which write-downs and losses at disposals SEK 93 m (152).

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

	Q1 2023	Q1 2022	1 Dec 2021- 30 Nov 2022
PROFIT FOR THE PERIOD	540	217	3,566
Other comprehensive income			
<i>Items that are or may be reclassified to profit or loss</i>			
Translation differences	-135	1,033	3,902
Change in hedging reserves	669	-282	-478
Tax attributable to change in hedging reserves	-138	58	87
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined benefit pension plans	7	84	55
Tax related to the above remeasurement	-1	-19	-9
Remeasurement of financial assets	-8	-394	-2,697
<b>OTHER COMPREHENSIVE INCOME</b>	<b>394</b>	<b>480</b>	<b>860</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>934</b>	<b>697</b>	<b>4,426</b>
Attributable to:			
The shareholders of H & M Hennes & Mauritz AB	935	697	4,426
Non-controlling interest	-1	-	-

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

<b>ASSETS</b>	<b>28 Feb - 2023</b>	<b>28 Feb - 2022</b>	<b>30 Nov - 2022</b>
<b>Non-current assets</b>			
Intangible non-current assets	10,550	9,416	9,156
Property, plant and equipment	23,765	25,774	24,431
Right-of-use assets	57,303	55,244	58,305
Non-current financial assets	2,831	4,950	3,157
Other non-current assets	7,357	6,741	7,476
	101,806	102,125	102,525
<b>Current assets</b>			
Stock-in-trade	41,040	39,331	42,495
Current receivables	15,333	16,404	15,321
Cash, cash equivalents and short-term investments	21,290	27,403	21,707
	77,663	83,138	79,523
<b>TOTAL ASSETS</b>	<b>179,469</b>	<b>185,263</b>	<b>182,048</b>
<b>EQUITY AND LIABILITIES</b>			
Equity*	51,780	60,715	50,757
Long-term liabilities**	13,929	13,525	13,674
Long-term leasing liabilities**	48,947	47,274	49,282
Current liabilities***	52,781	51,909	55,760
Current leasing liabilities***	12,032	11,840	12,575
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>179,469</b>	<b>185,263</b>	<b>182,048</b>

\* Equity attributable to the shareholders of H & M Hennes & Mauritz AB amounts to SEK 51,692 m (60,715) and to non-controlling interests SEK 88 m (0).

\*\* Interest-bearing long-term liabilities including leasing amounts to SEK 59,255 m (57,067), excluding leasing SEK 10,308 m (9,793) of which provisions for pensions SEK 343 m (347).

\*\*\* Interest-bearing current liabilities including leasing amounts to SEK 12,933 m (12,351), excluding leasing SEK 901 m (511).

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

	<b>28 Feb - 2023</b>	<b>28 Feb - 2022</b>	<b>30 Nov - 2022</b>
Shareholders' equity at the beginning of the period	50,757	60,018	60,018
Total comprehensive income for the period	934	697	4,426
Non-controlling interest that has arisen from acquisitions	89	-	-
Dividend	-	-	-10,687
Repurchase of shares	-	-	-3,000
Shareholders' equity at the end of the period	51,780	60,715	50,757

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

	Q1 - 2023	Q1 - 2022
<b>Operating activities</b>		
Profit after financial items*	396	282
<i>Adjustment for non-cash items</i>		
- Provisions for pensions	18	-5
- Depreciation and amortisation / write-downs	5,505	5,393
- Other non-cash items	-999	-
Taxes paid	-249	-1,108
<b>Cash flow from operating activities before changes in working capital</b>	<b>4,671</b>	<b>4,562</b>
<b>Changes in working capital</b>		
Operating receivables	-409	-586
Stock-in-trade	1,482	-1,574
Operating liabilities	-758	1,222
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>4,986</b>	<b>3,624</b>
<b>Investing activities</b>		
Investments in intangible fixed assets	-337	-280
Investments in tangible fixed assets	-1,227	-576
Other	-79	-226
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,643</b>	<b>-1,082</b>
<b>Financial activities</b>		
Change in interest-bearing liabilities	19	71
Amortisation lease	-3,124	-2,887
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-3,105</b>	<b>-2,816</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>238</b>	<b>-274</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>21,707</b>	<b>27,471</b>
Cash flow for the period	238	-274
Exchange rate effect	-655	206
<b>Cash and cash equivalents at end of the period**</b>	<b>21,290</b>	<b>27,403</b>

\* Interest paid for the group amounts to SEK 74 m (61). Interest expense related to leases amounts to SEK 338 m (193) for the group. Received interest for the group amounts to SEK 83 m (78).

\*\* Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 21,290 m (27,403).



## FIVE YEAR SUMMARY

### Q1, 1 December - 28 February

	2019*	2020	2021	2022	2023
Net sales, SEK m	51,015	54,948	40,060	49,166	54,872
Change net sales from previous year in SEK, %	10	8	-27	23	12
Change net sales previous year in local currencies, %	4	5	-21	18	3
Operating profit, SEK m	1,005	2,690	-1,128	458	725
Operating margin, %	2.0	4.9	-2.8	0.9	1.3
Depreciation and amortisation / write-downs for the period, SEK m	2,677	6,397	5,712	5,393	5,505
Profit after financial items, SEK m	1,043	2,504	-1,389	282	396
Profit after tax, SEK m	803	1,928	-1,070	217	540
Cash and cash equivalents and short-term investments, SEK m	11,851	11,972	17,304	27,403	21,290
Stock-in-trade, SEK m	39,968	37,201	36,978	39,331	41,040
Equity, SEK m	60,042	59,237	53,390	60,715	51,780
Average number of shares outstanding, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,629,687
Earnings per share, SEK**	0.49	1.16	-0.65	0.13	0.33
Cash flow from operating activities per share, SEK**	1.11	4.13	3.59	2.19	3.06
Number of shares outstanding as of the closing day, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,629,687
Equity per share, SEK**	36.28	35.79	32.26	36.68	31.77
Share of risk-bearing capital, %	53.1	34.1	33.7	34.8	30.7
Equity/assets ratio, %	49.4	31.7	31.4	32.8	28.9
Total number of stores	4,958	5,053	4,949	4,721	4,414
<b>Rolling twelve months</b>					
Average number of shares outstanding, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,643,587
Earnings per share, SEK**	7.30	8.80	-1.06	7.43	2.37
Return on equity, %	19.8	24.4	-3.1	21.6	6.9
Return on capital employed, %	20.3	17.1	-0.4	13.1	6.0

\* Excluding IFRS 16.

\*\* Before and after dilution, excluding own shares.

For definitions and explanations of the alternative performance measures in this report, see page 147-149 in the annual and sustainability report for the 2022 financial year.

## SEGMENT REPORTING (SEK m)

	Q1 - 2023	Q1 - 2022
<b>Asia and Oceania</b>		
External net sales	7,520	7,034
Operating profit	-221	66
Operating margin, %	-2.9	0.9
<b>Europe and Africa*</b>		
External net sales	33,827	31,204
Operating profit	-209	-787
Operating margin, %	-0.6	-2.5
<b>North and South America</b>		
External net sales	13,525	10,928
Operating profit	109	140
Operating margin, %	0.8	1.3
<b>Group Functions</b>		
Net sales to other segments	17,092	14,405
Operating profit	1,046	1,039
<b>Eliminations</b>		
Net sales to other segments	-17,092	-14,405
<b>Total</b>		
External net sales	54,872	49,166
Operating profit	725	458
<i>Operating margin, %</i>	1.3	0.9
Net financial items	-329	-176
Profit after financial items	396	282

\* South Africa

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

	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>1 Dec 2021- 30 Nov 2022</b>
Net sales	529	906	4,024
<b>GROSS PROFIT</b>	<b>529</b>	<b>906</b>	<b>4,024</b>
Administrative expenses	-21	-39	-97
<b>OPERATING PROFIT</b>	<b>508</b>	<b>867</b>	<b>3,927</b>
Net financial items*	-46	-11	8,937
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>462</b>	<b>856</b>	<b>12,864</b>
Year-end appropriations	-	-	-3,139
Tax	-94	-176	-149
<b>PROFIT FOR THE PERIOD</b>	<b>368</b>	<b>680</b>	<b>9,576</b>

\* Revenue from interests in group companies in the quarter consists of SEK 0 m (0).

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

	<b>Q1 2023</b>	<b>Q1 2022</b>	<b>1 Dec 2021- 30 Nov 2022</b>
PROFIT FOR THE PERIOD	368	680	9,576
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	0	6	20
Tax related to the above remeasurement	0	-1	-4
<b>OTHER COMPREHENSIVE INCOME</b>	<b>0</b>	<b>5</b>	<b>16</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>368</b>	<b>685</b>	<b>9,592</b>

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

	28 Feb - 2023	28 Feb - 2022	30 Nov 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	152	168	156
Other non-current assets	1,374	1,448	1,072
	1,526	1,616	1,228
<b>Current assets</b>			
Current receivables	25,775	30,270	26,095
Cash and cash equivalents	3	0	2
	25,778	30,270	26,097
<b>TOTAL ASSETS</b>	<b>27,304</b>	<b>31,886</b>	<b>27,325</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	16,672	21,084	16,304
Untaxed reserves	21	32	21
Long-term liabilities*	9,349	9,371	9,349
Current liabilities**	1,262	1,399	1,651
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>27,304</b>	<b>31,886</b>	<b>27,325</b>

\* All long-term liabilities are interest-bearing.

\*\* Interest-bearing current liabilities amounts to SEK 720 m (500).

## ALTERNATIVE PERFORMANCE MEASURES

For other alternative performance measures see page 147-149 in the annual and sustainability report for the 2022 financial year.

### Gross profit excl IFRS 16

	Q1 - 2023	Q1 - 2022
Gross profit	25,886	24,260
IFRS 16 effect	-20	-19
<b>Gross profit excl IFRS 16</b>	<b>25,866</b>	<b>24,241</b>

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

	Q1 - 2023	Q1 - 2022
Operating profit	725	458
IFRS 16 effect	-372	-250
<b>Operating profit excl IFRS 16</b>	<b>353</b>	<b>208</b>

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

	Q1 - 2023	Q1 - 2022
Net financial items	-329	-176
IFRS 16 effect	338	193
<b>Net financial items excl IFRS 16</b>	<b>9</b>	<b>17</b>

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

	Q1 - 2023	Q1 - 2022
Profit after financial items	396	282
IFRS 16 effect	-34	-57
<b>Profit after financial items excl IFRS 16</b>	<b>362</b>	<b>225</b>

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

	Q1 - 2023	Q1 - 2022
Profit for the period	540	217
IFRS 16 effect	-25	-44
<b>Profit for the period excl IFRS 16</b>	<b>515</b>	<b>173</b>

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.

## Note 1 Acquisitions

As a result of contractual changes, without paying any additional purchase consideration the H&M group obtained a controlling interest in its former associate Sellhelp AB as of 9 December 2022. As of the contract date the H&M group owned 79.84 percent of the shares in the company. Sellhelp AB has developed a platform – Sellpy – for second-hand products. The investment contributes to the H&M group’s initiatives for sustainability and circular business models.

Before the date of the contractual changes the book value of the H&M group’s interest in Sellhelp AB amounted to SEK 269 m. Obtaining a controlling interest has resulted in a reported gain of SEK 1,107 m based on a fair value for the H&M group’s interest of SEK 1,376 m. The gain is reported on the line “Result from investments in associated companies and joint ventures” in the consolidated income statement and has no effect on cash flow. The interest in Sellhelp AB has been valued using a combined estimate from two valuation methods: one in which relevant multiples from similar companies have been applied to the company’s key ratios and one based on historical majority transactions in the same industry.

Sellhelp AB’s operations are being consolidated into the H&M group’s accounts with effect from the first quarter of 2023 based on the acquired balance sheet and a preliminary acquisition analysis. Obtaining a controlling interest gives rise to intangible assets such as brands and goodwill. Recognised goodwill is not expected to be tax-deductible. Sellhelp AB’s operations contributed SEK 241 m and SEK –3 m respectively to the group’s net sales and operating profit. The operations are included in the “Europe and Africa” segment.

During the current financial year the H&M group has incurred no transaction costs related to obtaining the controlling interest in Sellhelp AB.