

Nine-month report

Nine months (1 December 2019 – 31 August 2020)

- The H&M group's net sales amounted to SEK 134,482 m (171,061) in the first nine months of the financial year. Sales development was significantly negatively affected by the Covid-19 situation, particularly in the second quarter when stores were temporarily closed in most markets; at the most, approximately 80 percent of the group's stores were closed.
- Profit after financial items amounted to SEK -1,613 m. The group's profit after tax amounted to SEK -1,242 m, corresponding to SEK -0.75 per share. Excluding IFRS 16, profit after financial items amounted to SEK -1,847 m (11,988).

Third quarter (1 June 2020 – 31 August 2020)

- The H&M group's net sales amounted to SEK 50,870 m (62,572) in the third quarter. In local currencies, net sales decreased by 16 percent. Sales were affected by the Covid-19 situation. At the beginning of the quarter approximately 900 of the group's more than 5,000 stores were temporarily closed. At the end of the quarter just over 200 stores were temporarily closed.
- Gross profit amounted to SEK 24,851 m (31,815) which corresponds to a gross margin of 48.9 percent (50.8).
- Profit after financial items amounted to SEK 2,365 m. Excluding IFRS 16, profit after financial items amounted to SEK 2,267 m (5,011).
- The group's profit after tax amounted to SEK 1,821 m, corresponding to SEK 1.10 per share. Excluding IFRS 16, profit after tax amounted to SEK 1,746 m (3,859).
- The H&M group's liquidity remains good. As at 31 August 2020, cash and cash equivalents amounted to SEK 12,138 m (13,064). Cash and cash equivalents plus undrawn credit facilities totalled SEK 41,413 m (25,641).
- The H&M group has taken rapid and decisive action to manage the Covid-19 situation. This crisis work has covered all parts of the business, including product purchasing, investments, rents, staffing and financing. Combined with much-appreciated collections and strict cost control, this has led to a rapid recovery in results.
- The H&M group's omnichannel model, which combines strong and profitable online growth with optimisation of the store portfolio, is gradually leading to increased value creation.



- Sales in September 2020 decreased by 5 percent in local currencies compared with the same period last year. Currently 166 stores, representing 3 percent of the total number of stores, are still closed. A large number of stores still have local restrictions and limited opening hours.
- The rapid changes in customer behaviour have been accelerated by Covid-19. The H&M group is therefore now stepping up the pace of its transformation work further, with digital investments, optimisation of the store portfolio and increasingly integrated channels.
- Around a quarter of the H&M group's stores have a contractual right to renegotiate or exit their leases each year. For 2021 a net decrease of around 250 stores is planned.

"Through much-appreciated collections and rapid, decisive actions, we returned to profit already in the third quarter. Our employees have made amazing efforts to achieve our fast recovery. Although the challenges are far from over, we believe that the worst is behind us and we are well placed to come out of the crisis stronger. Demand for good value, sustainable products is expected to grow in the wake of the pandemic and our customer offering is well positioned for this. We are now accelerating our transformation work so that we continue to add value for our customers," says Helena Helmersson, CEO.

Comments by Helena Helmersson, CEO

“As a result of much-appreciated collections together with rapid and decisive actions, our recovery is going better than expected. We have strong, profitable online growth, and more and more stores have been able to open again. With more full-price sales than expected and strict cost control, we returned to profit already in the third quarter. Our teams around the world have done an amazing job. Although the challenges are far from over, our assessment is that the worst is behind us and we are well placed to come out of the crisis stronger.

More and more customers started shopping online during the pandemic, and they are making it clear that they value a convenient and inspiring experience in which stores and online interact and strengthen each other. The substantial investments made in recent years have been very important for our recovery and we are now accelerating our transformation work further to meet customers' expectations. We are increasing digital investments, accelerating store consolidation and making the channels further integrated. To ensure that our offerings are relevant to customers and improve availability in all channels, speed and flexibility will be even more important in the future, particularly in the supply chain.

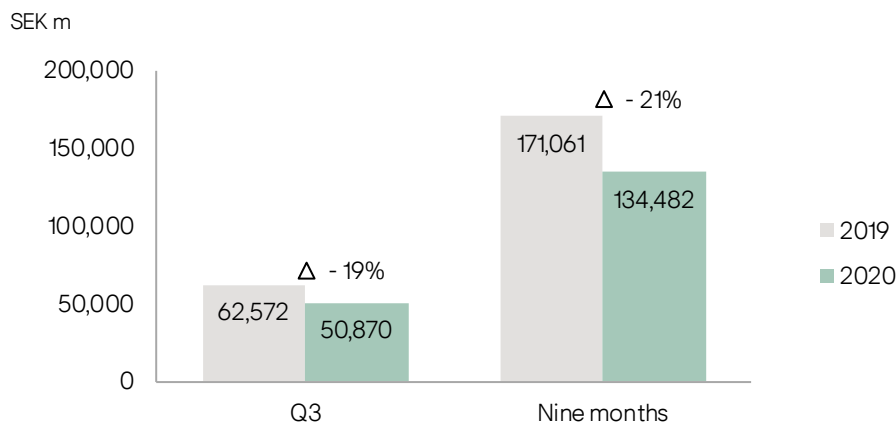
Covid-19 has also highlighted the importance of sustainability. Demand for good value, sustainable products is expected to grow in the wake of the pandemic and our customer offering is well positioned for this. Through our work to become circular and climate positive we are increasing the share of sustainable and renewable materials and we are developing new revenue streams. Together with our accelerated transformation work, this will strengthen resilience and contribute to long-term profitable growth for the H&M group.”

Read more about our initiatives and sustainability on page 11.



Wear. Care. Recycle.

Sales



#MHOME

Net sales amounted to SEK 50,870 m (62,572) in the third quarter. In local currencies net sales decreased by 16 percent compared with the same quarter last year. Net sales in the nine-month period amounted to SEK 134,482 m (171,061), which was a decrease of 21 percent in SEK as well as in local currencies.

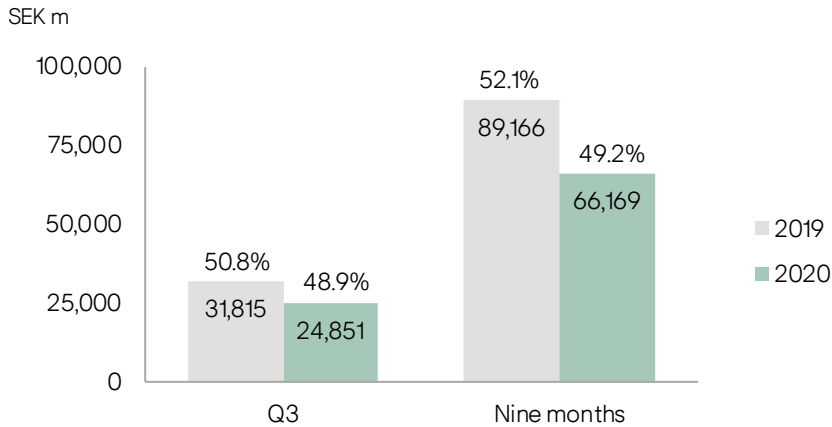
The H&M group's online sales increased by 27 percent in SEK in the third quarter. In local currencies the increase was 28 percent. Online sales, which increased by 36 percent and 34 percent respectively in the nine-month period, represented 26 percent of the group's total sales.

Sales in top ten markets, third quarter

	Q3 - 2020	Q3 - 2019	Change in %		31 Aug - 20	Q3 - 2020
	SEK m net sales	SEK m net sales	SEK	Local currency	Number of stores	New stores (net)
Germany	8,033	8,955	-10	-10	459	-1
USA	5,197	8,232	-37	-34	586	0
UK	3,051	3,863	-21	-20	294	-6
France	2,909	3,468	-16	-15	227	-1
China	2,458	3,075	-20	-16	513	-3
Sweden	2,115	2,387	-11	-11	171	-3
Russia	2,074	2,047	1	13	150	2
Italy	1,738	2,236	-22	-21	177	-1
Poland	1,642	1,817	-10	-7	192	0
Switzerland	1,606	1,556	3	1	99	1
Others	20,047	24,936	-20	-16	2,175	-3
Total	50,870	62,572	-19	-16	5,043	-15

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

Gross profit and gross margin



COS

Gross profit amounted to SEK 24,851 m in the third quarter, corresponding to a gross margin of 48.9 percent. For the nine-month period, gross profit amounted to SEK 66,169 m, corresponding to a gross margin of 49.2 percent. Gross profit excluding IFRS 16 amounted to SEK 24,836 m (31,815) in the third quarter, corresponding to a gross margin of 48.8 percent (50.8). Gross profit excluding IFRS 16 amounted to SEK 66,131 m (89,166) for the nine-month period, corresponding to a gross margin of 49.2 percent (52.1).

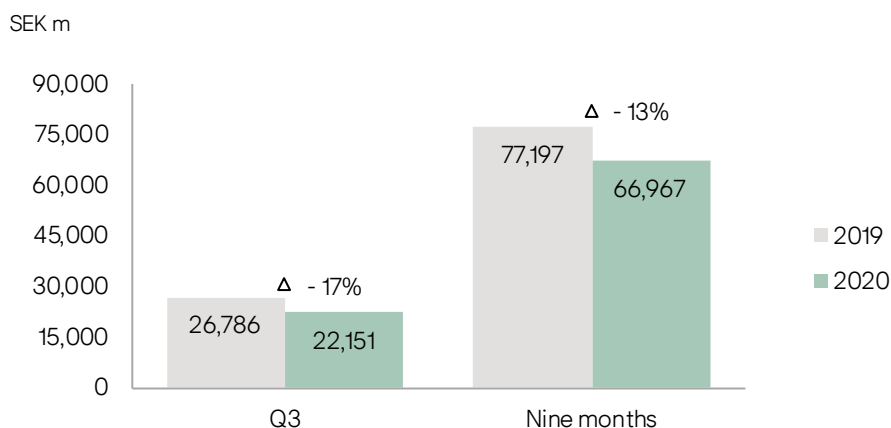
Costs for markdowns in relation to sales increased by around half a percentage point in the third quarter of 2020 compared with the same quarter the previous year.

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

For the third quarter the external factors influencing purchasing costs were somewhat negative compared with the same purchasing period the previous year.

For purchases made for the fourth quarter 2020 the overall market situation as regards external factors is expected to be neutral.

Selling and administrative expenses



& other Stories

Cost control in the group remains good. Rapid and decisive action to mitigate the negative effects of the Covid-19 situation achieved considerable reductions in selling and administrative expenses also in the third quarter. Rental costs were reduced as a result of renegotiation, turnover-based rents and certain temporary rent reliefs. In the third quarter selling and administrative expenses including depreciation decreased by 13 percent in local currencies. Converted into SEK, these expenses decreased by 17 percent to SEK 22,151 m. Excluding the effects of IFRS 16, selling and administrative expenses amounted to SEK 22,479 m (26,786).

In connection with Covid-19 the company has conducted a comprehensive review of all its ongoing development projects and intangible assets. Impairment charges of SEK 486 m have therefore affected selling and administrative expenses for the third quarter.

Government support associated with Covid-19 decreased selling expenses by around SEK 400 m in the third quarter. This must be seen in the light of the substantial negative sales impact of the Covid-19 situation during the nine-month period, particularly in the second quarter, and the unpredictable situation brought about by the rapid development of the pandemic.

Selling expenses have also been charged with a provision relating to an internal personal data breach at a service centre in Nuremberg, reported by the company itself in October 2019. The regional data protection authority in Hamburg has imposed an administrative fine of EUR 35 m. The H&M group admits shortcomings at the service centre and has taken forceful measures to correct this.

For the nine-month period, selling and administrative expenses decreased by 12 percent in local currencies and by 13 percent in SEK compared with the same period last year.

Profit after financial items

The H&M group has taken rapid and decisive action to manage the Covid-19 situation. This crisis work has covered all parts of the business, including product purchasing, investments, rents, staffing and financing. Combined with much-appreciated collections and strict cost control, this has led to a rapid recovery in results.

Profit after financial items amounted to SEK 2,365 m in the third quarter. Profit after financial items in the nine-month period amounted to SEK -1,613 m.

Excluding the effects of IFRS 16, profit after financial items amounted to SEK 2,267 m (5,011) in the third quarter and SEK -1,847 m (11,988) for the nine-month period.

Stock-in-trade

Despite the Covid-19 situation, the stock-in-trade was at the same level as in the corresponding period last year and amounted to SEK 42,076 m (42,044). Currency adjusted the stock-in-trade increased by 1 percent.

The book value of stock-in-trade in SEK represented 21.4 percent (18.5) of sales for the rolling 12 months, which amounted to SEK 196,176 m (227,475).

The cost of markdowns in relation to sales is expected to increase by around 1 to 1.5 percentage points in the fourth quarter compared with the same quarter last year.

As a result of shorter lead times, a more efficient supply chain and continued integration of the channels, the company is well positioned for lower stock levels going forward.

Growth and integrated channels

Covid-19 is speeding up the digital shift in the industry as more and more shopping takes place online. To meet customers' expectations of a convenient, inspiring experience enabled by interacting channels, the company's transformation work is being further accelerated. This relates to, among other things, increased digital investments, further integration of online and physical stores as well as an acceleration of store consolidation.

More closures than previously are expected to result in a net decrease of around 50 stores in the current year, since 180 stores are planned to close permanently rather than the previously communicated 170, and 130 new stores are planned to open. For 2021 the plan is for 350 stores to close and just over 100 new stores to open, resulting in a net decrease of around 250 stores.

The current situation has changed the preconditions for, among other things, rental negotiations for stores. The H&M group's contracts allow around a quarter of leases to be renegotiated or exited each year, providing further opportunities and flexibility to adapt the number of stores and store area and to improve rent terms.

The H&M group's expansion online continues. In the third quarter H&M was launched on the ecommerce platform SSG.COM in South Korea and Arket opened on Tmall in China. Australia is scheduled to become a new H&M online market towards the end of 2020.

The first H&M store in Panama is scheduled to open in 2021 via franchise.

For more information see the heading Initiatives for an improved customer experience on page 11.



Brand	No. of markets 31 Aug - 2020		Expansion 2020
	Store	Online	New markets
H&M	74	51	Online: Australia
COS	45	32	Store: New Zealand* Online: Bulgaria*, Cyprus*, Estonia*, Greece*, Croatia*, Latvia*, Lithuania*, Luxembourg*, Romania*, Japan*, Russia, Switzerland
Monki	19	29	Store: Philippines** Online: Bulgaria*, Cyprus*, Estonia*, Greece*, Croatia*, Latvia*, Lithuania*, Luxembourg*, Romania*, Russia, Switzerland
Weekday	15	28	Store: Russia*, Spain Online: Bulgaria*, Cyprus*, Estonia*, Greece*, Croatia*, Latvia*, Lithuania*, Luxembourg*, Romania*, Russia, Switzerland
& Other Stories	21	31	Store: Norway*, Russia Online: Bulgaria*, Cyprus*, Estonia*, Greece*, Croatia*, Latvia*, Lithuania*, Luxembourg*, Romania*, Russia, Switzerland
ARKET	7	29	Online: Bulgaria*, Cyprus*, Estonia*, Greece*, Croatia*, Latvia*, Lithuania*, Luxembourg*, Romania*, Russia, Switzerland, T-mall (China)*
Afound	2	4	Store: Netherlands* Online: Germany*, Austria*
H&M HOME	51	42	

* Opened until 31 August 2020

** Opened in September 2020

COS, Weekday, 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.

Store count by brand

In the nine-month period, the H&M group opened 85 (138) stores including franchise and closed 118 (132) stores, making a net decrease of 33 (+6) stores. The group had a total of 5,043 (4,972) stores as at 31 August 2020, of which 278 (256) were operated by franchise partners.

Brand	New Stores 2020 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2020	31 Aug - 2019
H&M	-16	-37	4,455	4,414
COS	0	3	294	283
Monki	-3	-6	124	126
Weekday	1	1	55	45
& Other Stories	0	1	72	69
ARKET	1	1	21	19
Afound	-1	-1	6	6
H&M HOME*	3	5	16	10
Total	-15	-33	5,043	4,972

* Concept stores. H&M HOME is also included with shop-in-shop in 394 H&M stores.



WEEKDAY

Store count by region

Region	New Stores 2020 (net)		Total No of stores	
	Q3	Nine months	31 Aug - 2020	31 Aug - 2019
Europe & Africa	-18	-46	3,041	3,049
Asia & Oceania	2	14	1,223	1,176
North & South America	1	-1	779	747
Total	-15	-33	5,043	4,972



MONKL

Tax

In the first three quarters of the year a preliminary tax rate of 23 percent has been used. The final tax rate for the full year will depend on profits in the various companies of the group and the corporate tax rates in each country.

Current quarter

Sales in September 2020 decreased by 5 percent in local currencies compared with the same period last year. Currently 166 stores, representing 3 percent of the total amount of stores, are still temporarily closed. A total of 49 of the group's 51 online markets are open.

The cost of markdowns in relation to sales is expected to increase by around 1 to 1.5 percentage points in the fourth quarter compared with the same quarter last year.

Financing

As at 31 August 2020, the group had interest-bearing liabilities of SEK 17,991 m (18,325) in the form of loans from credit institutions and commercial papers. In addition, the group has undrawn credit facilities of SEK 29,275 m (12,577). The average maturity of interest-bearing liabilities and undrawn credit facilities was 2.3 (2.7) years. A maturity analysis of outstanding interest-bearing liabilities and undrawn credit facilities is given in the table below.

Year	Loan from credit institutions	Commercial papers	Unused credit facilities
2020	1,390	1,761	-
2021	6,383	-	14,077
2022	400	-	-
2023	4,057	-	4,000
2024	-	-	7,198
2025	2,000	-	4,000
2026	2,000	-	-
Total SEK m	16,230	1,761	29,275

The H&M group's liquidity remains good. As at 31 August 2020, cash and cash equivalents amounted to SEK 12,138 m (13,064). Cash and cash equivalents plus undrawn credit facilities totalled SEK 41,413 m (25,641). Net debt in relation to EBITDA amounted to 0.4 (0.2) excluding IFRS 16 effects.

Positive development of cash flow during the third quarter together with the financing measures taken during the year have further strengthened the H&M group's liquidity. The group's work is focused on ensuring financial flexibility and freedom of action on the best possible terms in a challenging market where business opportunities are also arising. In the third quarter the following significant financing activities were conducted:

Credit facilities

New credit facilities established totalling SEK 8,000 m, split into SEK 4,000 m with a maturity of 3 years and SEK 4,000 m with a maturity of 5 years. The credit facilities are undrawn.

New sources of financing

An EMTN programme was established aimed at allowing bonds to be issued in various currencies, mainly EUR and SEK. This complements the group's long-term financing and forms part of further diversifying the H&M group's sources of financing. The programme has a framework amount of EUR 2,000 m and any bonds will be listed on Euronext Dublin. No decision has yet been taken on any first issue.

Accounting principles

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

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual report and consolidated financial statements for 2019 and which are described in Note 1 – Accounting principles, other than in respect of IFRS 16 Leases and IAS 20 Accounting for Government Grants and Disclosure of Government Assistance; see below.

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.

For definitions see the annual report and consolidated financial statements for 2019.

New accounting principles

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

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

The H&M group has more than 5,000 stores as well as multiple offices and warehouses all around the world. Applying the standard has required estimates and assumptions, such as establishing the term of the lease and an interest rate for borrowing. The assumption that has the greatest effect on the size of the lease liability is the assessment of the lease term. On the expiry of the lease term the lease may be terminated entirely, renegotiated or extended depending on the provisions in the contract. In certain circumstances, a right to terminate the contract during the lease term may reduce the lease term used for the calculation. The option to extend is taken into account if it is reasonably certain that the lessee will exercise this option. To facilitate assessment of the lease term used to calculate the lease obligation according to IFRS 16, the assumptions are based on the type of contract. The assumptions used to establish the lease term for each type of contract are based on the best possible assessment and on historical data, as well as the current market situation. The group's assumptions will be evaluated on an ongoing basis taking into account changes in the industry.

The H&M group has chosen to apply the simplified transition approach, whereby calculation of the liability at the time of transition to IFRS 16 is based on the remaining lease payments for the

leased asset and is reported as an adjustment of the opening balance. As of 1 December 2019 the H&M group's remaining payments for all leases were therefore included as a lease liability. The discount rate used for the calculation corresponds to the H&M group's incremental borrowing rate at the time of transition, taking into account aspects such as country and length of the respective leases. As of the transition date right-of-use assets are recognised at the same value as the present value of the lease liability less contributions from lessors, i.e. lease incentives and advance payments. The H&M group's calculation as of 1 December 2019 meant an opening balance of SEK 73 billion in right-of-use assets and SEK 77 billion in lease liabilities according to IFRS 16. The transition approach chosen involves prospective application of IFRS 16.

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 Covid-19 the H&M group received government assistance in various markets, mainly in respect of rents and staffing.

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 and any conditions for receiving the grants are fulfilled.

Financial instruments

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

Currency derivatives are measured at fair value based on Level 2 inputs in the IFRS 13 hierarchy. As of 31 August 2020, forward contracts with a positive market value amount to SEK 1,255 m (620), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 801 m (881), which is reported under other current liabilities. 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, and therefore the fair values of these and other financial instruments are assessed to be approximately equal to their book values.

Risks and uncertainties

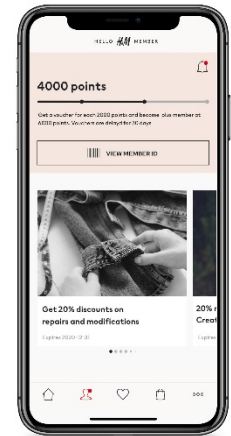
A number of factors may affect the H&M group's result and business. Many of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties for the H&M group related to the major shift within the industry, fashion, weather conditions, macroeconomic and geopolitical changes, sustainability issues, foreign currency, cyber-attacks, tax, customs and different regulations but also in connection with expansion into new markets, the launch of new concepts and how the brand is managed. Page 41 of the annual report 2019 also mentions that sudden negative events such as a virus outbreak could have a negative impact on one or more countries and thereby also on the group's sales and earnings.

For a more detailed description of risks and uncertainties, refer to the administration report and to Note 2 in the annual report and consolidated accounts for 2019.

Initiatives for an improved customer experience

The Covid-19 situation is accelerating the already rapid changes in customer behaviour, and the H&M group's transformation work continues so as to meet customer expectations and needs. Here are some examples of new and ongoing initiatives to create the best offering and experience for our customers.

- H&M's **customer loyalty programme** now has just over 90 million members in 23 markets and will continue to be rolled out during the autumn to India, South Korea and Australia. The launch of the customer loyalty programme on the Chinese marketplace Tmall was very successful. Customers in China can benefit from the advantages of membership in store, at hm.com, in the communications app WeChat and on Tmall.
- **Pay Later.** Members of H&M's customer loyalty programme can shop now and pay later, whether shopping in store or online. This payment solution was launched in Spain this autumn. Pay Later is now available in 12 markets and will be rolled out further this year.
- **Digital receipts.** Customers can now receive digital receipts in the H&M app in most markets.
- **Visual Search.** Image recognition helps customers by giving recommendations and suggested buys based on pictures that the customer has taken or been inspired by. Currently available in more than 30 markets.
- **Next day delivery and express delivery** are offered in 14 markets. These services continue to be developed and improved further.
- **Climate-smart delivery options.** H&M customers in 30 cities in the Netherlands can opt to receive and return items by a bicycle delivery service, a solution that is much appreciated by customers. Combined with using biogas vehicles from the logistics centre, this reduces CO2 emissions. Various kinds of climate-smart deliveries are also offered in Italy, while Sweden offers climate-smart deliveries to Instabox using fossil-free transport.
- **Find in Store** is available in 22 markets. 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** is available in all online markets. The customer scans the QR code on a product in store to find and buy the item online in the size and colour they want.
- **In-Store Mode** allows customers to see on their mobiles which items are in the store they are currently in, as well as online. The service is available in 13 markets.
- **Click & Collect** allows customers to pick up online purchases in store and is currently offered in 14 markets.
- **Online returns in store** is now available in 16 markets, with continued rollout to Italy scheduled for this autumn. More markets will be added in 2021.
- **#HMxME** enables customers to share their own fashion stories from Instagram while also providing an easy way to buy the items in the images. #HMxME is now live in 49 of H&M's online markets.
- **Recommended Size** helps customers find the right size online based on past purchases. This function is currently available in 20 markets.
- **Rate & Review** lets customers rate and review H&M products. The service was recently launched in Germany and is now available in 26 markets.
- **RFID** is currently in 20 H&M markets. Recently launched in China and Serbia. Next in line are Germany, the Netherlands, Austria and Slovenia.
- **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.
- **& Other Stories vending machine.** & Other Stories has launched a tailor-made vending machine in Galeries Lafayette, Paris. This gives customers an agile and simple way to shop for beauty products "on the go".
- **Product transparency.** H&M has joined forces with the Sustainable Apparel Coalition (SAC) and other companies to develop the Higg Index tool, which measures sustainability at product level. For the first time, customers in selected markets were able to see environmental scores on over 7,000 product pages at hm.com. This resulted in more than 7 million views. The score reflects the environmental performance of the factory where the product was made. Average scores for the industry were also given to enable customers to compare. Customers showed great interest in the sustainability information for the products. More tests will take place during the autumn.



Product flow

The H&M group's work to integrate stores and online is being intensified within the supply chain to provide an even better customer experience as well as a customer-driven, more efficient and more flexible product flow. This work encompasses the entire flow of goods and how to ensure that the right product is in the right place at the right time, at the right cost. Important elements include the group's tech investments in AI and logistics systems, among other things, but also work on logistics centres and an increased focus on innovation.

On the US West Coast a newly developed and highly automated logistics centre has now been taken into operation. Preparations are also being made for the opening of another highly automated logistics centre on the East Coast.

Sustainability

The H&M group's sustainability vision is to lead the transition to circular, climate positive fashion as a fair and equal company across the entire value chain. This work is continuing, using sustainability work to add value for customers. The H&M group aims to be climate positive throughout the value chain by 2040 and its ambition to be fully circular is a fundamental part of this climate work.

- **The H&M group calls for climate ambitions to be raised.** The CEOs of more than 170 European businesses, including the H&M group, have signed an open letter calling for the EU to ramp up climate ambition and to set a clearly defined target of a minimum 55 percent cut in greenhouse gas emissions by 2030. The challenge is led by the European Corporate Leaders Group (CLG Europe), which is working to achieve climate neutrality.
- **Launch of new biodiversity work.** WWF has published its Living Planet Report, a study of trends in global biodiversity and the health of the planet. The H&M group has now set its ambition for biodiversity, and the long-term vision is to have a net positive impact on biodiversity. That means not only avoiding and mitigating harm, but also leaving the environment in a better state than before through habitat restoration and protection.
- **COS launches Resell.** Resell is a new digital platform for buying and selling second-hand COS clothing with the aim of extending the life of the clothes. Customers in the UK and Germany can sell their COS garments, making them available for customers to buy globally. Resell reinforces COS' ambition to become fully circular and renewable.

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



ARKET

Calendar

15 December 2020	Sales development in the fourth quarter, 1 Sep 2020 – 30 Nov 2020
29 January 2021	Full-year report, 1 Dec 2019 – 30 Nov 2020
15 March 2021	Sales development in the first quarter, 1 Dec 2020 – 28 Feb 2021
31 March 2021	Three-month report, 1 Dec 2020 – 28 Feb 2021
6 May 2021	Annual general meeting
15 June 2021	Sales development in the second quarter, 1 March 2021 – 31 May 2021
1 July 2021	Six-month report, 1 Dec 2020 – 31 May 2021

This nine-month report has not been reviewed by the company's auditors.

Stockholm, 30 September 2020
Board of Directors

Telephone conference in conjunction with the nine-month report

The nine-month report for 2020, i.e. 1 December 2019 – 31 August 2020, will be published at 08:00 CEST on 1 October 2020. A telephone conference for the financial market and media will be held in English at 09:00 CEST, hosted by CEO Helena Helmersson, CFO Adam Karlsson and Head of IR Nils Vinge.

For login details to the telephone conference please register at [hmgroupp.com](https://emea.directeventreg.com/registration/3383536) or via this link:

<https://emea.directeventreg.com/registration/3383536>

To book interviews with CEO Helena Helmersson, CFO Adam Karlsson and Head of IR Nils Vinge in conjunction with the nine-month report on 1 October, please contact:

Kristina Stenvinkel, Communications Director
Phone +46 8 796 39 08
Email: stenvinkel@hm.com

Contact

Nils Vinge, Head of IR	+46 8 796 52 50
Helena Helmersson, CEO	+46 8 796 55 00 (switchboard)
Adam Karlsson, CFO	+46 8 796 55 00 (switchboard)

H & M Hennes & Mauritz AB (publ)
SE-106 38 Stockholm
Phone: +46-8-796 55 00, fax: +46-8-20 99 19, e-mail: info@hm.com
Registered office: Stockholm, Reg. No. 556042-7220

For more information about the H&M group visit 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 (596/2014/EU). The information was submitted for publication by the abovementioned persons at 08:00 (CEST) on 1 October 2020. This interim report and other information about the H&M group, is available at 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 and ARKET as well as Afound. The H&M group has 51 online markets and approximately 5,000 stores in 74 markets including franchise markets. In 2019, net sales were SEK 233 billion. The number of employees amounts to approximately 179,000. For further information, visit hmgroupp.com.

GROUP INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2020	Q3 2019*	Nine months 2020	Nine months 2019*	1 Dec 2018-30 Nov 2019*	Excluding IFRS 16 Q3 2020	Nine months 2020
Net sales	50,870	62,572	134,482	171,061	232,755	50,870	134,482
Cost of goods sold	-26,019	-30,757	-68,313	-81,895	-110,302	-26,034	-68,351
GROSS PROFIT	24,851	31,815	66,169	89,166	122,453	24,836	66,131
<i>Gross margin, %</i>	48.9	50.8	49.2	52.1	52.6	48.8	49.2
Selling expenses	-20,040	-24,659	-60,306	-70,735	-96,279	-20,361	-61,217
Administrative expenses	-2,111	-2,127	-6,661	-6,462	-8,828	-2,118	-6,680
OPERATING PROFIT	2,700	5,029	-798	11,969	17,346	2,357	-1,766
<i>Operating margin, %</i>	5.3	8.0	-0.6	7.0	7.5	4.6	-1.3
Net financial items	-335	-18	-815	19	45	-90	-81
PROFIT AFTER FINANCIAL ITEMS	2,365	5,011	-1,613	11,988	17,391	2,267	-1,847
Tax	-544	-1,152	371	-2,757	-3,948	-521	425
PROFIT FOR THE PERIOD	1,821	3,859	-1,242	9,231	13,443	1,746	-1,422

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

Earnings per share, SEK**	1.10	2.33	-0.75	5.58	8.12	1.05	-0.86
Number of shares, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	7,320	2,745	20,084	8,216	11,051	3,261	8,839
of which cost of goods sold	586	110	1,483	428	570	320	657
of which selling expenses	6,282	2,513	17,683	7,358	9,887	2,580	7,546
of which administrative expenses	452	122	918	430	594	361	636

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2020	Q3 2019*	Nine months 2020	Nine months 2019*	1 Dec 2018-30 Nov 2019*	Excluding IFRS 16 Q3 2020	Nine months 2020
PROFIT FOR THE PERIOD	1,821	3,859	-1,242	9,231	13,443	1,746	-1,422
Other comprehensive income							
<i>Items that are or may be reclassified to profit or loss</i>							
Translation differences	-2,151	541	-3,276	2,052	1,150	-2,151	-3,276
Change in hedging reserves	447	-176	299	-368	156	447	299
Tax attributable to change in hedging reserves	-98	41	-64	85	-36	-98	-64
<i>Items that will not be reclassified to profit or loss</i>							
Remeasurement of defined benefit pension plans	-	-	-	-	-68	-	-
Tax related to the above remeasurement	-	-	-	-	15	-	-
OTHER COMPREHENSIVE INCOME	-1,802	406	-3,041	1,769	1,217	-1,802	-3,041
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19	4,265	-4,283	11,000	14,660	-56	-4,463

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

* Excluding IFRS 16.

** Before and after dilution.

GROUP BALANCE SHEET IN SUMMARY (SEK m)

	31 Aug - 2020	31 Aug - 2019*	30 Nov - 2019*	Excluding IFRS 16 31 Aug - 2020
ASSETS				
Fixed assets				
Intangible fixed assets	10,796	11,023	11,448	11,054
Property, plant and equipment	33,820	42,022	40,892	33,820
Right of use assets	65,355	-	-	-
Financial fixed assets	701	553	639	701
Other fixed assets	5,324	4,563	5,234	5,324
	115,996	58,161	58,213	50,899
Current assets				
Stock-in-trade	42,076	42,044	37,823	42,076
Current receivables	10,633	14,657	12,137	10,966
Cash and cash equivalents	12,138	13,064	12,312	12,138
	64,847	69,765	62,272	65,180
TOTAL ASSETS	180,843	127,926	120,485	116,079
EQUITY AND LIABILITIES				
Equity	52,786	53,409	57,069	52,606
Long-term liabilities**	17,558	15,937	15,580	17,558
Long-term leasing liabilities**	55,687	-	-	-
Current liabilities***	41,166	58,580	47,836	45,915
Current leasing liabilities***	13,646	-	-	-
TOTAL EQUITY AND LIABILITIES	180,843	127,926	120,485	116,079

CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)

	31 Aug - 2020	31 Aug - 2019*	30 Nov - 2019*	Excluding IFRS 16 31 Aug - 2020
Shareholders' equity at the beginning of the period	57,069	58,546	58,546	57,069
Total comprehensive income for the period	-4,283	11,000	14,660	-4,463
Dividend	-	-16,137	-16,137	-
Shareholders' equity at the end of the period	52,786	53,409	57,069	52,606

* Excluding IFRS 16

** Interest-bearing long-term liabilities amounts to SEK 68,908 m, exclusive IFRS 16 13,221 m (11,453).

*** Interest-bearing current liabilities amounts to SEK 18,984 m, exclusive IFRS 16 5,339 m (7,810).

GROUP CASH FLOW STATEMENT (SEK m)

	Nine months 2020	Nine months 2019*	Exclusive IFRS 16 Nine months 2020
Current operations			
Profit after financial items**	-1,613	11,988	-1,847
- Provisions for pensions	89	56	89
- Depreciation	20,084	8,216	8,839
- Tax paid	-2,982	-2,568	-2,982
- Other	-	32	-
Cash flow from current operations before changes in working capital	15,578	17,724	4,099
Cash flow from changes in working capital			
Current receivables	941	99	941
Stock-in-trade	-5,671	-3,508	-5,671
Current liabilities	5,147	2,954	5,147
CASH FLOW FROM CURRENT OPERATIONS	15,995	17,269	4,516
Investing activities			
Investment in intangible fixed assets	-1,286	-2,233	-1,286
Investment in tangible fixed assets	-2,954	-5,210	-2,954
Other investments	5	-122	5
CASH FLOW FROM INVESTING ACTIVITIES	-4,235	-7,565	-4,235
Financial activities			
Change in interest-bearing liabilities	674	-1,109	674
Amortization lease	-11,479	-	-
Dividend	-	-8,110	-
CASH FLOW FROM FINANCIAL ACTIVITIES	-10,805	-9,219	674
CASH FLOW FOR THE PERIOD	955	485	955
Cash and cash equivalents at beginning of the financial year	12,312	11,590	12,312
Cash flow for the period	955	485	955
Exchange rate effect	-1,129	989	-1,129
Cash and cash equivalents at end of the period***	12,138	13,064	12,138

* Excluding IFRS 16

** Interest paid for the group amounts to SEK 284 m (224).

*** Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 12,138 m (13,064).

NET SALES BY MARKET AND NUMBER OF STORES

Q3, 1 June - 31 August

Market	Q3 - 2020		Q3 - 2019		Change in %		31 Aug - 20		Stores	
	SEK m	SEK m	SEK	Local	No. of stores	New	Closed			
Sweden	2,115	2,387	-11	-11	171	2	5			
Norway	1,422	1,461	-3	8	126	2	5			
Denmark	1,298	1,354	-4	-3	107		3			
UK	3,051	3,863	-21	-20	294	1	7			
Switzerland	1,606	1,556	3	1	99	1				
Germany	8,033	8,955	-10	-10	459	1	2			
Netherlands	1,557	1,759	-11	-11	138	2	3			
Belgium	1,003	1,185	-15	-14	93	2	5			
Austria	1,211	1,412	-14	-13	87					
Luxembourg	131	144	-9	-7	14		1			
Finland	663	710	-7	-6	66					
France	2,909	3,468	-16	-15	227	2	3			
USA	5,197	8,232	-37	-34	586	1	1			
Spain	1,594	2,177	-27	-26	165	1	2			
Poland	1,642	1,817	-10	-7	192	1	1			
Czech Republic	426	491	-13	-10	52					
Portugal	262	357	-27	-26	28		1			
Italy	1,738	2,236	-22	-21	177		1			
Canada	1,321	1,448	-9	-5	96					
Slovenia	141	143	-1	0	13					
Ireland	265	296	-10	-10	24					
Hungary	440	520	-15	-9	47					
Slovakia	224	219	2	3	28	1				
Greece	418	496	-16	-14	35					
China	2,458	3,075	-20	-16	513	2	5			
Hong Kong	200	352	-43	-40	25	1	2			
Japan	1,166	1,211	-4	-2	112	3				
Russia	2,074	2,047	1	13	150	2				
South Korea	520	585	-11	-6	54	1				
Turkey	554	809	-32	-16	63	1	1			
Romania	622	713	-13	-10	57					
Croatia	180	211	-15	-12	16					
Singapore	105	208	-50	-46	14					
Bulgaria	154	181	-15	-14	21					
Latvia	109	102	7	9	9					
Malaysia	238	349	-32	-27	48					
Mexico	343	891	-62	-50	55	1				
Chile	33	430	-92	-88	17					
Lithuania	126	113	12	13	10					
Serbia	101	118	-14	-14	15	1				
Estonia	124	123	1	1	13					
Australia	541	646	-16	-14	49					
Philippines	87	317	-73	-71	40					
Taiwan	168	158	6	6	14					
Peru	88	257	-66	-60	13					
Macau	18	31	-42	-38	2					
India	224	528	-58	-50	48					
South Africa	170	234	-27	-11	27					
Puerto Rico	33	32	3	7	2					
Cyprus	26	21	24	19	1					
New Zealand	117	101	16	23	11	1				
Kazakhstan	39	65	-40	-33	6					
Colombia	43	141	-70	-59	7					
Iceland	65	73	-11	2	6					
Vietnam	121	108	12	14	9					
Georgia	34	31	10	20	3					
Ukraine	86	56	54	59	5	2				
Uruguay	69	94	-27	-7	3					
Bosnia-Herzegovina	9	11	-18	-6	1					
Belarus	24				2					
Franchise and other	1,134	1,464	-23	-16	278	6	5			
Total	50,870	62,572	-19	-16	5,043	38	53			

NET SALES BY MARKET AND NUMBER OF STORES**Nine months, 1 December - 31 August**

Market	2020	2019	Change in %		31 Aug - 20	Stores	
	SEK m	SEK m	SEK	Local	No. of stores	New	Closed
Sweden	5,887	6,705	-12	-12	171	3	9
Norway	3,397	3,836	-11	-4	126	5	6
Denmark	3,306	3,839	-14	-15	107		5
UK	8,331	10,934	-24	-25	294	3	14
Switzerland	3,998	4,102	-3	-7	99	1	1
Germany	20,963	24,402	-14	-15	459	1	8
Netherlands	4,157	4,962	-16	-17	138	5	5
Belgium	2,544	3,114	-18	-19	93	3	8
Austria	3,148	3,887	-19	-20	87		
Luxembourg	306	349	-12	-13	14		1
Finland	1,621	1,923	-16	-17	66		2
France	6,968	9,024	-23	-23	227	2	10
USA	14,772	22,100	-33	-34	586	2	9
Spain	4,001	5,924	-32	-33	165	1	3
Poland	3,869	4,639	-17	-16	192	3	1
Czech Republic	1,049	1,295	-19	-18	52		
Portugal	631	979	-36	-36	28		1
Italy	4,336	6,048	-28	-29	177		4
Canada	2,933	3,657	-20	-20	96	1	
Slovenia	307	373	-18	-18	13	1	
Ireland	758	860	-12	-13	24		
Hungary	1,111	1,369	-19	-15	47		
Slovakia	516	585	-12	-13	28	1	
Greece	1,076	1,354	-21	-21	35		
China	6,831	8,906	-23	-22	513	8	15
Hong Kong	733	1,166	-37	-39	25	2	3
Japan	2,998	3,638	-18	-21	112	7	
Russia	4,395	5,035	-13	-9	150	4	1
South Korea	1,533	1,604	-4	-2	54	2	1
Turkey	1,354	2,000	-32	-22	63	1	4
Romania	1,501	1,912	-21	-21	57		
Croatia	434	557	-22	-22	16		
Singapore	345	621	-44	-44	14		
Bulgaria	386	474	-19	-19	21		
Latvia	241	273	-12	-12	9		
Malaysia	715	1,034	-31	-30	48	1	
Mexico	1,746	2,644	-34	-28	55	3	
Chile	651	1,423	-54	-47	17	2	
Lithuania	266	287	-7	-8	10		
Serbia	259	322	-20	-20	15	1	
Estonia	266	306	-13	-14	13		
Australia	1,457	1,892	-23	-21	49		
Philippines	575	954	-40	-43	40		
Taiwan	500	480	4	-1	14	2	
Peru	411	747	-45	-44	13		
Macau	66	94	-30	-31	2		
India	966	1,445	-33	-31	48	1	
South Africa	563	694	-19	-9	27		
Puerto Rico	73	93	-22	-23	2		
Cyprus	73	62	18	16	1		
New Zealand	300	295	2	5	11	3	
Kazakhstan	117	157	-25	-22	6		
Colombia	293	359	-18	-9	7		
Iceland	169	187	-10	-3	6		
Vietnam	327	313	4	2	9	1	
Georgia	70	80	-13	-5	3		
Ukraine	156	142	10	5	5	2	
Uruguay	187	242	-23	-8	3		
Bosnia-Herzegovina	21	21	0	1	1		
Belarus	51				2		
Franchise and other	3,468	4,342	-20	-15	278	13	7
Total	134,482	171,061	-21	-21	5,043	85	118

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

	2016*	2017*	2018*	2019*	2020	Exclusive IFRS 16 2020
Net sales, SEK m	139,547	149,597	153,986	171,061	134,482	134,482
Change net sales from previous year in SEK, %	6	7	3	11	-21	-21
Change net sales previous year in local currencies, %	8	4	1	6	-21	-21
Operating profit, SEK m	16,469	15,748	11,191	11,969	-798	-1,766
Operating margin, %	11.8	10.5	7.3	7.0	-0.6	-1.3
Depreciations for the period, SEK m	5,535	6,324	7,081	8,216	20,084	8,839
Profit after financial items, SEK m	16,630	15,936	11,287	11,988	-1,613	-1,847
Profit after tax, SEK m	12,722	12,191	9,109	9,231	-1,242	-1,422
Cash and cash equivalents and short-term investments, SEK m	8,680	9,665	13,963	13,064	12,138	12,138
Stock-in-trade, SEK m	31,231	33,583	38,719	42,044	42,076	42,076
Equity, SEK m	54,146	54,521	55,029	53,409	52,786	52,606
Number of shares, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK**	7.69	7.37	5.50	5.58	-0.75	-0.86
Equity per share, SEK**	32.72	32.94	33.25	32.27	31.89	31.78
Cash flow from current operations per share, SEK**	10.60	9.81	9.01	10.43	9.66	2.73
Share of risk-bearing capital, %	63.6	59.6	50.0	45.3	31.6	49.1
Equity/assets ratio, %	59.3	54.5	46.4	41.7	29.2	45.3
Total number of stores	4,135	4,553	4,841	4,972	5,043	5,043
Rolling twelve months						
Earnings per share, SEK**	11.03	10.94	7.92	7.72	1.79	1.69
Return on equity, %	34.4	33.3	23.9	23.6	5.6	5.3
Return on capital employed, %	42.9	39.8	25.0	23.1	4.6	5.4

* Excluding IFRS 16

** Before and after dilution.

For definitions and explanations regarding the key figures in this report, see note 32 in the annual report.

SEGMENT REPORTING (SEK m)

	Nine months 2020	Nine months 2019
Asia and Oceania		
External net sales	20,436	26,509
Operating profit	363	940
Operating margin, %	1.8	3.5
Europe and Africa*		
External net sales	92,981	113,274
Operating profit	939	2,593
Operating margin, %	1.0	2.3
North and South America		
External net sales	21,065	31,278
Operating profit	-2,255	906
Operating margin, %	-10.7	2.9
Group Functions		
Net sales to other segments	40,953	61,755
Operating profit	155	7,530
Eliminations		
Net sales to other segments	-40,953	-61,755
Total		
External net sales	134,482	171,061
Operating profit	-798	11,969
Operating margin, %	-0.6	7.0

* South Africa

PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)

	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	1 Dec 2018- 30 Nov 2019
External net sales	6	7	17	24	31
Internal net sales*	994	1,241	2,478	3,222	4,444
GROSS PROFIT	1,000	1,248	2,495	3,246	4,475
Administrative expenses	-33	-34	-93	-130	-157
OPERATING PROFIT	967	1,214	2,402	3,116	4,318
Net financial items**	-126	772	-656	745	15,753
PROFIT AFTER FINANCIAL ITEMS	841	1,986	1,746	3,861	20,071
Year-end appropriations	-	-	-	-	-2,961
Tax	-180	-268	-471	-681	-275
PROFIT FOR THE PERIOD	661	1,718	1,275	3,180	16,835

* Internal sales in the quarter consists of royalty of SEK 989 m (1,236) and other SEK 5 m (5) received from group companies and for the nine-month period of royalty of SEK 2,462 m (3,206) and other SEK 16 m (16).

** Non received dividend income due to Covid-19, in the quarter consists of SEK 0 m (0) and in the nine-month period of SEK -455 m (0).

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q3 2020	Q3 2019	Nine months 2020	Nine months 2019	1 Dec 2018- 30 Nov 2019
PROFIT FOR THE PERIOD	661	1,718	1,275	3,180	16,835
Other comprehensive income <i>Items that have not been and will not be reclassified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-	-	-	-	-3
Tax related to the above remeasurement	-	-	-	-	1
OTHER COMPREHENSIVE INCOME	-	-	-	-	-2
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	661	1,718	1,275	3,180	16,833

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	31 Aug - 2020	31 Aug - 2019	30 Nov 2019
ASSETS			
Fixed assets			
Property, plant and equipment	207	243	232
Other fixed assets	2,166	1,891	1,913
	2,373	2,134	2,145
Current assets			
Current receivables	39,000	28,470	31,442
Cash and cash equivalents	-	80	2
	39,000	28,550	31,444
TOTAL ASSETS	41,373	30,684	33,589
EQUITY AND LIABILITIES			
Equity	18,442	3,513	17,167
Untaxed reserves	57	96	57
Long-term liabilities*	12,758	10,448	10,442
Current liabilities**	10,116	16,627	5,923
TOTAL EQUITY AND LIABILITIES	41,373	30,684	33,589

* All long-term liabilities are interest-bearing.

** Interest-bearing current liabilities amounts to SEK 4,846 m (6,140). Dividend to be paid amounts to SEK 0 m (8,027).