

### Three-month report

#### First quarter (1 December 2019 – 29 February 2020)

- The H&M group's net sales increased by 8 percent to SEK 54,948 m (51,015) in the first quarter. In local currencies, net sales increased by 5 percent compared with the same quarter the previous year. Excluding the markets that were most affected during the quarter by the situation linked to the coronavirus Covid-19, the H&M group's sales increased during the quarter by 7 percent in local currencies.
- Online sales increased by 48 percent in SEK and 44 percent in local currencies.
- Gross profit increased by 10 percent to SEK 28,034 m (25,526). This corresponds to a gross margin of 51.0 percent (50.0).
- Profit after financial items more than doubled to SEK 2,504 m (1,043), which shows that the company's transformation work has had a good effect. Excluding the effects of IFRS 16, profit after financial items increased to SEK 2,418 m (1,043).
- The group's profit after tax increased to SEK 1,928 m (803), corresponding to SEK 1.16 (0.49) per share. Excluding the effects of IFRS 16 profit after tax increased to SEK 1,862 m (803).
- The composition and the level of the stock-in-trade continued to improve also in the first quarter. Adjusted for currency effects the stock-in-trade decreased by 12 percent. The book value of stock-in-trade in SEK represented 15.7 percent (18.6) of sales for the rolling twelve months.

- As a result of the rapid global spread of the Covid-19 virus, sales have decreased significantly. As at 31 March, a total of 3,778 out of 5,065 stores were closed. Net sales in March 2020 decreased by 46 percent in local currencies compared with March 2019. Since mid-March all of the stores have been closed in several of the group's largest markets.
- Online sales in March 2020 increased by 17 percent in local currencies. Digital sales channels remain open in 47 of the group's 51 online markets.
- In China demand has gradually started to recover. More or less all of the group's stores have now reopened and sales have gradually increased.
- Measures have been taken in all parts of the business to mitigate the impact of the coronavirus, including in the following areas:
  - As communicated previously, the board is proposing to the 2020 AGM that the dividend is cancelled
  - Adjustments to product purchasing and purchasing plans
  - Investments deferred and scaled back
  - Rents: dialogue has been started with all landlords
  - Reduced working hours for tens of thousands of employees
  - Credit facilities are being expanded to further strengthen the liquidity buffer
  - Increased activities in the digital channels

*"The strong improvement in profit in the first quarter shows that customers appreciate our assortment and that our transformation work is having a good effect. The outbreak of coronavirus and the extraordinary public measures taken to reduce the spread of the virus have put people, communities and companies in an exceptional situation. The safety of our employees and customers is our highest priority and we are cooperating fully with the authorities. We are working very hard to manage this challenging situation in the best possible way, and in view of the dramatic decline in the market we have to make difficult decisions and take forceful action. However, I am convinced that as a company – once we are through this – we will continue to stand strong," says CEO Helena Helmersson.*

First quarter 2020  
**SEK 55 billion**  
in net sales

Operating profit Q1  
**SEK 2.7 billion**



H&M

## Comments by Helena Helmersson, CEO

"We are working very hard within the H&M group to manage the challenging situation caused by the coronavirus Covid-19 in the best possible way. The rapid course of events and the extraordinary public measures taken to reduce the spread of the virus have put people, communities and companies in an exceptional situation. The safety of our employees and customers is our highest priority and we are cooperating fully with the authorities. With the dramatic decline in the market we have to make many difficult decisions and take forceful action. I am convinced that as a company – having taken the right measures to get through this tough period – we will continue to stand strong. With customers all over the world, amazing employees and sound finances, we are very well positioned for this.

### First quarter 2020

Our profit more than doubled in the first quarter. The strong increase is a result of a much-appreciated assortment with the best combination of fashion, quality, price and sustainability. Our focus on the customer offering and the customer experience continued to drive full-price sales, with decreased markdowns and an improved inventory level as a result. The positive development, which began already in 2019, shows that our transformation work is effective and our long-term investments are paying off.

Sales increased by 8 percent in Swedish kronor and 5 percent in local currencies. The growth in online sales was 48 percent in Swedish kronor and 44 percent in local currencies. In the second half of the quarter the group's sales were muted by the rapid outbreak of coronavirus, particularly in China where sales decreased by 84 percent in February. Excluding China, Hong Kong, Singapore, Macau, Japan and Taiwan, sales increased by 7 percent in local currencies.

### Measures to mitigate negative impact of the coronavirus situation

The second quarter will naturally be very negatively impacted by the corona situation and will therefore be loss-making. As at 31 March 3,778 of our 5,065 stores were temporarily closed, in a total of 54 markets – including all our stores in Germany, the US, the UK, France, Italy and Spain, which are among our largest markets. Demand has also been subdued in many other markets due to the worry and uncertainty caused by the pandemic. In China, however, a gradual recovery can be seen as the stores have reopened.

With each day that we are having to keep stores closed, the situation is becoming increasingly demanding. We have therefore brought in a range of forceful measures (see page 3) in areas such as purchasing, investments, rents and staffing. All parts of the business are included, and all costs are being reviewed.

Regrettably, we have had to start implementing reduced working hours in the markets affected by the corona situation. Globally, this will affect tens of thousands of employees in all parts of the business, although it is not currently possible to specify an exact number. Local legislation has different definitions and conditions for temporary lay-offs or reduced working hours. We are also reviewing the need for any redundancies. Senior executives have taken a temporary 20 percent pay cut.

In the light of this, I welcome the board's decision to propose to the 2020 annual general meeting that the dividend is cancelled, and I share the board's conviction that this is the best thing to do to secure our continued freedom of action. To strengthen our liquidity buffer, a number of sources of financing are also being evaluated and prepared.

The current and extraordinary situation will have huge consequences for many companies, both in our sector and others. Dialogue between companies and governments is particularly important in a situation such as this, and the H&M group appreciates the various support measures that governments have introduced to ease the cost burden on companies in the markets concerned. In our view, however, further measures will be needed.

The H&M group wants to help in the fight against corona. We have temporarily switched parts of our suppliers' production to making personal protective equipment for hospital staff. The H&M Foundation is also supporting the COVID-19 Solidarity Response Fund, which was started by WHO and other partners in order to contribute to understanding the spread of the virus, making protective equipment available and speeding up development of a vaccine.

The situation we find ourselves in cannot be compared with anything we have ever experienced before. It puts an incredible strain on people, our communities and, of course, also on us as a company. All this will also speed up the transformation already taking place in our sector. We believe that the major changes in consumer behaviour we are now seeing will further increase the digitalisation of society as well as the focus on sustainability – areas that remain very important to us. Right now, we are acting based on the very rapid changes in the world around us while also ensuring that we have the best customer offering. Our strong earnings trend until hit by the corona situation shows that we have a firm foundation. With our committed employees, strong culture and unique brands I am convinced that, once we are through this, we will still stand strong as a company. We will continue our extensive transformation work and will keep working on our ambition to lead the development towards a more sustainable fashion industry. To find out more please read our Sustainability Performance Report 2019, published recently at [hmgroup.com](https://www.hmgroup.com)."



H&M

## Coronavirus – summary

Action has been taken in all parts of the business to counter the effects of the coronavirus. The company is cooperating fully with the authorities and welcomes the support packages announced with a view to mitigating the negative impact, but sees a need for further measures.

- The safety of employees and customers has highest priority. Crisis teams at both local and global levels have been working together since the end of January to secure and coordinate the necessary measures. Lessons from China and Italy are being applied in other markets.
- As at 31 March almost all of the group’s stores in China have reopened, but 3,778 of the group’s 5,065 stores are temporarily closed in 54 markets, including Germany, the US, Italy, France, Spain, the UK and the Netherlands. Since a large share of the group’s stores are closed, extra effort has been put into the offerings to customers in the digital channels and the integration of stores and online has been intensified.
- Product purchasing and purchasing plans have been adjusted. The inventory is expected to increase temporarily, but to normalise as demand returns.
- All planned and approved investments are being re-evaluated. Capex for full-year 2020 has been revised down from the previous SEK 8.5 billion to SEK 5 billion. For 2019 capex amounted to just over SEK 10 billion.
- As communicated previously, the board of directors has proposed to the 2020 AGM that the dividend of SEK 16.1 billion is cancelled.
- Expansion of credit facilities. To strengthen the group’s liquidity buffer, a number of sources of financing have been evaluated and prepared. Expected to be finalised in the second quarter 2020.
- Operating expenses excluding depreciation and amortisation in the second quarter 2020 are expected to be able to be reduced by around 20-25 percent based on current information, but this estimate is subject to some uncertainty. This is being made possible by, among other things, reduced working hours in markets that are impacted by the corona situation. Globally, this will affect tens of thousands of employees in all parts of the business, although it is not currently possible to specify an exact number. Local legislation has different definitions and conditions for temporary lay-offs or reduced working hours. Rental costs are being reduced through turnover-based rents and also rent reliefs from certain governments. The group is awaiting possible additional rent reliefs based on dialogue with landlords and based on decisions by authorities in connection with store closures in most markets. Other operating costs are being adjusted down to the absolute minimum.

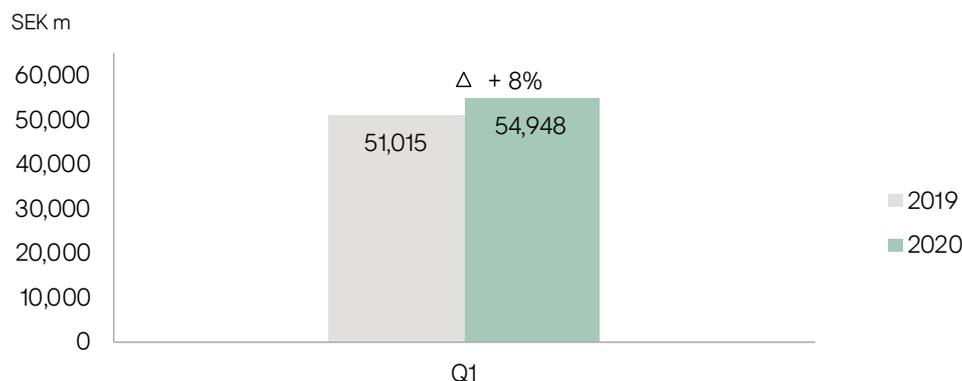
The second quarter will be a loss-making quarter since the substantial drop in sales will not be able to be offset by the cuts in operating costs.

The development of the H&M group’s sales in China since the virus outbreak is shown below.

Sales development per week in China vs 2019



## Sales



**Net sales** increased by 8 percent to SEK 54,948 m (51,015) in the first quarter. In local currencies net sales increased by 5 percent. Sales development in the second half of the quarter was negatively impacted by the outbreak of the Covid-19 virus, particularly in China. From 1 December 2019 to 23 January 2020 sales in China increased by 27 percent in local currency. However, demand then decreased significantly as a result of the rapid development of the virus and therefore the H&M group's sales in China decreased by 24 percent in the quarter as a whole. In February sales in China decreased by 84 percent, see figure on previous page.

Excluding China, Hong Kong, Singapore, Macau, Japan and Taiwan the group's sales in the quarter increased by 7 percent in local currencies.

The H&M group's online sales increased by 48 percent in SEK compared with the first quarter the previous year. In local currencies the increase was 44 percent.



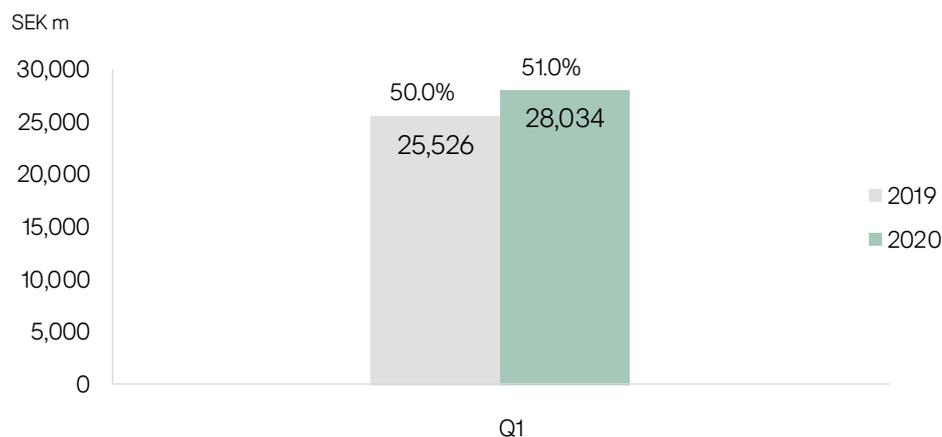
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## Sales in top ten markets, first quarter

	Q1 - 2020	Q1 - 2019	Change in %		29 Feb - 20	Q1 - 2020
	SEK m net sales	SEK m net sales	SEK	Local currency	Number of stores	New stores (net)
Germany	7,743	6,744	15	13	460	-6
USA	7,234	6,532	11	6	589	-4
UK	3,531	3,324	6	1	302	-3
France	2,869	2,825	2	0	230	-5
Sweden	2,147	2,004	7	7	174	-3
China	2,114	2,712	-22	-24	518	-2
Italy	1,916	1,874	2	0	180	-1
Spain	1,861	1,867	0	-2	167	0
Russia	1,517	1,151	32	19	148	1
Poland	1,485	1,327	12	9	190	0
Others	22,531	20,655	9	6	2,095	0
<b>Total</b>	<b>54,948</b>	<b>51,015</b>	<b>8</b>	<b>5</b>	<b>5,053</b>	<b>-23</b>

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



**Gross profit** increased by 10 percent to SEK 28,034 m (25,526) in the first quarter, corresponding to a gross margin of 51.0 percent (50.0).

**Costs for markdowns** in relation to sales decreased by just under 1 percentage point in the first quarter of 2020 compared with the same quarter in 2019.

**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.

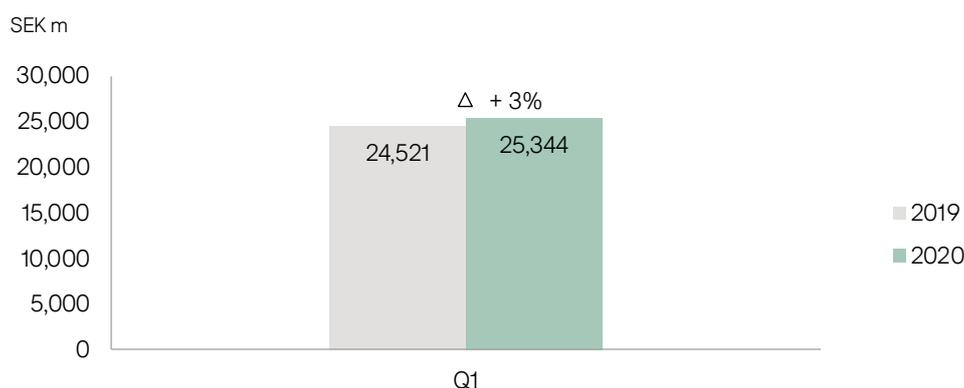
For the first quarter the external factors influencing purchasing costs were negative, above all as a result of the more expensive US dollar compared with the same purchasing period the previous year.

For those products that had already been purchased for the second quarter before the coronavirus situation arose, the external factors were somewhat negative compared with the same purchasing period the previous year.



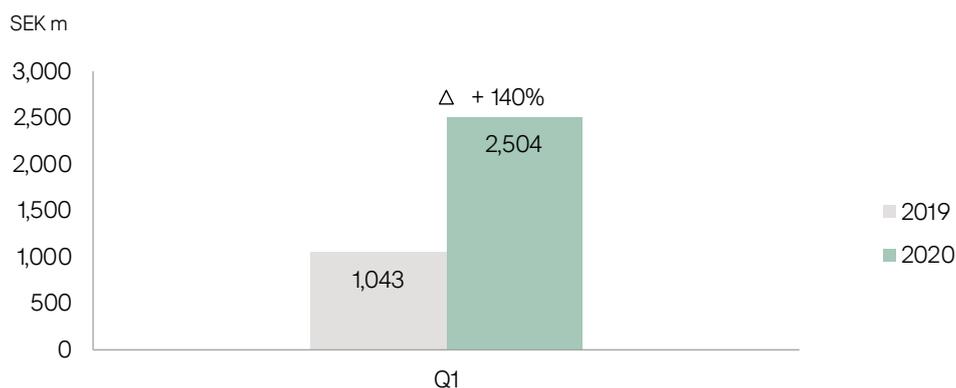
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## Selling and administrative expenses



Cost control in the group remains good. In the first quarter of 2020, selling and administrative expenses amounted to SEK 25,344 m (24,521). Excluding the effects of IFRS 16, selling and administrative expenses amounted to SEK 25,651 m (24,521), which was an increase of 5 percent in SEK and 2 percent in local currencies compared with the same period the previous year.

## Profit after financial items



**Profit after financial items** increased by 140 percent to SEK 2,504 m (1,043) in the first quarter. Excluding the effects of IFRS 16, profit after financial items amounted to SEK 2,418 m (1,043), an increase of 132 percent.

Despite a continued high level of activity in the ongoing transformation work and the negative effects of the coronavirus situation towards the end of the quarter, profits increased – driven mainly by increased full-price sales and lower costs for markdowns, as well as good cost control.



*& other stories*

## Stock-in-trade

The composition and the level of the stock-in-trade continued to improve in the first quarter. Adjusted for currency effects the stock-in-trade decreased by 12 percent compared to the previous year. Expressed in SEK, the stock-in-trade decreased by 7 percent to SEK 37,201 m (39,968).

The book value of stock-in-trade in SEK represented 15.7 percent (18.6) of sales for the rolling twelve months, which amounted to SEK 236,688 m (215,234).

As a result of the sudden drop in demand linked to the coronavirus situation, the inventory will temporarily increase. Thanks to assertive action and rapid revision of product purchases, however, the inventory level is expected to normalise again as demand returns. The successful transformation work that the H&M group has conducted in recent years puts the group in a good position both to deal with the current situation and to continue the positive momentum that the company was enjoying until the corona outbreak.

The inventory level as at 31 March 2020 was SEK 40.1 billion (40.6).

## Expansion

The current situation changes the preconditions – for example, those on which lease terms for stores are based. For 2020 agreements allow around 1,000 leases to be renegotiated, providing further opportunities to adapt the number of stores and store area and to improve rent terms. In view of the current situation, other leases are now also being reviewed in order to find solutions jointly with the landlords during this challenging time.

In 2020 the H&M group plans to open approximately 165 new stores, while around 130 permanent store closures are planned – resulting in a net addition of approximately 35 stores.

The integration of stores and online continues. Australia is scheduled to become a new H&M online market towards the end of 2020. H&M will also be launched this year on the ecommerce platform SSG.COM in South Korea.

The first H&M store in Panama is scheduled to open at the end of 2020 via franchise.

The H&M group recently launched Treadler, offering services from the H&M group's world-leading supply chain. This will enable more rapid transformation to a more sustainable textile industry while adding a further long-term line of growth to the H&M group.

Brand	No. of markets 29 Feb - 2020		Expansion 2020
	Store	Online	New markets
H&M	74	51	Store: Panama (franchise) Online: Australia
COS	44	23	Store: New Zealand Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
Monki	19	20	Store: Philippines Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
Weekday	14	19	Store: Russia Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
& Other Stories	20	22	Store: Norway, Russia Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
ARKET	7	19	Online: Bulgaria, Cyprus, Estonia, Greece, Croatia, Latvia, Lithuania, Luxembourg, Romania
Afound	2	2	Store: Netherlands*
H&M HOME	51	42	

\* Opened until 29 February 2020

COS, Weekday, Monki, & 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 first quarter, the H&M group opened 21 (29) stores including franchise and closed 44 (39) stores, making a net increase of -23 (-10) stores. The group had a total of 5,053 (4,958) stores as at 29 February 2020, of which 277 (255) were operated by franchise partners.

Brand	New Stores (net)	Total No of stores	
	Q1 - 2020	29 Feb - 2020	28 Feb - 2019
H&M	-19	4,473	4,420
COS	-1	290	272
Monki	-2	128	127
Weekday	-1	53	38
& Other Stories	-1	70	69
ARKET	0	20	18
Afound	1	8	6
H&M HOME*	0	11	8
<b>Total</b>	<b>-23</b>	<b>5,053</b>	<b>4,958</b>

\* Concept stores. H&M HOME is also included with shop-in-shop in 387 H&M



WEEKDAY

## Store count by region

Region	New Stores (net)	Total No of stores	
	Q1 - 2020	29 Feb - 2020	28 Feb - 2019
Europe & Africa	-27	3,060	3,055
Asia & Oceania	4	1,224	1,159
North & South America	0	769	744
<b>Total</b>	<b>-23</b>	<b>5,053</b>	<b>4,958</b>

## Tax

The H&M group's tax rate for the 2019/2020 financial year is expected to be 22-23 percent. In the first three quarters of the year a tax rate of 23 percent will be used to calculate tax expense on the result of each period.

## Current quarter

The H&M group's sales in March 2020 decreased by 46 percent in local currencies compared with the same period the previous year. Online sales increased by 17 percent in local currencies. Since mid-March all of the stores have been closed in several of the group's largest markets.

The second quarter of 2020 will be a very challenging quarter as a result of the coronavirus situation. Since it is difficult to assess how quickly the various markets will recover, the company is not making any sales forecasts. However, a graph showing how the corona situation has affected the company's sales in China since the start of the outbreak can be found on page 3.

The second quarter will be a loss-making quarter since the substantial drop in sales will not be able to be offset by the cuts in operating costs.

## Financing

As at 29 February 2020, the group had SEK 4,490 m (8,336) in loans with a term of up to 12 months, of which SEK 4,300 m (0) in commercial papers, SEK 6,401 m (9,219) in loans with a term of between 12 months and three years, SEK 2,132 m (2,110) in loans with a term of between three and five years and SEK 2,000 m (0) in loans with a term of over five years.

As at 29 February 2020 cash and cash equivalents plus unutilised committed credit facilities totalled SEK 24,434 m (19,235) and the average term of loans was 2.1 years (1.9). Net debt in relation to EBITDA amounted to 0.1 (0.3) excluding IFRS 16 effects.

The ongoing spread of the coronavirus had a negative impact on the group's cash flow in the first quarter. Given continued developments in the second quarter, and assuming that the negative effects of the coronavirus situation will continue – albeit to a lesser degree – in the subsequent quarter, the group is preparing financing measures to secure liquidity in the short and long term.

The H&M group's liquidity remains good. The group is continuing its work to set up a combination of different financing solutions. Dialogue is being conducted with various banks concerning expanded loan facilities in order to secure liquidity in the short term. In the medium and long term, the group will supplement this with further sources of financing on the credit market. The company is also continually monitoring the liquidity measures being implemented by central banks around the world and will seek to utilise the relevant measures offered.

The group expects to have several different financing solutions in place during the second quarter of 2020.

In view of the current situation and the uncertainty concerning market development, on 23 March the board of directors announced that it was withdrawing its previous dividend proposal



MONK L

of SEK 9.75 per share, totalling just over SEK 16 billion, and would instead propose to the 2020 AGM that no dividend is paid. This decision will contribute to further strengthening the company's already strong financial position, thereby ensuring continued freedom of action going forward.

## 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 – 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. H&M 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 H&M 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. 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.

## Financial instruments

H & M Hennes & Mauritz AB'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 29 February 2020, forward contracts with a positive market value amount to SEK 552 m (437), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 385 m (1,137), which is reported under other current liabilities. Other financial assets and liabilities are measured at amortised cost. It is therefore judged that the fair values of these financial instruments are approximately equal to their book values.

## Risks and uncertainties

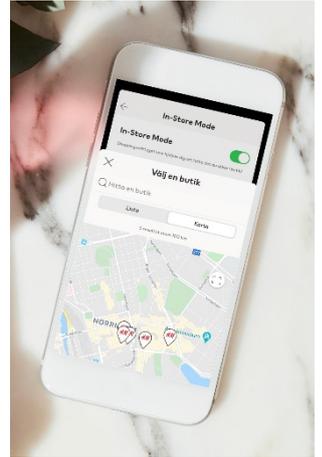
A number of factors may affect the H&M group's result and business. Many of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties for the H&M group related to the major shift within the industry, fashion, weather 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. See also information in this interim report, such as on page 3, concerning the measures that the company is taking to manage the negative effects on the business resulting from the coronavirus situation.

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 H&M group's transformation work continues, although it is also being affected by the negative impact of the corona situation. Here are some examples of new and ongoing initiatives to create the best offering and experience for our customers.

- H&M's upgraded **customer loyalty programme** now has just over 70 million members in 21 markets and will continue to be rolled out to additional markets in 2020.
- **Pay Later** – members of H&M's customer loyalty programme can shop and pay later against invoice, whether shopping in store or online. This payment solution was launched last autumn in the USA and is now available in nine markets.
- **Digital receipts** – customers can now receive digital receipts in the H&M app in most of our markets.
- **Visual Search** is now available in 31 markets and uses image recognition to help customers by giving recommendations and suggested buys based on pictures that the customer has taken or been inspired by.
- **Next day delivery** and express delivery are offered in 14 markets. These services will continue to be developed and improved during 2020.
- **Climate-smart delivery options** – H&M customers 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.
- **Find in Store** is available in 22 markets. This solution lets customers use their mobile to find an item they have seen online in the size and store they want.
- **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** is available in 14 markets where customers can pick up their online purchases in store.
- **Online returns in store** is now available in 16 markets.
- **#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 most of H&M's online markets.
- **Recommended Size** helps customers find the right size online based on past purchases. Available in 20 markets.
- **Rate & Review** lets customers rate and review H&M products, and is available in around 20 markets.
- **RFID** is currently in 18 H&M markets.
- **Self-service express checkout** is being tested in stores in Sweden, among others.
- Weekday has tested out new technology based on algorithms and 3D for **individually made-to-measure** jeans.
- Through **H&M's collaboration with Instagram** in the US customers can shop directly from inspirational images. Customers can now get notifications on Instagram when H&M releases new collections.



## Product flow

The ongoing work encompassing the entire flow of goods and how we ensure that we have the right product in the right place at the right time, at the right cost, continues. An important part of this is our logistics centres and our logistics systems. As a result of the corona situation, some reprioritisations and changes of the time plan have been made.

- Work to integrate stores and online is being intensified further. The current situation with stores closed means we are investing even more in greater flexibility and speed between the channels in product flow.
- A brand new high-tech logistics centre has opened in Milton Keynes, UK. It is gradually replacing several existing logistics units and supplies both the stores and the online channel.
- A new logistics centre will open outside Madrid, Spain during the year.



ARKET

## Sustainability

On 2 April the H&M Group Sustainability Performance Report 2019 was released. It highlights progress in the period up to 30 November 2019 towards the company's vision to lead the change towards circular, climate positive fashion as a fair and equal company, such as:

- We are on our way to achieving our goal for 2020 of only purchasing recycled and sustainably sourced cotton.
- We are taking steps towards our goal of 100% of our materials being either recycled or sourced in a more sustainable way by 2030.
- We are also exploring and scaling up new circular business models and services such as rental and repair services, second-hand sales, on-demand production, made-to-measure garments, sales of updated products and reusable packaging.
- We collected 29,005 tonnes of garments during 2019 – an increase of 40% from 2018, exceeding our goal of 25,000 tonnes annually.
- H&M group ranked number three out of 77 companies in the Sustainable Cotton Ranking 2020 conducted by the NGOs WWF, PAN UK and Solidaridad.
- We are also very proud to have been recognised for the ninth time by the Ethisphere® Institute as one of the World's Most Ethical Companies.
- We launched our business-to-business service Treadler, which offers textile and apparel retailers access to the H&M group's supply chain, enabling other companies to accelerate more sustainable social and environmental change through their own value chains more quickly.
- H&M is the first brand to offer garments produced from a material made from chemically recycled fabric. The material is called Circulose and is produced by re:newcell, a start-up which the H&M group co-owns. The garments will be part of the spring Conscious Exclusive collection.
- The Global Change Award is the H&M Foundation's annual innovation challenge that aims to speed up the shift to a circular fashion industry. The five winning ideas in 2020 are: using biotechnology to create lab-grown cotton; creating fabrics from protein DNA; tracking sustainable fibres through blockchain technology; separating and cleaning wastewater; and converting greenhouse gas into sustainable polyester. Presented on 1 April, the winners share EUR 1 million and get access to a one-year acceleration programme run by the H&M Foundation, Accenture and KTH Royal Institute of Technology in Stockholm. Read more on [globalchangeaward.com](http://globalchangeaward.com)

Read more about many of our initiatives and our sustainability work at [hmgroupp.com](http://hmgroupp.com).

## Calendar

7 May 2020	Annual general meeting
15 June 2020	Sales development in second quarter, 1 March 2020 – 31 May 2020
26 June 2020	Six-month report, 1 Dec 2019 – 31 May 2020
15 September 2020	Sales development in the third quarter, 1 Jun 2020 – 31 Aug 2020
1 October 2020	Nine-month report, 1 Dec 2019 – 31 Aug 2020

This three-month report has not been audited by the company's auditors.

Stockholm, 2 April 2020  
Board of Directors



ARKET

## Telephone conference in conjunction with the three-month report

In conjunction with the release of the three-month report on 3 April 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](http://hmgroupp.com) or via this link:

<http://emea.directeventreg.com/registration/2174391>

To book interviews with CEO Helena Helmersson and Head of IR Nils Vinge in conjunction with the three-month report on 3 April, please contact:

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For more information about the H&M group visit [hmgroupp.com](http://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 3 April 2020. This interim report and other information about the H&M group, is available at [hmgroupp.com](http://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 more than 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](http://hmgroupp.com).*

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

	Q1 2020	Q1 2019	1 Dec 2018- 30 Nov 2019	Exclusive IFRS 16 Q1 2020
Net sales	54,948	51,015	232,755	54,948
Cost of goods sold	-26,914	-25,489	-110,302	-26,926
<b>GROSS PROFIT</b>	<b>28,034</b>	<b>25,526</b>	<b>122,453</b>	<b>28,022</b>
<i>Gross margin, %</i>	51.0	50.0	52.6	51.0
Selling expenses	-23,028	-22,423	-96,279	-23,328
Administrative expenses	-2,316	-2,098	-8,828	-2,323
<b>OPERATING PROFIT</b>	<b>2,690</b>	<b>1,005</b>	<b>17,346</b>	<b>2,371</b>
<i>Operating margin, %</i>	4.9	2.0	7.5	4.3
Net financial items	-186	38	45	47
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>2,504</b>	<b>1,043</b>	<b>17,391</b>	<b>2,418</b>
Tax	-576	-240	-3,948	-556
<b>PROFIT FOR THE PERIOD</b>	<b>1,928</b>	<b>803</b>	<b>13,443</b>	<b>1,862</b>

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

Earnings per share, SEK*	1.16	0.49	8.12	1.13
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072
Depreciation, total	6,397	2,677	11,051	2,760
of which cost of goods sold	444	171	570	168
of which selling expenses	5,721	2,355	9,887	2,455
of which administrative expenses	232	151	594	137

\* Before and after dilution.

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

	Q1 2020	Q1 2019	1 Dec 2018- 30 Nov 2019	Exclusive IFRS 16 Q1 2020
PROFIT FOR THE PERIOD	1,928	803	13,443	1,862
Other comprehensive income				
<i>Items that are or may be reclassified to profit or loss</i>				
Translation differences	373	1,272	1,150	373
Change in hedging reserves	-173	-752	156	-173
Tax attributable to change in hedging reserves	40	173	-36	40
<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	-
<b>OTHER COMPREHENSIVE INCOME</b>	<b>240</b>	<b>693</b>	<b>1,217</b>	<b>240</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>2,168</b>	<b>1,496</b>	<b>14,660</b>	<b>2,102</b>

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

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

ASSETS	29 Feb - 2020	28 Feb - 2019	30 Nov 2019	Exclusive IFRS 16 29 Feb - 2020
<b>Fixed assets</b>				
Intangible fixed assets	11,383	10,059	11,448	11,635
Property, plant and equipment	39,325	42,757	40,892	39,325
Right of use assets	67,744	-	-	-
Financial fixed assets	641	485	639	641
Other fixed assets	5,333	4,330	5,234	5,333
	124,426	57,631	58,213	56,934
<b>Current assets</b>				
Stock-in-trade	37,201	39,968	37,823	37,201
Current receivables	13,199	12,076	12,137	13,445
Cash and cash equivalents	11,972	11,851	12,312	11,972
	62,372	63,895	62,272	62,618
<b>TOTAL ASSETS</b>	<b>186,798</b>	<b>121,526</b>	<b>120,485</b>	<b>119,552</b>
<b>EQUITY AND LIABILITIES</b>				
Equity	59,237	60,042	57,069	59,171
Long-term liabilities*	15,521	16,572	15,580	15,500
Long-term leasing liabilities*	57,183	-	-	-
Current liabilities**	40,234	44,912	47,836	44,881
Current leasing liabilities**	14,623	-	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>186,798</b>	<b>121,526</b>	<b>120,485</b>	<b>119,552</b>

\* Interest-bearing long-term liabilities amounts to SEK 68,260 m (12,090).

\*\* Interest-bearing current liabilities amounts to SEK 19,113 m (8,472).

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

	29 Feb - 2020	28 Feb - 2019	30 Nov 2019	Exclusive IFRS 16 29 Feb - 2020
Shareholders' equity at the beginning of the period	57,069	58,546	58,546	57,069
Total comprehensive income for the period	2,168	1,496	14,660	2,102
Dividend	-	-	-16,137	-
Shareholders' equity at the end of the period	59,237	60,042	57,069	59,171

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

	Q1 - 2020	Q1 - 2019	Exclusive IFRS 16 Q1 - 2020
<b>Current operations</b>			
Profit after financial items*	2,504	1,043	2,418
- Provisions for pensions	31	12	31
- Depreciation	6,397	2,677	2,760
- Tax paid	-2,067	-514	-2,067
- Other	-	8	-
<b>Cash flow from current operations before changes in working capital</b>	<b>6,865</b>	<b>3,226</b>	<b>3,142</b>
<b>Cash flow from changes in working capital</b>			
Current receivables	-322	879	-322
Stock-in-trade	733	-1,745	733
Current liabilities	-439	-528	-439
<b>CASH FLOW FROM CURRENT OPERATIONS</b>	<b>6,837</b>	<b>1,832</b>	<b>3,114</b>
<b>Investing activities</b>			
Investment in intangible fixed assets	-526	-715	-526
Investment in tangible fixed assets	-887	-1,663	-887
Other investments	19	-19	19
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,394</b>	<b>-2,397</b>	<b>-1,394</b>
<b>Financial activities</b>			
Change in interest-bearing liabilities	-2,294	306	-2,294
Amortization lease	-3,723	-	-
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-6,017</b>	<b>306</b>	<b>-2,294</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>-574</b>	<b>-259</b>	<b>-574</b>
<b>Cash and cash equivalents at beginning of the financial year</b>	<b>12,312</b>	<b>11,590</b>	<b>12,312</b>
Cash flow for the period	-574	-259	-574
Exchange rate effect	234	520	234
<b>Cash and cash equivalents at end of the period**</b>	<b>11,972</b>	<b>11,851</b>	<b>11,972</b>

\* Interest paid for the group amounts to SEK 48 m (44).

\*\* Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 11,972 m (11,851).

**FIVE YEAR SUMMARY****Q1, 1 December - 29 February**

	2016	2017	2018	2019	2020	Exclusive IFRS 16 2020
Net sales, SEK m	43,691	46,985	46,181	51,015	54,948	54,948
Change net sales from previous year in SEK, %	8	8	-2	10	8	8
Change net sales previous year in local currencies, %	9	4	0	4	5	5
Operating profit, SEK m	3,270	3,159	1,208	1,005	2,690	2,371
Operating margin, %	7.5	6.7	2.6	2.0	4.9	4.3
Depreciations for the period, SEK m	1,819	2,106	2,279	2,677	6,397	2,760
Profit after financial items, SEK m	3,327	3,212	1,263	1,043	2,504	2,418
Profit after tax, SEK m	2,545	2,457	1,372	803	1,928	1,862
Cash and cash equivalents and short-term investments, SEK m	14,571	8,437	10,003	11,851	11,972	11,972
Stock-in-trade, SEK m	25,153	32,692	34,959	39,968	37,201	37,201
Equity, SEK m	59,401	63,395	61,720	60,042	59,237	59,171
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*	1.54	1.48	0.83	0.49	1.16	1.13
Equity per share, SEK*	35.89	38.30	37.29	36.28	35.79	35.75
Cash flow from current operations per share, SEK*	2.61	1.43	0.79	1.11	4.13	1.88
Share of risk-bearing capital, %	72.1	69.9	61.5	53.1	34.1	53.2
Equity/assets ratio, %	67.2	64.8	57.0	49.4	31.7	49.5
Total number of stores	3,970	4,393	4,743	4,958	5,053	5,053
<b>Rolling twelve months</b>						
Earnings per share, SEK*	11.98	11.21	9.12	7.30	8.80	8.76
Return on equity, %	34.1	30.2	24.1	19.8	24.4	24.3
Return on capital employed, %	44.1	38.2	27.2	20.3	17.1	24.6

\* Before and after dilution.

For definitions of key figures see the annual report

**SEGMENT REPORTING (SEK m)**

	<b>Q1 - 2020</b>	<b>Q1 - 2019</b>
<b>Asia and Oceania</b>		
External net sales	8,119	8,351
Operating profit	-271	235
Operating margin, %	-3.3	2.8
<b>Europe and Africa*</b>		
External net sales	35,928	33,162
Operating profit	-490	-1,081
Operating margin, %	-1.4	-3.3
<b>North and South America</b>		
External net sales	10,901	9,502
Operating profit	50	50
Operating margin, %	0.5	0.5
<b>Group Functions</b>		
Net sales to other segments	19,392	19,846
Operating profit	3,401	1,801
<b>Eliminations</b>		
Net sales to other segments	-19,392	-19,846
<b>Total</b>		
External net sales	54,948	51,015
Operating profit	2,690	1,005
Operating margin, %	4.9	2.0

\* South Africa

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

	<b>Q1 2020</b>	<b>Q1 2019</b>	<b>1 Dec 2018- 30 Nov 2019</b>
External net sales	9	7	31
Internal net sales*	942	1,040	4,444
<b>GROSS PROFIT</b>	<b>951</b>	<b>1,047</b>	<b>4,475</b>
Administrative expenses	-34	-40	-157
<b>OPERATING PROFIT</b>	<b>917</b>	<b>1,007</b>	<b>4,318</b>
Net financial items**	-5	-21	15,753
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>912</b>	<b>986</b>	<b>20,071</b>
Year-end appropriations	-	-	-2,961
Tax	-192	-216	-275
<b>PROFIT FOR THE PERIOD</b>	<b>720</b>	<b>770</b>	<b>16,835</b>

\* Internal sales in the quarter consists of royalty of SEK 936 m (1,035) and other SEK 6 m (5) received from group companies.

\*\* Dividend income from subsidiaries in the quarter consists of SEK 16 m (2) .

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

	<b>Q1 2020</b>	<b>Q1 2019</b>	<b>1 Dec 2018- 30 Nov 2019</b>
PROFIT FOR THE PERIOD	720	770	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
<b>OTHER COMPREHENSIVE INCOME</b>	<b>-</b>	<b>-</b>	<b>-2</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>720</b>	<b>770</b>	<b>16,833</b>

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

	29 Feb - 2020	28 Feb - 2019	30 Nov 2019
<b>ASSETS</b>			
<b>Fixed assets</b>			
Property, plant and equipment	224	272	232
Other fixed assets	1,196	1,593	1,913
	1,420	1,865	2,145
<b>Current assets</b>			
Current receivables	36,244	35,614	31,442
Cash and cash equivalents	0	66	2
	36,244	35,680	31,444
<b>TOTAL ASSETS</b>	<b>37,664</b>	<b>37,545</b>	<b>33,589</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	17,887	17,240	17,167
Untaxed reserves	57	96	57
Long-term liabilities*	10,443	11,363	10,442
Current liabilities**	9,277	8,846	5,923
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37,664</b>	<b>37,545</b>	<b>33,589</b>

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

\*\* Interest-bearing current liabilities amounts to SEK 4,300 m (6,870).