Conference call 29 January 2021
Full-year report 2020

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2020 – a year characterised by the pandemic

The H&M group’s sales development in local currencies

- **Q1**: Strong development in Q1 despite China’s lockdown in February.
- **Q2**: Lockdown. The world locks down in March. Recovery begins, driven mainly by strong online sales.
- **Q3**: Stores are gradually reopened. The recovery is faster and better than expected. Online growth stays strong.
- **Q4**: Sales back at 2019 level before second wave of pandemic strikes. Online continues to increase.
Managing Covid-19

- Momentum interrupted by pandemic
- Fast and strong actions
- Focus on digital channels
  - most stores temporarily closed
- Recovery in 2H better than expected
  - appreciated collections
  - channels strengthen each other
Q4 in brief

- Attractive customer offering
- 107 million H&M members by year-end
- Recovery until second wave of pandemic
- Online sales +50% in local currencies
- Good cost control
- Positive result and strong financial position
Covid-19 actions

OPERATIONAL FLEXIBILITY
› Customer offer adjustment and inventory management
› Strong customer focus and adjustments to meet rapid changes to demand
› Decisive and immediate purchase level adjustments

COST MANAGEMENT
› Store cost adjustments
  Adjustments of scheduling and resources
  Rent negotiations
  Review of marketing initiatives
› Other administrative costs

CASH & LIQUIDITY ENHANCEMENT
› Secured additional credit facilities – short term
› Established EMTN programme to secure diversification of sources of financing – long term

CAPEX ADJUSTMENTS
› Revision of 2020 investment plan
› Increase share of investments towards digital and supply chain

DIVIDEND CANCELLATION
› AGM on 7 May 2020 resolved that no dividend would be paid and that the funds available to the meeting would be carried forward
## Quarterly cash flow from current operations

*Excluding IFRS 16*

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2018 Q4</th>
<th>2019 Q1</th>
<th>2019 Q2</th>
<th>2019 Q3</th>
<th>2019 Q4</th>
<th>2020 Q1</th>
<th>2020 Q2</th>
<th>2020 Q3</th>
<th>2020 Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.4</td>
<td>1.8</td>
<td>7.3</td>
<td>8.2</td>
<td>11.7</td>
<td>3.1</td>
<td>-5.5</td>
<td>7.9</td>
<td>7.2</td>
</tr>
</tbody>
</table>

*Note: Values are in $ millions.*
Net debt/EBITDA development
Excluding IFRS 16
Financial flexibility and resilience

- Working capital efficiency
  - payment terms and invoice process improvements
- Cost efficient long-term financing
  - framework for sustainability-linked bonds
Second wave

• Second wave of pandemic with new lockdowns and restrictions
• Substantial negative effect on Q1 2021
  – 1,800 stores temporarily closed at peak
• Measures to mitigate negative effects continue
Accelerating pace of change

• Pandemic accelerates changes already underway in fashion retail
  – digitalisation
  – sustainability
  – value for money
Our transformation continues

• Customer relevance
• Digital growth
• Integrating physical stores and online
  – customers value all channels
  – seamless, inspiring experience
• Store portfolio optimisation
• Fast and flexible supply chain
Best customer offering

• Relevant and unique brands

• Customer offering well positioned
  – best combination of fashion, quality, price and sustainability

• 30% recycled materials by 2025
  – new material target

• Securing sustainable and profitable growth for H&M Group
Q&A