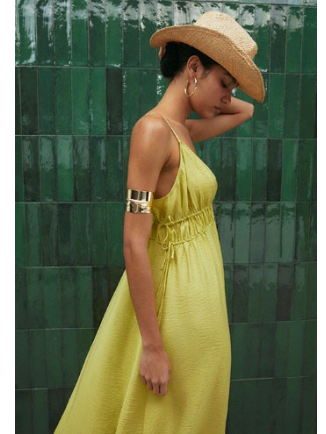


Six-month report

First half-year (1 December 2022 – 31 May 2023)

- The H&M group's net sales in SEK increased by 9 percent in the first half-year to SEK 112,488 m (103,670). In local currencies net sales increased by 1 percent.
- The gross profit increased to SEK 56,224 m (54,106). This corresponds to a gross margin of 50.0 percent (52.2).
- Operating profit amounted to SEK 5,466 m (5,446), corresponding to an operating margin of 4.9 percent (5.3).
- The result for the first half was negatively impacted by high raw materials and freight costs, a strong US dollar, increased energy costs and the effects of winding down the operations in Russia.
- The result after tax was SEK 3,828 m (3,899), corresponding to SEK 2.35 (2.36) per share.
- Cash flow from operating activities amounted to SEK 12,485 m (12,591).
- Financial net cash amounted to SEK 7,700 m (16,313). Cash and cash equivalents plus undrawn credit facilities was SEK 38,813 m (44,483).



H&M

Second quarter (1 March 2023 – 31 May 2023)

- Net sales increased by 6 percent to SEK 57,616 m (54,504) in the second quarter. In local currencies, net sales were flattish compared with last year.
- Gross profit increased to SEK 30,338 m (29,846). This corresponds to a gross margin of 52.7 percent (54.8).
- Selling and administrative expenses increased by 3 percent to SEK 25,585 m (24,858). In local currencies, these expenses decreased by 2 percent.
- Operating profit was SEK 4,741 m (4,988). This corresponds to a gross margin of 8.2 percent (9.2).
- High raw materials and freight costs and a strong US dollar had a negative impact on the result compared with the previous year.
- The result after tax was SEK 3,288 m (3,682), corresponding to SEK 2.02 (2.22) per share.
- Sales for Portfolio Brands in the second quarter increased by 17 percent in SEK and by 12 percent in local currencies.
- Stock-in-trade decreased by 20 percent currency-adjusted compared with the previous year.

- Sales for the H&M group during the period 1-27 June 2023 increased by 10 percent in local currencies compared with the same period last year.
- The 2023 annual general meeting authorised the board to start a share buyback programme for a maximum amount of SEK 3 billion in the period up to the 2024 annual general meeting. The board intends to provide further information in conjunction with the nine-month report published on 27 September 2023.

"We are taking important steps towards our goals. The summer collections have been well received and the third quarter has got off to a good start. The conditions for increased growth as well as profitability continue to develop in a favourable direction," says Helena Helmersson, CEO.

Comments by Helena Helmersson, CEO

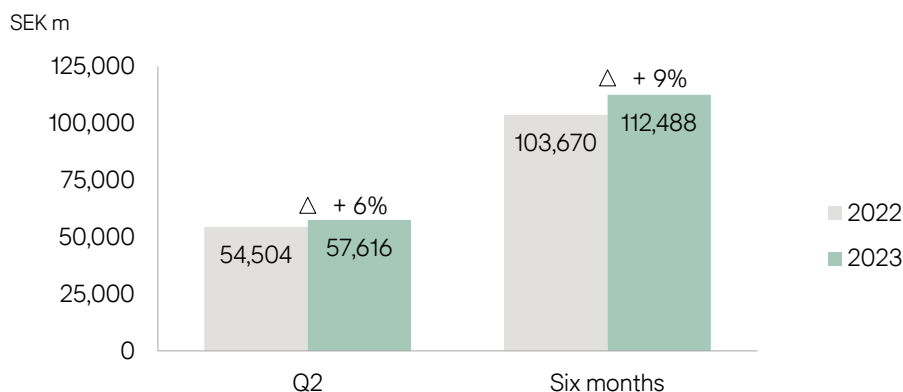
With the second quarter behind us we can conclude that we have taken a number of further important steps towards our goals. We increased sales in many markets despite reduced purchasing power and unfavourable weather conditions compared with last year. The summer collections have been well received and the third quarter has got off to a good start. The conditions for increased growth as well as profitability continue to develop in a favourable direction.

The external factors that affect our purchasing costs continue to improve, work on the cost and efficiency programme is proceeding at full speed, and much of the work that we have done in recent years is starting to bear fruit. We are also continuing our initiatives focusing on the customer offering, while at the same time we want to give our customers an even better experience with more inspiration and flexibility in our physical stores and digital channels.

With a robust financial position, stable cash flow and a well-balanced inventory, the H&M group stands strong. Our long-term goals remain in place. Already next year the operating margin is to reach 10 percent.



Sales



COS

The H&M group's net sales in the second quarter increased by 6 percent to SEK 57,616 m (54,504). In local currencies, net sales were flattish compared with last year.

Net sales in the six-month period increased by 9 percent to SEK 112,488 m (103,670). In local currencies the increase was 1 percent.

Sales in the physical stores increased in the six-month period despite there being around 300 fewer stores than in the previous year. Around 30 percent of sales are online.

Sales for Portfolio Brands in the second quarter increased by 17 percent in SEK and by 12 percent in local currencies. In the six-month period the increase was 18 percent in SEK and 11 percent in local currencies.

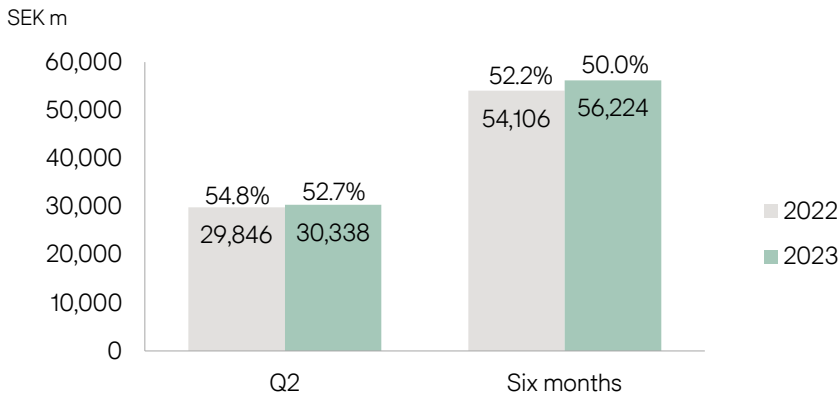
Sales per region, first half-year

	SEK m	SEK m	SEK	LCY	New stores		Number of stores	
					(net)	31 May - 23	31 May - 22	
	2023	2022	Change in %		2023			
The Nordics	10,145	9,469	7	5	-2	397	410	
Western Europe	37,142	33,529	11	3	-25	1,054	1,094	
Eastern Europe	8,787	9,310	-6	-16	0	481	654	
Southern Europe	14,517	13,182	10	5	-6	617	633	
North & South America	26,373	23,518	12	2	-6	734	734	
Asia, Oceania & Africa	15,524	14,662	6	-1	-27	1,116	1,177	
Total	112,488	103,670	9	1	-66	4,399	4,702	

Performance in Eastern Europe should be seen in the light of the fact that the H&M group's operations in Russia and Belarus have been fully wound down since 30 November 2022, while operations in Ukraine are paused.

Gross profit and gross margin

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



ARKET

Gross profit increased to SEK 30,338 m (29,846) for the second quarter, corresponding to a gross margin of 52.7 percent (54.8). Last year's gross margin in the corresponding quarter amounted to 54.1 percent adjusted for unrealised exchange gains in Russian rubles.

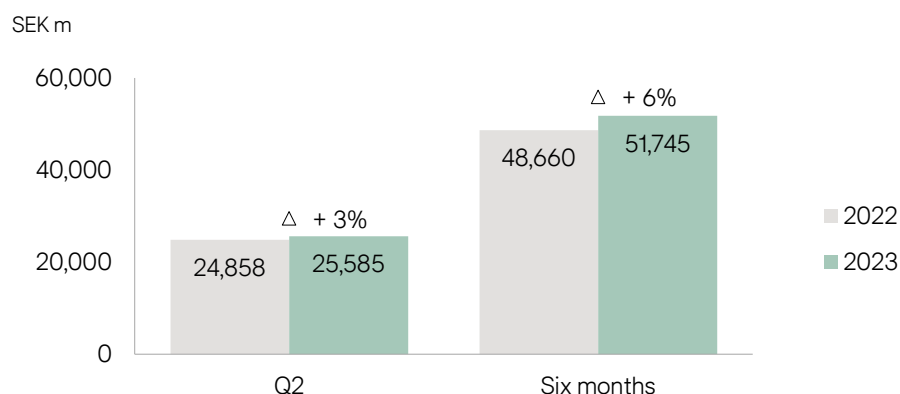
For the six-month period gross profit increased to SEK 56,224 m (54,106). This corresponds to a gross margin of 50.0 percent (52.2).

High raw materials and freight costs combined with a strong US dollar had a very negative impact on most purchases made for the second quarter when compared with the previous year.

The cost of markdowns in relation to sales was flat year on year compared with the corresponding quarter last year.

External factors affecting purchases of goods have gradually improved and pivoted from being negative to being positive compared with the same purchasing period the previous year. For the goods that will be sold in the third quarter, the effect of external factors is therefore expected to be neutral before becoming positive for the rest of the year.

Selling and administrative expenses



© Oliver Spretz

Selling and administrative expenses increased in the second quarter by 3 percent to SEK 25,585 m (24,858). In local currencies these expenses decreased by 2 percent.

For the six-month period, selling and administrative expenses increased by 6 percent in SEK compared with the same period last year. In local currencies these expenses were on par with the previous year.

Work on the cost and efficiency programme is progressing at high intensity. The actions have already started to have an effect towards the end of the second quarter and the effects are expected to materialise further in the second half of 2023. The programme is expected to result in annual savings of around SEK 2 billion.

Operating profit and operating margin

Operating profit in the second quarter amounted to SEK 4,741 m (4,988), corresponding to an operating margin of 8.2 percent (9.2). Operating profit was negatively impacted as a result of increased raw materials and freight costs combined with a stronger US dollar compared with last year.

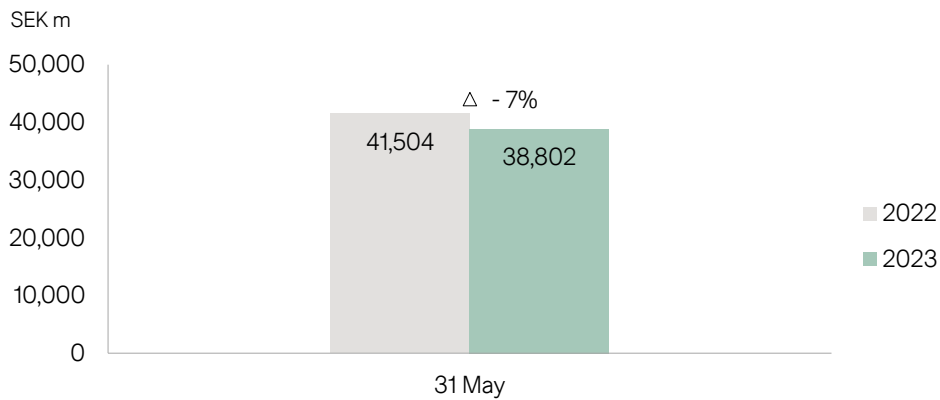
Operating profit for the six-month period amounted to SEK 5,466 m (5,446), corresponding to an operating margin of 4.9 percent (5.3).

Income statement including and excluding IFRS 16 effects

	Q2	Q2	Six	Six
	2023	2022	months	months
SEK m			2023	2022
Net sales	57,616	54,504	112,488	103,670
Gross profit	30,338	29,846	56,224	54,106
Gross profit excl. IFRS 16	30,316	29,827	56,182	54,068
Operating profit	4,741	4,988	5,466	5,446
<i>Operating margin, %</i>	<i>8.2</i>	<i>9.2</i>	<i>4.9</i>	<i>5.3</i>
Operating profit excl. IFRS 16	4,315	4,713	4,668	4,921
<i>Operating margin, %, excl. IFRS 16</i>	<i>7.5</i>	<i>8.6</i>	<i>4.1</i>	<i>4.7</i>
Net financial items	-416	-206	-745	-382
Net financial items, excl. IFRS 16	14	-25	23	-8
Profit after financial items	4,325	4,782	4,721	5,064
Profit after financial items, excl. IFRS 16	4,329	4,688	4,691	4,913
Profit for the period	3,288	3,682	3,828	3,899
Profit for the period, excl. IFRS 16	3,290	3,610	3,805	3,783
Depreciation & amortisation / write-downs	5,493	5,209	10,998	10,602
Depreciation & amortisation / write-downs, excl. IFRS 16	2,405	2,476	4,820	4,951

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

Stock-in-trade



MONKL

Currency adjusted the stock-in-trade decreased by 20 percent compared with last year. Converted into Swedish kronor the stock-in-trade decreased by 7 percent to SEK 38,802 m (41,504).

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

The stock-in-trade in SEK represented 16.7 percent (19.2) of rolling 12-month sales.

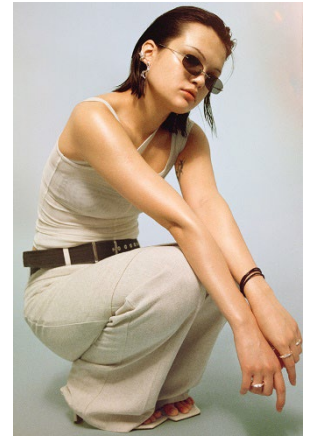
The investments in the supply chain and the integration of the sales channels continue. With a higher share of nearshoring, shorter lead times and more purchasing in season, the group is well placed for a continued improvement in the stock situation.

Expansion through integrated channels

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

H&M opened online in Vietnam in April and Arket was launched in Estonia in May. COS will launch in Mexico and & Other Stories will open its first store in Switzerland in the second half of 2023. Arket plans to open in Switzerland and Latvia during the same period. Monki will open on Zalora in Hong Kong.

The H&M group is continuing to renegotiate a large number of leases as part of the company's store optimisation, which also involves rebuilds and adjustment of the number of stores and of store space to ensure the best store portfolio in each market. The H&M group's contracts allow around a third of leases to be renegotiated or exited each year. For 2023 the plan is to open around 100 new stores and close around 200 stores, making a net decrease of around 100 stores. Most of the openings will be in growth markets, while the closures will mainly be in established markets.



WEEKDAY

Store count and markets by brand

As at 31 May 2023 the H&M group had 4,399 (4,702) stores, i.e. the total number of stores has decreased by 303 compared with the same point in time last year. 175 of the stores closed were in Russia and Belarus, where the business was wound down in 2022. During the current financial year 41 (39) new stores have opened and 107 (138) stores were closed. A total of 280 (281) of the group's stores are operated by franchise partners.

Brand	New Stores 2023 (net)		Total No of stores		No. of markets	
	Q2	Six months	31 May - 2023	31 May - 2022	Store	Online
H&M	-14	-54	3,893	4,157	77	60
COS	-2	-7	252	267	47	38
Monki	-2	-6	72	91	17	29
Weekday	0	-1	53	57	15	29
& Other Stories	1	-1	70	76	24	32
ARKET	1	2	27	25	12	31
Afound	0	0	0	0	0	7
H&M HOME*	1	1	32	29	55	42
Sellpy	0	0	0	0	0	24
Total	-15	-66	4,399	4,702		

* Concept stores. H&M HOME is also available through shop-in-shop in 399 H&M stores.

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

Financing and liquidity

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

Cash flow and working capital

Cash flow from operating activities in the six-month period amounted to SEK 12,485 m (12,591). Excluding IFRS 16, cash flow from operating activities amounted to SEK 6,277 m (6,456). Operating working capital amounted to SEK 21,552 m (21,917).

SEK m	31 May - 2023	31 May - 2022	30 Nov - 2022
Accounts receivable	2,807	2,688	3,014
Stock-in-trade	38,802	41,504	42,495
Accounts payable	-20,057	-22,275	-21,090
Operating working capital	21,552	21,917	24,419



& other stories

Liquidity and debt financing

The H&M group's liquidity remains very good. As at 31 May 2023 cash and cash equivalents amounted to SEK 20,169 m (26,571). In addition, the group has undrawn credit facilities of SEK 18,644 m (17,912). The total liquidity buffer, i.e. cash and cash equivalents plus undrawn credit facilities, amounted to SEK 38,813 m (44,483).

Interest-bearing liabilities in the form of commercial papers, bonds and loans from credit institutions amounted to SEK 12,470 m (10,258) as at 31 May 2023. The average maturity of interest-bearing liabilities was 3.6 (4.8) years.

Financial net cash amounted to SEK 7,700 m (16,313). Net debt including provisions for pensions and excluding IFRS 16 amounted to SEK -7,319 m (-16,128). Net debt in relation to EBITDA amounted to -0.4 (-0.6) excluding IFRS 16.

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

Year	Commercial papers	Bonds (EMTN)	Loans from credit institutions	Unused credit facilities
2023	2,025	-	2,347	-
2024	-	-	271	-
2025	-	-	-	3,496
2026	-	-	2,000	-
2027	-	-	-	15,148
2028	-	-	-	-
2029	-	5,827	-	-
Total SEK m	2,025	5,827	4,618	18,644

Tax

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

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

Share buybacks

As communicated in a press release dated 31 May 2023, following implementation of the resolution passed by the annual general meeting on 4 May 2023 to cancel 25,385,163 class B treasury shares repurchased as part of the H&M group's buyback programme, the total number of shares in H & M Hennes & Mauritz AB is 1,629,686,837 shares – of which 194,400,000 are class A shares and 1,435,286,837 are class B shares – and the total number of votes is 3,379,286,837. Thereafter the H&M group holds no treasury shares.

The 2023 annual general meeting authorised the board to start a share buyback programme for a maximum amount of SEK 3 billion in the period up to the 2024 annual general meeting. The board intends to provide further information in conjunction with the nine-month report published on 27 September 2023.

Current quarter

Sales for the H&M group during the period 1-27 June 2023 increased by 10 percent in local currencies compared with the same period last year.

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

Accounting principles

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

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, which essentially involves applying IFRS.

The accounting principles and calculation methods applied in this report are unchanged from those used in the preparation of the annual and sustainability report and consolidated financial statements for 2022. No new or revised IFRS standards or interpretations applied from 1 December 2022 have had any significant impact on the consolidated financial statements.

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

Financial instruments

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

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

Currency derivatives are measured at fair value based on level 2 inputs in the IFRS 13 hierarchy. As of 31 May 2023, forward contracts with a positive market value amount to SEK 1,226 m (1,814), which is reported under other current receivables. Forward contracts with a negative market value amount to SEK 1,535 m (1,129), which is recognised in other current liabilities.

Shares are measured at fair value, either through profit or loss or through other comprehensive income. Where holding of shares are assessed to be strategic, the H&M group has chosen to recognise changes in value in other comprehensive income. The valuation of the holding in Renewcell is based on the share price, which is a level 1 input according to IFRS 13, and the fair value amounts to SEK 282 m (449) as of 31 May 2023. The fair value of the remaining shares and interests is based on level 3 inputs according to IFRS 13 and amounts to SEK 2,075 m (4,596) as of 31 May 2023, the largest investments being Sheertex at SEK 526 m (526), Klarna at SEK 456 m (2,939) and Instabee at SEK 428 m (578). The effect of measurement of the group's other shares and interests is reported in other comprehensive income and amounts to SEK -358 m (182) for the second quarter.



COS

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

Risks and uncertainties

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

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



#MHOME

Information concerning exposure to Russia, Belarus and Ukraine

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

On 2 March 2022 all sales in Russia and Belarus were also paused. On 18 July 2022 the H&M group announced that it had decided to begin winding down the business in Russia in a responsible manner. By 30 November 2022 all of the H&M group's 172 stores in Russia had been permanently closed. The business in Belarus, where there were three stores, had also been wound down at this date.

There was no effect on earnings in the second quarter as a result of winding down these operations. Cash flow in the quarter was negatively impacted by outgoing payments of around SEK 270 m relating to the costs of winding down the business.

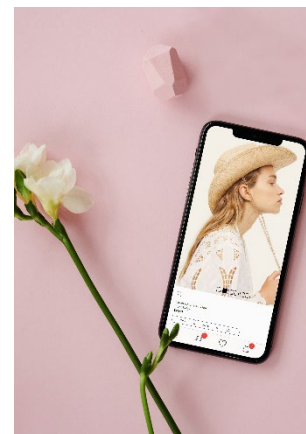
In the second quarter last year the gross profit for the group was positively impacted by an unrealised exchange gain of SEK 353 m in respect of intra-group receivables in rubles. Operating expenses for the paused operations in Russia and Belarus amounted to SEK 228 m in the same period.

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

Initiatives for an improved customer experience

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

- **H&M's customer loyalty programme** rewards members not only for purchases, but also for their commitment – such as bringing in clothes for H&M's garment collecting and using their own bag when shopping in store. Members also receive personal offers and digital services for inspiration and an easy shopping experience.
- **More payment options.** H&M Members can pay now or later through the H&M app, whether shopping in store or online.
- **Digital receipts** are offered to customers in the H&M app so they can keep track of their receipts in one place and refer to their past purchases easily and accessibly. Available in most markets.
- **Visual search.** Image recognition provides recommendations and suggestions for styling and matching items based on pictures customers have taken and been inspired by.
- **Next day delivery and express delivery** continue to be rolled out in more markets.
- **Preferred delivery options.** In some selected markets, customers can opt to receive and return items using a bicycle delivery service, that is much appreciated by customers. Combined with using biogas vehicles from the logistics centre to the bicycle delivery service, this reduces greenhouse gas emissions compared to conventional delivery options. Other preferred delivery options are offered in different markets, and they continue to be rolled out.
- **Find in store** On seeing an item online, customers can use their mobile to find it quickly and easily in the size they want in a physical store as well as online.
- **Scan & buy.** Customers can scan the QR code on a product in store to find and buy the item online in the size and colour they want.
- **Click & collect** allows customers to pick up online purchases in store.
- **Online returns in store** allows customers to return online purchases in physical stores.
- **Rate & review** allows customers to rate and review their purchases.
- **RFID (Radio Frequency Identification)** is used to help customers locate items with a digital price tag quickly and easily to get real-time information on an item's availability.
- **Self-service checkouts** offer customers a convenient payment alternative. They have been much appreciated by customers and are being rolled out to more markets.
- **Instagram.** In the US, H&M customers can shop directly from Instagram posts and reels and receive notifications when H&M releases new collections.
- **Rental in store** offers customers the opportunity to rent garments. Available in selected H&M stores in the UK, the Netherlands, Sweden, and Germany.
- **Styleboard.** Members in selected markets can create their own moodboard in the H&M app and shop directly from it. Customers can also add items from brands outside the H&M universe.
- **Personalised start page** on hm.com offers a customised welcome page when customers visit the site in a few markets. They are offered tailor-made inspiration and suggestions based on individual style preferences.
- **Smart mirrors in fitting rooms** in the US. Mirrors that recognise products brought inside the fitting room and offer personalised product and styling recommendations, or additional sizes and colours.
- **Buy online, pick-up in store** allows customers in the US to shop online from the assortment in a selected number of physical stores and pick up the purchase in store.
- **Digital returns** Customers in the US, the UK, Canada and India can register their H&M returns online or through the H&M app without having to fill out paper forms in the parcel.



Product flow

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

The new highly automated logistics centre in Ajax, Canada has recently opened. This will supplement the logistics centres that were previously opened on the US East and West Coasts and will create further capacity for the H&M group's continued expansion in North America. A new logistics centre for online sales was put into operation in New Delhi, India in the beginning of the year.

Sustainability

The H&M group's sustainability vision is to lead the change to a circular fashion industry with net zero climate impact, while being a fair and equal company. More detailed information about the group's sustainability work can be found in the Sustainability Disclosure 2022 on [hmgroup.com](https://www.hmgroup.com). Some sustainability-linked updates include:

H&M Group in offtake agreement with Charm Industrial. Frontier, which includes H&M Group, is collaboration between buyers of carbon dioxide removal. In its first offtake agreements Frontier will pay Charm Industrial to remove 112,000 tons of CO₂ from the atmosphere and store them permanently underground between 2024 and 2030. This collaboration is in line with the H&M group's dedication to take climate action outside our value chain in areas where increased financing is urgently needed. It is a complement to the H&M group's goal of reducing absolute emissions by 56 percent by 2030 and achieve net-zero by 2040.

Global Initiative to Pilot Science-Based Targets for Nature. H&M Group is among 17 global companies piloting a science-based approach and methodology for nature. This new initiative by the Science Based Targets Network ("SBTN") aims to establish a global standard for corporate action on nature. This pilot covers freshwater, land, ocean, biodiversity, and climate and are crucial to address the interconnected crises of global warming and nature loss. By participating, H&M Group seeks to gain valuable support in the target-setting process, address challenges related to the SBTN method and provide feedback to the development team behind the programme.

Helena Helmersson new Co-Chair of The Fashion Pact. Aiming to accelerate and scale the industry's transition to renewable energy, the protection of biodiversity, and use of sustainable sourcing. The Fashion Pact is calling for a whole industry approach to improving fashion's environmental impact with an increased focus on scope 3 emission reductions.

H&M Group continues to invest in startups to enable a more circular fashion future and has led an investment round in the materials science company Kintra Fibers. This move is in line with its focus on lowering the environmental impact of its overall material basket. Via its investment arm, H&M Group ventures, the group has invested in Kintra Fibers, a highly innovative materials science company that has developed a proprietary bio-based and biodegradable polyester. Kintra's material is designed to address the environmental impact caused by traditional polyester at every stage, from the start to end-of-life.

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



H&M

Calendar

15 September 2023	Sales development in the third quarter, 1 Jun 2023 – 31 Aug 2023
27 September 2023	Nine-month report, 1 Dec 2022 – 31 Aug 2023
15 December 2023	Sales development in the fourth quarter, 1 Sep 2023 – 30 Nov 2023
31 January 2024	Full-year report, 1 Dec 2022 – 30 Nov 2023
15 March 2024	Sales development in the first quarter, 1 Dec 2023 – 29 Feb 2024
28 March 2024	Three-month report, 1 Dec 2023 – 29 Feb 2024
28 March 2024	Annual and Sustainability report 2023

The six-month report has not been reviewed by the company's auditors.

Stockholm, 28 June 2023
Board of Directors



H&M

Communication in conjunction with the six-month report

The six-month report, i.e., 1 December 2022 – 31 May 2023, will be published at 08:00 CEST on 29 June 2023, followed by a press conference at 09:30 CEST hosted by CEO Helena Helmersson, CFO Adam Karlsson and Head of IR Nils Vinge. The press conference for the financial market and media will be held in Swedish at H&M's head office in Stockholm, Ljussgården, Mäster Samuelsgatan 49, 3rd floor.

A telephone conference for the financial market and media will be held in English at 14:00 CEST, hosted by CEO Helena Helmersson, CFO Adam Karlsson and Head of IR Nils Vinge. For log in details for the telephone conference please register at [hmgroupp.com](https://app.webinar.net/qQl7epbKwaX) or via this link: <https://app.webinar.net/qQl7epbKwaX>

To book interviews in conjunction with the six-month report on 29 June 2023, please contact: Anna Frosch Nordin, Head of Media Relations, telephone +46 73 432 93 14, anna.froschnordin@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, e-mail: info@hm.com
Registered office: Stockholm, Reg. No. 556042-7220

Information in this interim report is that which H & M Hennes & Mauritz AB (publ) is required to disclose under the EU Market Abuse Regulation (EU) No 596/2014. The information was submitted for publication by the abovementioned persons at 08:00 (CEST) on 29 June 2023. This interim report and other information about the H&M group are 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, ARKET and Afound as well as Sellopy. For further information, visit hmgroupp.com.

Assurance by the board of directors and CEO

The board of directors and chief executive officer hereby provide an assurance that the half-year report for 1 December 2022 – 31 May 2023 provides a true and fair view of the parent company's and the group's business, position and earnings, and also describes the significant risks and uncertainties faced by the parent company and the companies in the group.

Stockholm 28 June, 2023

Karl-Johan Persson
Chair of the Board

Stina Bergfors
Board member

Anders Dahlvig
Board member

Ingrid Godin
Board member

Danica Kragic Jensfelt
Board member

Louise Wikholm
Board member

Lena Patriksson Keller
Board member

Tim Gahnström
Board member

Christian Sievert
Board member

Christina Synnergren
Board member

Niklas Zennström
Board member

Helena Helmersson
Chief Executive Officer

GROUP INCOME STATEMENT IN SUMMARY (SEK m)

	Q2 2023	Q2 2022	Six months 2023	Six months 2022	1 Dec 2021- 30 Nov 2022
Net sales	57,616	54,504	112,488	103,670	223,553
Cost of goods sold*	-27,278	-24,658	-56,264	-49,564	-110,183
GROSS PROFIT	30,338	29,846	56,224	54,106	113,370
<i>Gross margin, %</i>	52.7	54.8	50.0	52.2	50.7
Selling expenses	-23,375	-22,237	-46,483	-43,298	-94,542
Administrative expenses*	-2,210	-2,621	-5,262	-5,362	-11,390
Result from investments in associated companies and joint ventures*	-12	-	987	-	-269
OPERATING PROFIT	4,741	4,988	5,466	5,446	7,169
<i>Operating margin, %</i>	8.2	9.2	4.9	5.3	3.2
Net financial items	-416	-206	-745	-382	-953
PROFIT AFTER FINANCIAL ITEMS	4,325	4,782	4,721	5,064	6,216
Tax	-1,037	-1,100	-893	-1,165	-2,650
PROFIT FOR THE PERIOD	3,288	3,682	3,828	3,899	3,566
Attributable to:					
The shareholders of H & M Hennes & Mauritz AB	3,296	3,682	3,837	3,899	3,566
Non-controlling interest	-8	-	-9	-	-
Earnings per share, SEK**	2.02	2.22	2.35	2.36	2.16
Average number of shares outstanding, thousands**	1,629,687	1,655,072	1,629,687	1,655,072	1,649,847
Depreciation and amortisation / write-downs, total***	5,493	5,209	10,998	10,602	22,579
of which cost of goods sold	413	384	830	767	1,709
of which selling expenses	4,869	4,634	9,679	9,440	19,928
of which administrative expenses	211	191	489	395	942

* For the 2021/2022 financial year, SEK 93 m and SEK 176 m respectively have been reallocated from cost of goods sold and administrative expenses respectively to result from investments in associated companies and joint ventures. Result from investments in associated companies and joint ventures in the first six months 2023 relates to SEK 999 m for revaluation of associated companies of which mainly the former associated company Sellpy, and SEK -12 m in share in profits.

** Before and after dilution, excluding own shares.

*** Of which write-downs and losses at disposals in the quarter SEK 13 m (133) and for the full year SEK 106 m (285).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY (SEK m)

	Q2 2023	Q2 2022	Six months 2023	Six months 2022	1 Dec 2021- 30 Nov 2022
PROFIT FOR THE PERIOD	3,288	3,682	3,828	3,899	3,566
Other comprehensive income					
<i>Items that are or may be reclassified to profit or loss</i>					
Translation differences	1,891	1,581	1,756	2,614	3,902
Change in hedging reserves	-1,415	785	-746	503	-478
Tax attributable to change in hedging reserves	292	-162	154	-104	87
<i>Items that will not be reclassified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-2	206	5	290	55
Tax related to the above remeasurement	0	-48	-1	-67	-9
Remeasurement of financial assets	-358	182	-366	-212	-2,697
OTHER COMPREHENSIVE INCOME	408	2,544	802	3,024	860
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3,696	6,226	4,630	6,923	4,426
Attributable to:					
The shareholders of H & M Hennes & Mauritz AB	3,704	6,226	4,639	6,923	4,426
Non-controlling interest	-8	-	-9	-	-

GROUP BALANCE SHEET IN SUMMARY (SEK m)

ASSETS	31 May - 2023	31 May - 2022	30 Nov - 2022
Non-current assets			
Intangible non-current assets	10,475	9,318	9,156
Property, plant and equipment	24,587	24,960	24,431
Right-of-use assets	59,261	53,877	58,305
Non-current financial assets	2,523	5,751	3,157
Other non-current assets	7,770	6,712	7,476
	104,616	100,618	102,525
Current assets			
Stock-in-trade	38,802	41,504	42,495
Current receivables	18,215	17,362	15,321
Cash, cash equivalents and short-term investments	20,169	26,571	21,707
	77,186	85,437	79,523
TOTAL ASSETS	181,802	186,055	182,048
EQUITY AND LIABILITIES			
Equity*	44,902	56,183	50,757
Long-term liabilities**	12,100	13,615	13,674
Long-term leasing liabilities**	51,133	45,996	49,282
Current liabilities***	61,466	58,816	55,760
Current leasing liabilities***	12,201	11,445	12,575
TOTAL EQUITY AND LIABILITIES	181,802	186,055	182,048

* Equity attributable to the shareholders of H & M Hennes & Mauritz AB amounts to SEK 44,804 m (56,183) and to non-controlling interests SEK 98 m (0).

** Interest-bearing long-term liabilities including leasing amounts to SEK 59,612 m (55,500), excluding leasing SEK 8,479 m (9,505) of which provisions for pensions SEK 381 m (184).

*** Interest-bearing current liabilities including leasing amounts to SEK 16,573 m (12,383), excluding leasing SEK 4,372 m (938).

CHANGE IN GROUP EQUITY IN SUMMARY (SEK m)

	31 May - 2023	31 May - 2022	30 Nov - 2022
Shareholders' equity at the beginning of the period	50,757	60,018	60,018
Total comprehensive income for the period	4,630	6,923	4,426
Non-controlling interest that has arisen from acquisitions	108	-	-
Dividend	-10,593	-10,758	-10,687
Repurchase of shares	-	-	-3,000
Shareholders' equity at the end of the period	44,902	56,183	50,757

GROUP CASH FLOW STATEMENT IN SUMMARY (SEK m)

	Six months 2023	Six months 2022
Operating activities		
Profit after financial items*	4,721	5,064
<i>Adjustment for non-cash items</i>		
- Provisions for pensions	41	27
- Other provisions	-70	-
- Depreciation and amortisation / write-downs	10,998	10,602
- Other non-cash items	-987	-
Taxes paid	-2,613	-1,979
Cash flow from operating activities before changes in working capital	12,090	13,714
Changes in working capital		
Operating receivables	-759	-671
Stock-in-trade	4,628	-3,791
Operating liabilities	-3,474	3,339
CASH FLOW FROM OPERATING ACTIVITIES	12,485	12,591
Investing activities		
Investments in intangible fixed assets	-646	-600
Investments in tangible fixed assets	-2,655	-1,426
Other	-182	-799
CASH FLOW FROM INVESTING ACTIVITIES	-3,483	-2,825
Financial activities		
Change in interest-bearing liabilities	1,118	489
Amortisation lease	-6,208	-6,135
Dividend	-5,297	-5,379
CASH FLOW FROM FINANCIAL ACTIVITIES	-10,387	-11,025
CASH FLOW FOR THE PERIOD	-1,385	-1,259
Cash and cash equivalents at beginning of the financial year	21,707	27,471
Cash flow for the period	-1,385	-1,259
Exchange rate effect	-153	359
Cash and cash equivalents at end of the period**	20,169	26,571

* Interest paid for the group amounts to SEK 170 m (88). Interest expense related to leases amounts to SEK 768 m (374) for the group. Received interest for the group amounts to SEK 193 m (80).

** Cash and cash equivalents and short-term investments at the end of the period amounted to SEK 20,169 m (26,571).

FIVE YEAR SUMMARY**Six months, 1 December - 31 May**

	2019*	2020	2021	2022	2023
Net sales, SEK m	108,489	83,612	86,569	103,670	112,488
Change net sales from previous year in SEK, %	11	-23	4	20	9
Change net sales previous year in local currencies, %	5	-24	12	15	1
Operating profit, SEK m	6,940	-3,498	2,724	5,446	5,466
Operating margin, %	6.4	-4.2	3.1	5.3	4.9
Depreciation and amortisation / write-downs for the period, SEK m	5,471	12,764	11,325	10,602	10,998
Profit after financial items, SEK m	6,977	-3,978	2,204	5,064	4,721
Profit after tax, SEK m	5,372	-3,063	1,697	3,899	3,828
Cash and cash equivalents and short-term investments, SEK m	13,076	12,704	23,434	26,571	20,169
Stock-in-trade, SEK m	40,406	40,000	35,866	41,504	38,802
Equity, SEK m	49,144	52,767	55,640	56,183	44,902
Average number of shares outstanding, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,629,687
Earnings per share, SEK**	3.25	-1.85	1.03	2.36	2.35
Cash flow from operating activities per share, SEK**	5.50	2.37	12.22	7.61	7.66
Number of shares outstanding as of the closing day, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,629,687
Equity per share, SEK**	29.69	31.88	33.62	33.95	27.55
Share of risk-bearing capital, %	43.0	30.2	34.7	32.3	26.5
Equity/assets ratio, %	39.4	27.9	32.4	30.2	24.7
Total number of stores	4,979	5,058	4,913	4,702	4,399
Rolling twelve months					
Average number of shares outstanding, thousands**	1,655,072	1,655,072	1,655,072	1,655,072	1,637,189
Earnings per share, SEK**	7.26	3.03	3.63	7.98	2.13
Return on equity, %	23.8	9.8	11.1	23.6	6.9
Return on capital employed, %	21.9	6.5	6.9	14.6	6.1

* Excluding IFRS 16.

** Before and after dilution, excluding own shares.

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

SEGMENT REPORTING (SEK m)

	Six months 2023	Six months 2022
Asia and Oceania		
External net sales	14,924	14,123
Operating profit	274	-112
Operating margin, %	1.8	-0.8
Europe and Africa*		
External net sales	71,192	66,031
Operating profit	2,802	872
Operating margin, %	3.9	1.3
North and South America		
External net sales	26,372	23,516
Operating profit	326	783
Operating margin, %	1.2	3.3
Group Functions		
Net sales to other segments	37,018	30,749
Operating profit	2,064	3,903
Eliminations		
Net sales to other segments	-37,018	-30,749
Total		
External net sales	112,488	103,670
Operating profit	5,466	5,446
<i>Operating margin, %</i>	4.9	5.3
Net financial items	-745	-382
Profit after financial items	4,721	5,064

* South Africa

PARENT COMPANY INCOME STATEMENT IN SUMMARY (SEK m)

	Q2 2023	Q2 2022	Six months 2023	Six months 2022	1 Dec 2021- 30 Nov 2022
Net sales	545	996	1,074	1,902	4,024
GROSS PROFIT	545	996	1,074	1,902	4,024
Administrative expenses	-40	-36	-61	-75	-97
OPERATING PROFIT	505	960	1,013	1,827	3,927
Net financial items*	263	1,825	217	1,814	8,937
PROFIT AFTER FINANCIAL ITEMS	768	2,785	1,230	3,641	12,864
Year-end appropriations	-	-	-	-	-3,139
Tax	-88	-191	-182	-367	-149
PROFIT FOR THE PERIOD	680	2,594	1,048	3,274	9,576

* Revenue from interests in group companies in the quarter consists of SEK 344 m (1,861) and in the six-month period of SEK 344 m (1,861).

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME (SEK m)

	Q2 2023	Q2 2022	Six months 2023	Six months 2022	1 Dec 2021- 30 Nov 2022
PROFIT FOR THE PERIOD	680	2,594	1,048	3,274	9,576
Other comprehensive income					
<i>Items that have not been and will not be reclassified to profit or loss</i>					
Remeasurement of defined benefit pension plans	-2	15	-2	21	20
Tax related to the above remeasurement	0	-3	0	-4	-4
OTHER COMPREHENSIVE INCOME	-2	12	-2	17	16
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	678	2,606	1,046	3,291	9,592

PARENT COMPANY BALANCE SHEET IN SUMMARY (SEK m)

	31 May - 2023	31 May - 2022	30 Nov 2022
ASSETS			
Non-current assets			
Property, plant and equipment	148	163	156
Other non-current assets	1,373	1,445	1,072
	1,521	1,608	1,228
Current assets			
Current receivables	22,355	33,314	26,095
Cash and cash equivalents	1	0	2
	22,356	33,314	26,097
TOTAL ASSETS	23,877	34,922	27,325
EQUITY AND LIABILITIES			
Equity	6,757	12,933	16,304
Untaxed reserves	21	32	21
Long-term liabilities*	7,283	9,356	9,349
Current liabilities**	9,816	12,601	1,651
TOTAL EQUITY AND LIABILITIES	23,877	34,922	27,325

* All long-term liabilities are interest-bearing.

** Interest-bearing current liabilities amounts to SEK 720 m (925). Dividend to be paid amounts to SEK 5,297 m (5,379).

ALTERNATIVE PERFORMANCE MEASURES

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

Gross profit excl IFRS 16

	Q2 - 2023	Q2 - 2022	Six months 2023	Six months 2022
Gross profit	30,338	29,846	56,224	54,106
IFRS 16 effect	-22	-19	-42	-38
Gross profit excl IFRS 16	30,316	29,827	56,182	54,068

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

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

Operating profit excl IFRS 16

	Q2 - 2023	Q2 - 2022	Six months 2023	Six months 2022
Operating profit	4,741	4,988	5,466	5,446
IFRS 16 effect	-426	-275	-798	-525
Operating profit excl IFRS 16	4,315	4,713	4,668	4,921

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

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

Net financial items excl IFRS 16

	Q2 - 2023	Q2 - 2022	Six months 2023	Six months 2022
Net financial items	-416	-206	-745	-382
IFRS 16 effect	430	181	768	374
Net financial items excl IFRS 16	14	-25	23	-8

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

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

Profit after financial items excl IFRS 16

	Q2 - 2023	Q2 - 2022	Six months 2023	Six months 2022
Profit after financial items	4,325	4,782	4,721	5,064
IFRS 16 effect	4	-94	-30	-151
Profit after financial items excl IFRS 16	4,329	4,688	4,691	4,913

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

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

Profit for the period excl IFRS 16

	Q2 - 2023	Q2 - 2022	Six months 2023	Six months 2022
Profit for the period	3,288	3,682	3,828	3,899
IFRS 16 effect	2	-72	-23	-116
Profit for the period excl IFRS 16	3,290	3,610	3,805	3,783

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

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

Note 1 Acquisitions

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

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

Sellhelp AB’s operations are being consolidated into the H&M group’s accounts with effect from the first quarter of 2023 based on the acquired balance sheet and a preliminary acquisition analysis. The acquisition analysis was finalised in the second quarter 2023. Obtaining a controlling interest gave rise to intangible assets in the form of brands amounting to SEK 500 m, technical platform amounting to SEK 136 m and goodwill amounting to SEK 949 m. Recognised goodwill is not expected to be tax-deductible. Sellhelp AB’s operations contributed SEK 535 m and SEK -15 m respectively to the group’s net sales and operating profit. The operations are included in the “Europe and Africa” segment.

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