

Annual Report
2007

Top € 9,90

H&M



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roberto cavalli  at *H&M*

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2007 – H&M'S MOST EXCITING YEAR TO DATE

2007 was H&M's most intense year ever, with many new stores, new markets, new customer offerings as well as a completely new store chain. Here are some of the highlights.

- H&M opened 193 stores and closed 16. At the end of the financial year there were a total of 1,522 H&M stores in 28 countries.
- Several new markets: Greece, Slovakia, Hong Kong and Shanghai. Qatar on a franchise basis.
- Expanded footwear collection for women, which was well received by customers. In the autumn even more models were launched, along with a small collection of men's footwear.
- Organic Cotton is a new and regular collection using organic cotton which received a warm welcome from customers.
- One of the spring's largest women's collections was created in collaboration with style icon Madonna.
- Kylie Minogue was the face of H&M for one of the summer's beachwear collections – H&M loves Kylie.
- The new store chain COS, Collection of Style, opened eleven stores.
- Expansion of Internet and catalogue sales, with catalogue sales in the Netherlands and Internet sales for customers in Germany and Austria.
- The design collaboration with Italian Roberto Cavalli gained attention all over the world.

Expansion of Internet and catalogue sales continues

The expansion of Internet and catalogue sales outside the Nordic region continued in 2007, with catalogue sales in the Netherlands and online sales in Germany and Austria. This expansion follows the successful launch of online sales in the Netherlands in 2006.

H&M loves Kylie

Superstar Kylie Minogue was the face of H&M for one of the summer's beachwear collections. Kylie's beachwear collection was sold in all H&M stores that sell women's wear. Ten percent of revenues went directly to WaterAid, an organisation that helps to provide the world's poorest with clean water. The Kylie collection will contribute to give around 229,000 people access to clean water and 129,000 people access to sanitation facilities in Tanzania, Mozambique and Madagascar.

Success for H&M in Athens

The first H&M store in Greece was opened during the year. As usual, it was in the best business location – in the middle of Athens's shopping district. Many fashion-conscious customers came to the opening and helped make it a fantastic premiere.

H&M's 60th anniversary

2007 was the year of H&M's 60th birthday. To celebrate, the Anniversary Foundation was established and the sum of SEK 60 million was transferred to it. The proceeds of the foundation will be spent on projects in areas such as health, education and access to water in countries in which H&M's clothes are produced.



Continued collaboration with Madonna

The successful collaboration with style icon Madonna continued in 2007, resulting in one of the spring's large women's collections, M by Madonna. The collection was available in all H&M stores that sell women's wear.



H&M's entry into Asia

H&M's move into Asia, one of the true highlights of the year, was celebrated with an opening party in Shanghai at which Kylie Minogue performed before 2,000 people. The store openings in Hong Kong and Shanghai were very well received by customers and form a good base for H&M's continued expansion in Asia.



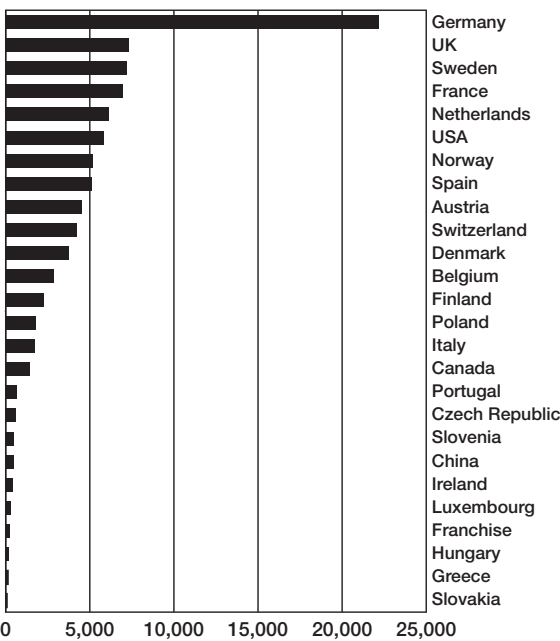
Great attention for this year's guest designer – Roberto Cavalli

The launch of Roberto Cavalli's unique collection for H&M was the big fashion party of the year. Customers queued up to buy the fashion legend's party collection and the collaboration received attention all over the world. The Roberto Cavalli at H&M collection was sold in 200 selected H&M stores.

H&M IN BRIEF

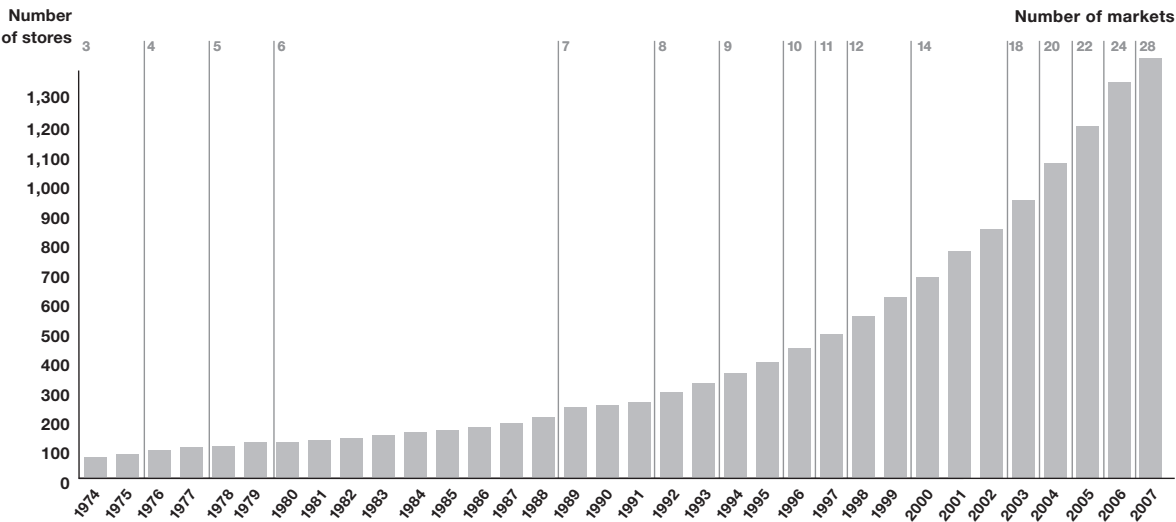
- H&M offers fashion and quality at the best price.
- H&M's first store was opened in Sweden in 1947.
- At the end of the financial year there were 1,522 stores in 28 countries.
- H&M offers fashion for women, men, teenagers and children.
- The collections are created centrally by around 100 in-house designers together with buyers and pattern makers.
- H&M also sells own-brand cosmetics, accessories and footwear.
- The stores are refreshed daily with new fashion items.
- In Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria H&M offers fashion by Internet and catalogue sales.
- H&M does not own any factories, but instead buys its goods from around 700 independent suppliers, primarily in Asia and Europe.
- H&M has about 20 production offices around the world, mainly in Asia and Europe.
- H&M employs about 68,000 people.

Sales including VAT by country 2007, SEK m



“At the end of 2007 H&M delivered fashion and quality at the best price to customers at more than 1,500 stores.”

Expansion 1974 – 2007



At the time of the IPO in 1974, H&M was present in Sweden, Norway and Denmark. In 1976 the company started to expand outside the Nordic region and today H&M is present in 28 countries with more than 1,500 stores.

KEY RATIOS

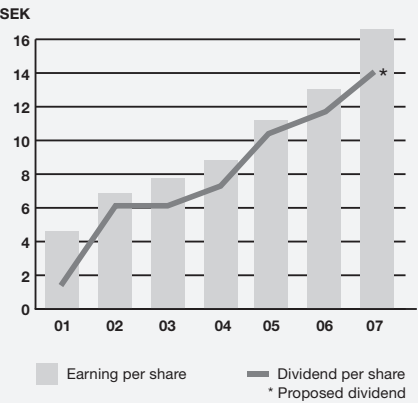
	2007	2006
Sales including VAT, SEK m	92,123	80,081
Sales excluding VAT, SEK m	78,346	68,400
Change, %	+15	+11
Operating margin, %	23.5	22.4
Profit after financial items, SEK m	19,170	15,808
Profit for the year, SEK m	13,588	10,797
Earnings per share, SEK (before and after dilution)	16.42	13.05
Change, %	+26	+17
Return on equity, %	45.4	40.2
Return on capital employed, %	63.7	58.7
Share of risk-bearing capital, %	78.5	80.0
Equity/assets ratio, %	76.9	78.1
Total number of stores	1,522	1,345
Average number of employees	47,029	40,368

Another record year

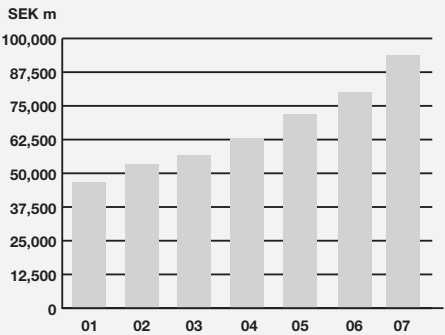
H&M's profitability is continuing to develop strongly. In the past five years sales including VAT has increased by 73 percent and profit after tax by 139 percent.

Earnings per share amounted to SEK 16.42 for the financial year 2006/2007.

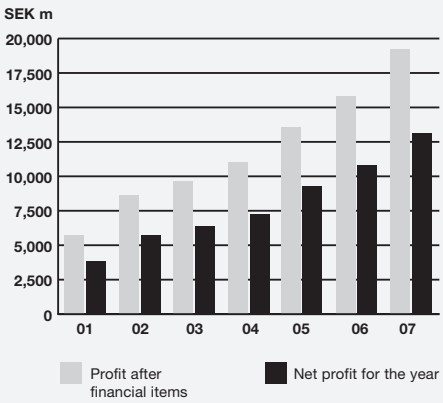
Earnings per share and dividend per share



Sales including VAT



Profit after financial items/net profit for the year



AN EVENTFUL YEAR AT H&M

H&M continued to grow in new markets and through new offerings in 2007. Among other things, we entered the Asian market with stores in Hong Kong and Shanghai, one of the most important steps that the Group has taken since its expansion into the USA in 2000. This expansion, as well as H&M's collections, new concepts and offerings, form a good foundation for continued growth for a long time to come.

Sales increased by 15 percent to SEK 92 billion including VAT in 2007. This increase took place with continued good profitability; the gross margin improved to 61.1 percent from the previous year's record level of 59.5 percent. Profit after financial items increased by 21 percent to SEK 19 billion.

The key to success: winning collections

Key to our success were the winning collections that were well received by our customers, and the fact that we strive for continual improvement in everything we do. H&M is constantly working to rejuvenate itself, in order to produce new attractive offerings. At the end of 2007, H&M delivered fashion and quality at the best price to customers at more than 1,500 stores. Sixty years after the first H&M store opened in Västerås, we continued to gain market share in the Scandinavian countries – some of our most mature markets. This indicates the strength of our business concept and is a good sign for the whole Group. To celebrate our 60th Anniversary we set aside SEK 60 million in a foundation, the proceeds of which are to go to projects within areas such as health, education and access to water in the countries in which H&M's merchandise is produced.

During the year, we succeeded to increase sales in comparable stores by 5 percent. We accomplished this by always focusing on our customers' needs. H&M's business is based on the fashion year, which centres around autumn and spring collections, so we can only evaluate how successful we are at the end of a full season. Exactly when the season occurs may vary by a few weeks from year to year, often depending on what the weather is like in our major markets. This year's sales and profitability are a reflection of our good work and the fact that our customers appreciated what we delivered.

Growth through new offerings

H&M is expanding through new offerings and via new channels such as Internet and catalogue sales. We began offering catalogue sales in the Netherlands and



“Behind our successes, of course, lies the great commitment of our colleagues.”

Internet sales in Germany and Austria during the year and this has developed very well. Other 2007 milestones included the launch of an expanded collection of women's footwear and a small range of men's footwear, both of which have been very well received so far. The same is true of H&M's new store concept COS, Collection of Style, which offers fashion and quality at the best price in a higher price segment. By the end of the financial year, we had successfully established eleven COS stores in some of Europe's top metropolitan cities.

H&M's markets are increasing in number

Our geographical markets are growing in number, as is our number of employees. During the year, the net increase was 177 stores, and at the end of the financial year H&M had about 68,000 employees spread across 1,522 stores in 28 countries. In addition to China, we expanded into Slovakia and Greece, and into Qatar through our franchising arrangement. Our expansion into new markets was successful, thanks largely to comprehensive preparation.

The financial year was characterised by very good sales development with well-received collections. This also applies to countries where the retail sector has in general been weaker. It was particularly pleasing to see strong sales development in Germany, which is H&M's largest market with 319 stores.

Committed colleagues

Successful collections are the key to H&M's success – and behind our successes, of course, lies the great commitment of our colleagues. H&M's colleagues are key to the success of all the exciting things we do. For example, we rely on the experience of colleagues in existing H&M countries when expanding into new markets. They help get the new stores up and running and are an effective way of passing on the “H&M spirit”. Our employees also play an important role in our initiative to increase clarity in the stores and in the buying organisation – an initiative that continued to bear fruit during the year. H&M continued to refine the Group structure in 2007, in order to be even more effective in meeting the demands made by our expansion.

Successful collaborations

H&M wants to renew itself and surprise people, and consequently we sometimes seek out collaborations with well-known designers and artists. The attention that these partnerships receive from customers and the media around the world are clear evidence of how global the H&M brand has become. During the spring, we continued our successful collaboration with Madonna by designing a wider H&M collection with her, called M by Madonna. This was followed in early summer by Kylie Minogue, who became the face of one of this year's beachwear collections, from which some of the proceeds went to WaterAid. The autumn's collaboration with designer Roberto Cavalli was the grand finale. The collection – Roberto Cavalli at H&M – was a huge success and sold out very quickly.

All of this year's collaborations were well received both by customers and media from around the world. A great highlight was Kylie Minogue's performance at the opening of the store in Shanghai. It was a glittering demonstration of the strength of H&M's brand and a good example of how this type of collaboration can help H&M to grow further.

New sustainability policy

Increasing attention is being paid to sustainability issues – not least of which is the subject of climate change. H&M responded by initiating a new sustainability policy during the year. H&M takes responsibility for all who contribute to our success. We cooperate with our suppliers in order to develop long-term, sustainable social and environmental standards in the factories that produce H&M products. We do this primarily by establishing requirements for our suppliers, following-up on these requirements and supporting the suppliers as they work to improve.

The policy also specifies that through our choice of materials and improved production processes, we can proactively work to minimise our environmental impact. One example of this is our organic cotton initiative. In 2007, we used 1,300 tonnes of organic cotton, which is several times the volume used in the previous year.

Continued strong expansion

Most of our expansion in 2008 will take place in the USA, Spain, the UK, France, Germany and Italy. In total we expect to increase the storecount by 190 stores net this year. This year's expansion includes entry into an exciting new market – Japan – where H&M will open stores this autumn in two of Tokyo's most exclusive shopping districts, Harajuku and Ginza. In cooperation with our franchise partner Alshaya the opening of H&M stores in four new markets is planned in 2008: Egypt, Saudi Arabia, Bahrain and Oman. Another exciting development is our planned expansion into Russia. The first stores are expected to open in Moscow in 2009. The Russian market is of great interest and has great growth potential. Initially we will focus on Moscow and the surrounding area.

Overall, 2007 was a very eventful year for H&M. Once again we achieved record profitability and we established our first stores in the large Asian market – in Hong Kong and Shanghai. This would not have been possible without the good work of all of our H&M colleagues. Our strong finances and clear business concept have taken us far beyond the borders of Sweden. With stores from San Francisco in the west to Shanghai in the east, H&M is now truly global. Having established a solid foundation for continued expansion, we welcome our customers to a new and exciting year at H&M.

Rolf Eriksen
Managing Director

FASHION AND QUALITY AT THE BEST PRICE

Business concept

H&M's business concept is to offer fashion and quality at the best price.

Growth target

H&M's growth target is to increase the number of stores by 10–15 percent per year, but also to increase sales at existing stores. The availability of attractive business locations is the major deciding factor in our rate of expansion. In 2007, 193 new stores were opened and 16 were closed.

H&M is an expansive and financially strong company. The objective is to grow in a controlled manner while maintaining profitability. In the past five years sales including VAT have increased by 73 percent and earnings per share by 139 percent. This expansion has been entirely self-financed.

Strategy

In order to offer the latest fashions H&M has its own design and buying department that creates the collections. Good product quality is ensured through continuous quality controls. In addition to product quality itself, quality also means producing the items with minimal impact on the environment and under good working conditions.

The best price is achieved by:

- having few middlemen
- buying in large volumes
- having a broad, in-depth knowledge of design, fashion and textiles
- buying the right products from the right market
- being cost-conscious at every stage
- having efficient distribution.

Jeans € **22,90**





The store is the most important sales channel. Today H&M has stores in Europe, North America, the Middle East and Asia, where the first stores opened in spring 2007. Here is the first store in Shanghai – as always, in the best location.

H&M MAKES FASHION ACCESSIBLE

The store is the most important sales channel

H&M meets the customer through three complementary sales channels: the stores, the Internet and the catalogues. The most important of these is the stores. It is here that the customer can see what is new, try on and feel the items, get ideas for putting outfits together and be inspired. The stores are a shop window for the range and must attract the customers.

The aim is for H&M stores always to be located in the best business location, whether in a big city or a shopping centre. This has been a firm principle of H&M since the first store opened and is still true today. H&M stores can for example be found on Fifth Avenue in New York, on Regent Street in London, on Corso Vittorio Emanuele in Milan and on Queen's Road in Hong Kong.

The fact that H&M leases all the store premises is an advantage. It makes it easier to move a store to another site if the best business location in a city changes.

H&M has stores for different locations and customers

H&M offers a wide range of stores – everything from big full-range stores to small concept stores. The stores vary in size from a few hundred square metres to several thousand square metres. In 2007 the number of new and refurbished stores reached a record high. In addition,

the standard of these stores was raised to make them more attractive and thereby further reinforce H&M's competitive strength.

In 2007 H&M also opened a new store chain – COS Collection of Style – with a new fashion concept in a higher price segment to attract a different customer group.

Internet and catalogue sales complement the stores

For more than 25 years H&M's customers in the Nordic countries have been able to shop from home using catalogues, and since 1998 also via the Internet. The strength is freedom of choice – the customers can choose the sales channel that suits them best at that moment.

Expansion of Internet and catalogue sales outside the Nordic region

In autumn 2006 H&M began a roll-out of Internet and catalogue sales outside the Nordic region. The first new country was the Netherlands, with Internet sales. In spring 2007 the first H&M catalogue was sent out to customers in the Netherlands in a initiative that has produced good results so far. In late July 2007 it was time to take the next step, with the launch of Internet sales in both Germany and Austria, and the first German-language catalogue was issued in January 2008.



In the Nordic countries and the Netherlands, and from 2008 also in Germany and Austria, H&M's customers can also shop by catalogue.

What all these markets have in common is that they are major catalogue markets with a high level of Internet penetration and well developed broadband networks.

Catalogues create interest in the collections

Although more and more Internet and catalogue sales customers are making their purchases online, the catalogues remain important. Each year H&M produces four large catalogues – two in the spring and two in the autumn. These are supplemented by smaller seasonal



H&M Shop on the Internet is an easy, convenient way to find shopping inspiration.

catalogues with a particular focus.

The catalogues are sent out at the beginning of the season and generate interest in the new collections. The range is more or less the same as in our stores. The catalogue inspires customers and provides an overview of the full range, while also providing tips and ideas. It is then up to the customer to choose in each case where he or she wants to shop – in store, using a catalogue or by ordering online.

H&M GROWING THROUGH ALL THE SALES CHANNELS

H&M IS CONTINUING to grow through all three sales channels. Although the stores are H&M's primary sales channel, Internet and catalogue sales strengthen H&M's profile and increase the level of service to customers, thereby making H&M even more accessible. In the future, customers in more and more H&M countries will be able to shop online and using the catalogue, although the Group's main expansion will take place through stores.

Best business location is crucial for expansion

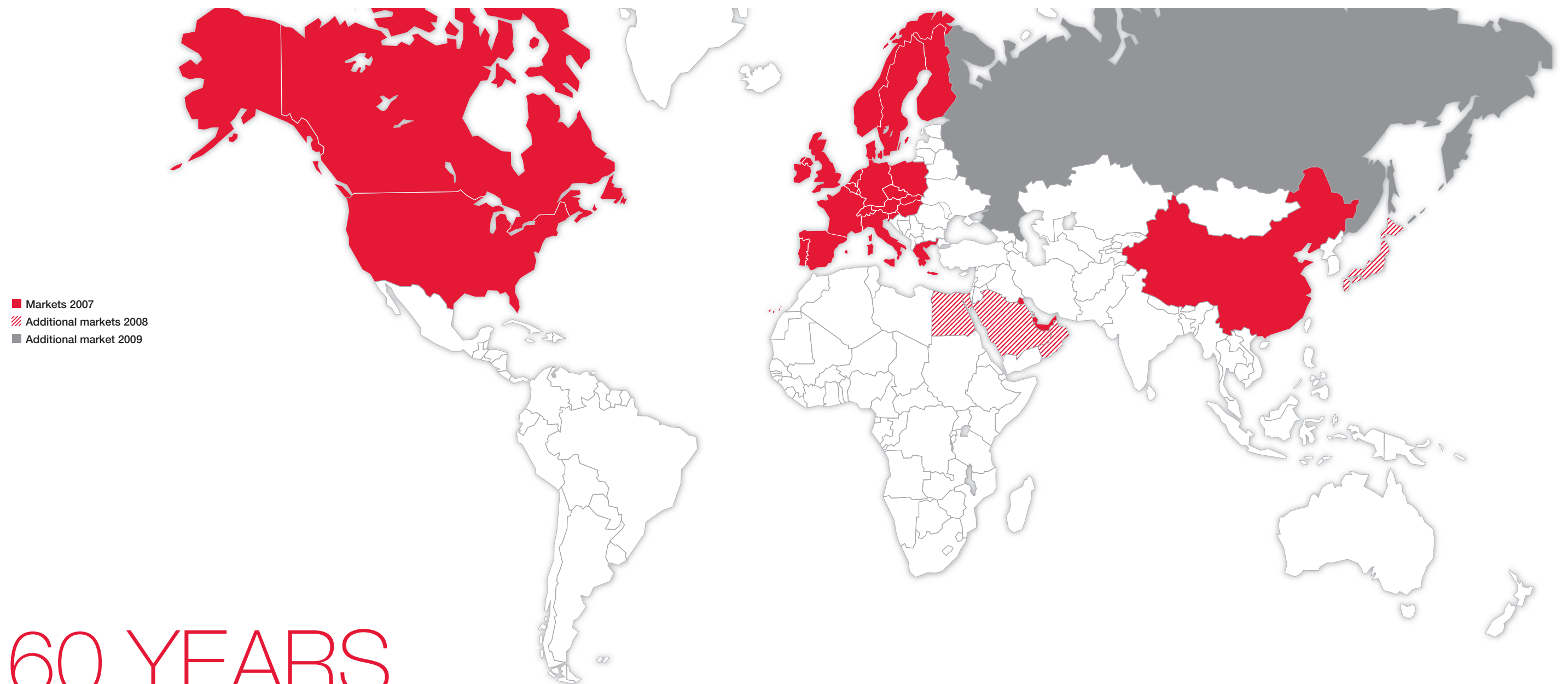
The best location is crucial when establishing a successful store. H&M prefers not to open a store until the right business location becomes vacant. Every individual store is unique. To create a store with the best possible commercial conditions, H&M analyses the customers on the street, the other stores nearby and the traffic flows and relates this to the circumstances of the premises.

Sometimes it may be a concept store for teenagers that has greatest commercial potential, while at other times it may be a family store. The most important thing is that the format is right in each case.

Analysis before H&M moves into a new market

Before H&M decides to move into a new market, an assessment is made of the market's potential. Factors such as demographic structure, purchasing power, economic growth, infrastructure and political risk are analysed.

An on-the-spot assessment of the customer base and store locations is then carried out. The first store should preferably be a large store in the best business location in a big city, which is subsequently supplemented with a mix of stores offering all or parts of the product range. H&M can then continue to grow by opening stores in other cities.



60 YEARS OF FASHION

H&M HAS HAD another record year. Sixty years have passed since H&M opened the doors of its first store in Västerås and today H&M can be found in Europe, North America, the Middle East and Asia. 2007 was a year of continued strong sales, high profitability and many new customers. The year was intense, with a high level of activity. H&M moved into four new countries, opened 193 new stores, presented a number of new concepts and continued the launch of Internet and catalogue sales in Europe. At the end of the financial year there were 1,522 H&M stores in 28 countries.

In total, H&M increased its sales by 15 percent to SEK 92 billion including VAT. In local currencies sales

increased by 17 percent and sales in comparable stores increased by 5 percent. Comparable stores means stores that have been open for at least a full financial year, which means from 1 December to 30 November.

Continually monitoring the world around us

The fashion scene is influenced by trends and is spread rapidly around the world via the Internet, music, films and travel. In each market H&M faces competition from global fashion companies, local retail chains, department stores and individual shops – each with its own profile and range of products. But entertainment, home electronics and travel also compete for customers' attention and

demand. A strong brand and a competitive offering are important success factors. H&M aims to always offer fashion for all occasions in a new and creative way.

New offerings create growth

In 2007 H&M has opened new stores and launched new offerings at a faster pace than ever before. New offerings allow H&M to exploit growth opportunities even in countries where the company has been present for many years.

More and more customers want to be able to buy footwear that matches the collections. In 2007 H&M launched a wider range of women's footwear as well as

a small collection of men's footwear in selected stores. Customers really appreciated H&M's footwear collections and sales of both women's and men's footwear have started well.

Other examples of how H&M has surprised customers are the collections developed together with style icons such as Madonna and Kylie Minogue, and also the design collaboration with Roberto Cavalli. During the year H&M also opened a completely new store chain, COS – again with fashion and quality at the best price as its business concept, but in a higher price segment. COS complements H&M well and is a way of attracting a new customer group.

THE H&M COUNTRIES

Growth while maintaining profitability is one of H&M's aims, and by continually working on making things even better H&M lived up to this again in 2007. During the year the net increase of stores was 177. The majority of the new stores were opened in the USA, the UK, Germany, France and Italy. At the same time, the operating margin for the Group increased to 23.5 percent from 22.4 percent.

H&M has successfully taken its concept – to sell fashion and quality at the best price – to new markets. During 2007 stores were opened in Greece, Slovakia and in China through stores in Hong Kong and Shanghai. In Qatar stores were opened on a franchise basis. In parallel, preparations continued for expansion into Japan in 2008.

H&M continued to gain market share in the Nordic region

In the Nordic region the retail business had a good year and H&M continued to take market share while at the same time increasing sales in comparable stores. H&M has a strong position with a high degree of market coverage in the region, not only in Sweden but also in Norway, Denmark and Finland. It is a matter of constantly attracting customers with new collections and new offerings such as footwear and various collaborations. During the autumn the Nordic region got its first COS store in Copenhagen, and two new Divided stores fitted out specifically to appeal to young, trend-conscious customers opened in Stockholm and Århus.

High level of activity and good prospects in Germany

Germany is H&M's biggest market and accounts for almost a quarter of the Group's sales. With a large population and strong purchasing power, H&M still has good opportunities for growth in Germany. There was a high level of activity during the year, with a large number of major initiatives and projects. These involved not only the opening of new stores, but also renewal and refurbishments in order to have an attractive and inspiring store environment. In total, 20 stores were opened, of which six were COS stores. Four stores were closed. The expansion of Internet sales to Germany and Austria, which started in August, also got off to a good start.

The Netherlands – H&M's fifth largest market

H&M has had a very good year in the Netherlands, which was the Group's fifth largest market at the end of the financial year. Sales were given a lift by the highly successful launch of Internet and catalogue sales. Internet sales began in August 2006 and in spring 2007 the first catalogue was sent out.

UK continued to perform well

The UK continued to do well, with an increase in sales of 9 percent in local currencies. Here, too, there was a high level of activity, with many new stores and a number of store refurbishments. In March, for example, the first store in H&M's new store chain COS opened on London's prestigious Regent Street.

Market	Year est.	Number of stores 30-11-07	Openings during the year	Closings during the year	Sales 2007 including VAT (SEK m)	Sales 2006 including VAT (local currency)	Average no. of employees
 Sweden	1947	124	4	3	7,228*	6,690*	4,456
 Norway	1964	82	4	1	5,155*	4,840*	1,509
 Denmark	1967	65	7		3,746*	3,293*	1,278
 UK	1976	129	18	1	7,320	6,769	3,872
 Switzerland	1978	60	4		4,206	4,045	1,474
 Germany	1980	319	20	4	22,150*	20,181	10,085
 Netherlands	1989	89	9	1	6,147*	4,990*	2,254
 Belgium	1992	54	6	2	2,836	2,776	1,400
 Austria	1994	58	6	2	4,543*	4,286	1,936
 Luxembourg	1996	8	1		331	310	134
 Finland	1997	34	2	1	2,247*	1,988*	823
 France	1998	98	13		6,972	5,943	2,950
 USA	2000	145	31		5,816	5,109	6,329
 Spain	2000	79	11		5,114	3,845	3,415
 Poland	2003	42	8	1	1,776	1,208	1,150
 Czech Republic	2003	14	1		610	513	249
 Portugal	2003	15	1		672	425	425
 Italy	2003	31	13		1,742	996	753
 Canada	2004	35	9		1,449	1,027	800
 Slovenia	2004	6	3		485	354	115
 Ireland	2005	7	2		418	327	188
 Hungary	2005	6	2		197	93	98
 Slovakia	2007	2	2		81		45
 Greece	2007	3	3		141		85
 China	2007	7	7		482		646
Franchise	2006	10	6		259***	72***	
Total		1,522	193	16	92,123	80,081	46,469**

* including Internet and catalogue sales
** Group total 47,029
*** excluding VAT

Growth in Southern Europe

Business has developed positively in Southern Europe, with more and more customers discovering and appreciating H&M's fashions. The countries of Southern Europe, where H&M has had a presence for less than ten years, have all a rapid rate of expansion. H&M now has a firm foothold and a good base for further growth.

In Spain, which has 79 stores well distributed across the country, sales increased substantially. In Italy the number of stores almost doubled to 31 stores. Among others, a large store opened in Rome at Porta di Roma, one of the country's largest shopping centres, and H&M's first stores in southern Italy opened in Bari. In France, too, the positive development continued. New stores this year included a large store in France's third largest city, Lyon.

During the year H&M moved into Greece. The first store was opened in Athens on one of the very best shopping streets, and was followed by a further two stores. The reception was a great success, with many new customers discovering H&M.

Eastern Europe – an exciting region with great opportunities

H&M is also popular among the customers in the eastern parts of Europe. Poland has developed into a strong H&M market and sales have continued to increase. At the end of the financial year the number of stores had increased by a net contribution of seven stores to 42 stores. H&M has also sold well in the Czech Republic, Slovenia and Hungary. H&M's first store in Slovakia, which got a great reception, opened in Bratislava during the spring. Eastern Europe is an exciting growth region where H&M sees great opportunities for establishing more stores.

North America – continued expansion with a strengthened presence on the West Coast

Sales in North America have developed well. H&M continued its substantial expansion in both the USA and

Canada. In the USA this included strengthening the company's presence on the West Coast by opening a number of stores in Los Angeles. In October the opening of the first H&M store in Las Vegas took place. Business were also going well for H&M in Canada. Vancouver on the West Coast and Quebec in the east of Canada are new locations on the H&M map.

Franchise in the Middle East – Qatar a new market

In the Middle East H&M has been in partnership since 2006 with a franchisee, Alshaya, which is a leading retail player in the region. It is a classic franchising arrangement in which H&M sells and delivers items to Alshaya, which in turn stocks and then sells the items in stores. Except for the Middle East, franchising is not part of H&M's expansion strategy.

H&M's fashions are also appreciated in the Middle East and the stores have sold well. In March the first H&M store in Doha, the capital of Qatar, was opened. In total there were ten franchise stores in Dubai, Kuwait and Qatar at the end of the financial year.

H&M in China – stores in Hong Kong and Shanghai

Asia is a really exciting region with a high population and strong economic growth. During spring 2007 H&M's first store in Hong Kong opened, closely followed by two stores on mainland China in Shanghai. A further store in Shanghai and three more stores in Hong Kong opened during the year. There were seven H&M stores in China in total at the end of the financial year.

The response in Hong Kong and Shanghai has been fantastic and sales have by far exceeded the company's expectations.

The stores in Hong Kong and Shanghai are the bridgehead for H&M's continued expansion in Asia, an exciting continent with great potential for growth.

H&M IS CONTINUING TO GROW – NEW CONCEPTS, STORES AND COUNTRIES

H&M IS CONTINUING to grow. In 2008 a net addition of 190 stores is planned. The main expansion will take place in the USA, Spain, the UK, France, Germany and Italy.

Japan will become a new H&M country during the year. In autumn 2008 two excellently located stores will open in Tokyo in a couple of the city's best known and most exclusive shopping districts. Japan, which is the second largest economy in the world, is a very exciting market, with a fashion-conscious public with strong purchasing power. Both Japan and China will undoubtedly be important expansion markets in the future.

New franchise markets in 2008 will be Egypt, Saudi Arabia, Bahrain and Oman, where the stores will be

opened in cooperation with Alshaya. H&M plans to establish stores in Russia in 2009, focusing initially on Moscow and the surrounding area.

H&M is growing not only by turning to customers in new stores and new places. It is at least equally important that the company continually develops and enhances its offering by means of creative solutions and surprises in the collections.

To ensure that the new home textile range, H&M Home, meets H&M's high requirements of fashion, price, quality and suppliers, the launch of the concept has been deferred until autumn 2008. H&M Home will initially be sold via Internet and catalogue sales.

NEW OFFERINGS FOR EVERYONE WITH AN INTEREST IN FASHION

H&M is addressing everyone with an interest in fashion and offers a wide and varied range. At H&M customers should always be able to find clothes, footwear and accessories for every occasion and then combine these to create their own personal style. It should always be possible to find something new and exciting – in the store, in a catalogue or online. The range is continually updated with new items. Just as important as renewing the range is to surprise customers with new exciting offerings.

THIS YEAR H&M launched a number of exciting new fashion lines, such as footwear to match the collections, high quality underwear basics, fashionable garments in organic cotton, H&M's skin care range for men and the new store chain COS.

Organic cotton initiative well received

In the spring H&M launched Organic Cotton, the new range using organic cotton, which received a warm welcome from customers. The collection was colourful and fashionable and included everything from underwear to outerwear. In the autumn the initiative was expanded to offer even more garments for women, men, teenagers and children. A conscious choice of material combined with the latest fashions allows customers to look good and up-to-date while at the same time looking after the environment.



Modern, soft and fashionable are words that sum up H&M's Organic Cotton collection. The garments are marked with a special label to make them easy to find.



With a sense of style and quality, the new sophisticated fashion concept COS – Collection of Style – was launched in the spring. COS is about timeless yet fashionable garments with a focus on quality in everything from fabrics and fit to finish.

Successful first season for COS

COS – Collection of Style – is a new store chain that offers fashion and quality at the best price, in a higher price segment. COS is about fashion with a sense of style and quality. The garments are timeless, yet fashionable. The collections include basics with a high fashion content, updated classics and the latest trends. The first store opened its doors on London's Regent Street in March 2007, after which a further ten stores were opened in European cities during the year.

Perfect fit with Our Perfect

A new collection of women's underwear – Our Perfect – was created in 2007. It is about high quality modern underwear basics, designed to provide the perfect fit. There are four bra models and two matching models of briefs available in black, white, skintone, brown, pink and chalk blue.

H&M MAN – skin care for men

By H&M offers an extensive range of make-up, skin care and body care products. In 2007 H&M expanded the part of the range that is aimed at men to include skin care products. The products for men are recognisable by their grey packaging labelled H&M MAN.

Footwear sales exceeded expectations

Customers appreciated the women's footwear initiative. In the spring a collection of women's footwear was launched in 200 stores around the world and in the autumn the collection was expanded to include even more models matching H&M's other collections. In addition, a small collection of men's footwear was launched.



Fashionable from top to toe. One of H&M's new moves this year was the introduction of a range of men's and women's footwear to match the collections.

WOMEN

A PLAYFUL MIX OF STYLES OR MINIMALISM

THE WOMEN'S WEAR DEPARTMENT has a wide range of fashions for fashion-conscious women of all ages. The collections consist of a section of tailored classics and a section containing current fashions, including everything from underwear and everyday garments to party wardrobes. The big city stores also sell fashions with a particularly high fashion content for women who want to keep up with the very latest international trends.

Women's wear also includes L.O.G.G. with updated classic casuals, H&M Sport for the active lifestyle, Mama for women who want to be fashionable during their pregnancy and BiB in plus sizes. During the spring season there is also a wide range of swimwear.

For all the concepts there is a wide range of accessories to match the collections. There are also matching socks and tights, underwear and nightwear – everything from basic items to more exclusive sets.

One of this spring's big women's collections – M by

Madonna – was designed by H&M in collaboration with the superstar Madonna. It was a broad collection that included tailored garments with a feminine touch. The women's collections are aimed at the modern woman who wants to be well-dressed from morning to evening.

New lines for female customers

This year all stores that sell women's wear carried a small range of women's footwear and in around 200 selected stores H&M launched a wider range. Another new line is Our Perfect, a modern collection of high quality underwear basics, designed to provide the perfect fit. H&M's focus on organic cotton was expanded by offering a trendy, colourful collection called Organic Cotton. A conscious choice of material combined with the latest fashions allows customers to look good and up-to-date while at the same time looking after the environment.

The dress and the tunic were undoubtedly this year's key pieces for the modern woman. For the autumn collections the colour scale was grey with accents such as lilac, mustard, cerise and plum.



Dress
€ 29,90

MEN

MASCULINE AND WITH A SOLID SENSE OF STYLE

H&M'S MEN'S WEAR DEPARTMENT has a coordinated range of clothing and accessories that covers different tastes and needs. The men's collections contain everything from timeless tailored garments such as jackets and outerwear to seasonal fashion garments that reflect the very latest trends. In selected stores Modern Classic is available, a high quality tailored collection consisting mainly of suits with matching shirts, knitwear, ties and other accessories.

The men's wear department also includes L.O.G.G., with updated retro-inspired casuals. There are matching accessories for all H&M's men's collections, such as socks, underwear and pyjamas.

Focus on details

Tailored and classic still characterise the fashion scene for men, with traditional garments such as suits, cardigans and double-breasted coats with updated details and a new silhouette. Today, most people combine their working wardrobe with their casual clothes. Jeans, T-shirts and knitwear are therefore important complements to the classic men's line, as are sports-inspired garments.

Following the successful launch of women's footwear, a small collection of footwear for men was also launched. The collection is available in about 70 H&M stores around the world. Also new for male customers is Organic Cotton, a trendy, colourful collection made using organic cotton.

Like the rest of H&M's range, the men's look is about styling and personal style – in other words, classic dressing that is nonetheless up-to-date and modern.

The tailored look is back in spring 2008. H&M's men's collection is based on traditional tailoring updated with new materials and cuts and with global influences. The look is minimalist, simple and well-cut, with few but well-executed details.



Blazer
€ 79,90

DIVIDED

YOUNG TREND – A FEEL FOR THE LATEST TRENDS

H&M'S DIVIDED DEPARTMENT offers fashion with a young look. It is about creative design and references from the very latest trends from street and club wear in a style that appeals to both teenagers and adults. The range consists of denim and street wear fashion for all occasions – from everyday clothes to party wear. This is supplemented with matching accessories and underwear. The Divided customer can also choose from updated basics and the organic collection Organic Cotton.

Focus on personal style

Divided is where trend-conscious customers with a great interest in fashion are found. The collections are a way for them to express themselves, to make the most of their personal style. Often it is here that future bestsellers can be identified.

Divided is particularly important to show H&M's fashion profile, with a feel for the latest trends.

The look at Divided in autumn 2007 was inspired by 50s rockabilly, elegant 70s rock and 90s grunge with layering and pared-down minimalism. This was complemented by sports-inspired garments and a wide range of jeans and denim items.



&DENIM

EVERYTHING FROM FIVE-POCKET MODELS TO TRENDY FASHION JEANS

H&M'S JEANS CONCEPT &DENIM offers everything from traditional five-pocket models to trendy fashion jeans. &denim gives customers a wide jeans range of high quality, with everything from basic models to the very trendiest cuts.

The aim of &denim is to ensure that everyone is able to find exactly the jeans they need, whatever their fashion

requirements and style. Jeans are the cornerstone of a wardrobe and many customers buy new jeans each season. Perhaps this is why jeans are the garment that most reflect current fashions, which is also why the entire range is updated each season.

Since autumn 2007 there is also a selection of &denim models in organic cotton.

For many people, jeans are the most important item in their wardrobe. &denim has jeans for all tastes and in all sizes. The prices are unbeatable, starting at € 19,90.



CHILDREN

FUNCTIONAL AND FASHIONABLE

THE CHILDREN'S RANGE is divided into different concepts for babies, children and H&M Young, which is aimed at children up to 14 years old. It is particularly important that garments for children are comfortable and functional, while at the same time fashion and trends are highly significant. The collections must be as fashionable as they are practical, hard-wearing, safe and comfortable. To guarantee the highest level of safety H&M's children's items undergo careful testing.

The baby wear collection consists of clothes for the youngest children (0–18 months). With a focus on function and safety, the season's trends are expressed in a playful way.

The children's wear collection for boys and girls aged 18 months to 8 years combines fashion, colour, graphics and design with comfort and functionality. The clothes must be fashionable, practical and hard-wearing.

H&M Young is the collection for 9–14 year olds. H&M Young customers often look to older teens for their fashion inspiration and they are more fashion-conscious than younger children. H&M Young offers fashionable garments that are functional, comfortable and safe.

Just as for men and women, the children's department includes L.O.G.G., which offers timeless casual wear, as well as matching socks, underwear, nightwear, accessories and swimwear.

When H&M designs clothing for babies and children, quality and safety are given priority. Children's wear has to be particularly hard-wearing because it is washed more than twice as often as other clothing.



COSMETICS

MAKE-UP AND SKINCARE PRODUCTS FOR THE FASHION-CONSCIOUS

H&M'S COSMETICS DEPARTMENT offers an extensive range of make-up, skin care and body care products. The range is constantly being renewed with new colours, fragrances and products that reflect current fashion trends.

By H&M is H&M's own brand for make-up and skin care products. This product line contains a wide range of cosmetic products in carefully coordinated colours for both women and men. H&M updates the entire range each season and coordinates it with the collections. The range also includes body care products and accessories such as brushes, make-up bags and toilet bags. Since autumn 2007 H&M has had a greater focus on products for men, with everything from creams, masks, scrubs to hair styling.

H&M does not allow its cosmetic products to be tested on animals, either during the production process or in the finished state. All suppliers must guarantee that the content, packaging and labelling meet EU quality and safety requirements.

H&M's cosmetics range is constantly being renewed with new colours, fragrances and products that reflect current fashion trends.



H&M ADDS VALUE AT EVERY STAGE

H&M creates and plans its collections centrally. In this work it is incredibly important to understand what customers want – from the idea, through the creation of a new product to the customer buying it. H&M's designers, pattern makers and buyers agree on the trends that will inspire H&M's fashion in the coming season and try to find a good balance between modern basics, current fashions and high fashion. H&M outsources the production of the items to independent suppliers, mainly in Asia and Europe. Getting everything to work places great demands on planning and organisation. Millions of items are involved and these are sent out to the stores via a number of distribution centres. Getting the right item to the right store at the right time is the key to H&M customers always finding something new and exciting. The path of the products from idea to customer is shown on pages 33 to 37.



1. IDEA AND DESIGN

“H&M's collections always emerge with the customer in focus.”

The world as inspiration

H&M's own designers, pattern makers and buyers create the collections together. Taking the world as inspiration, styles are identified that are right for the times and trends are adapted to fashions that work. It is about creating a good balance between fashion, quality and the best price.

The idea and design work is a continual creative process. To pick up on forthcoming trends H&M constantly monitors the world around it and draws inspiration from street fashion, films, travel and other cultures, the media, trend institutes, trade fairs and exhibitions as well as fashion history. The overall themes

are often planned up to a year in advance, while the very latest trends are picked up at short notice.

Always with a focus on the customer

H&M's collections always emerge with the customer in focus. To meet demand from customers of all ages, each with their own particular style, H&M offers many different concepts. Trends and influences are adapted to styles and models that will suit the customers. The themes, colours, fabrics, silhouettes and garment types are decided in order to create the new season's collections.

Taking the world as inspiration, H&M's designers, pattern makers and buyers create the collections.





The concept teams produce the right mix of merchandise for each concept.

2. PLANNING THE RANGE/BUYING

“The range should reflect what customers want at all times.”

Balance between modern basics, current fashions and high fashion

H&M builds up its range by putting together a balanced mix of modern basics, current fashions and high fashion within each concept. A number of different factors affect the final composition of the range. What sold well last season is combined with the coming season's big trends, colours and models. The aim is that the range should reflect what customers want at all times.

Customer demand in different markets and in different stores determines the mix of the product range. Once again, the previous season's sales form a good guide. The size of the stores, their location and whether it is a city store or a regional store also have a bearing on how the product range is distributed.

High fashion garments that are produced in limited quantities, for example, will be sold only in stores in the big cities. Modern basics – such as jackets, tops and trousers in a range of colours and in the current season's cut –

are ordered in larger volumes and distributed to more stores.

Concept teams find the right merchandise mix

Each concept has its own team of designers, buyers, assistants, pattern makers, a section manager and a controller. They are all united by their common interest in fashion and trends and by their understanding of what customers want. The teams produce the right mix of merchandise for each concept.

The number of people working on the teams varies depending on the concept. For the larger concepts, e.g. in women's wear, a number of designers, buyers and pattern makers may work in parallel, while concepts such as Mama or BiB have considerably smaller teams.



One of H&M's fundamental requirements is that production takes place under good working conditions.

3. PRODUCTION

“H&M takes a long-term view and wants to grow together with its suppliers.”

Production offices choose the right supplier

H&M does not own any factories. Clothes and other products are instead bought in from around 700 independent suppliers, primarily in Asia and Europe.

The buying department plans the range, while the production offices deal with contacts with the suppliers. They are responsible for each order being placed with the right supplier. The combination of quality, price, quantity, lead time, flexibility and the supplier's ability to live up to H&M's CSR requirements are decisive in the choice of supplier. That production must take place under good working conditions and that H&M's policy must be met are fundamental requirements. The cooperation is strategic and long-term and H&M's ambition is to grow together with its suppliers.

The quality and safety of the goods are checked at the production offices, where extensive testing is carried out in respect of matters such as child safety and laundering, as well as chemical tests to check that the items meet

H&M's quality requirements. H&M always abides by the strictest regulations in the countries where the company has a presence and the most stringent regulation is then adopted as H&M's standard in all countries.

Different items – different lead times

The time from an order being placed until the items are in the store may be anything from a few weeks up to six months. The best lead time will vary. For high-volume fashion basics and children's wear it is advantageous to place orders further in advance. In contrast, trendier garments in smaller volumes have to be in the stores much quicker.



The most advantageous transport option is chosen for each consignment and environmental impact is an important parameter.

4. LOGISTICS/DISTRIBUTION

“Accuracy, flexibility and efficiency throughout the distribution chain.”

The right item to the right country and the right store

H&M handles millions of items each year. Through a number of distribution centres items are sent to more than 1,500 stores in 28 countries. Having the right items in the right quantity in the right store in the right country at the right time at the right cost calls for extremely well-functioning logistics. In order to succeed, accuracy, flexibility and efficiency are required throughout the supply chain.

H&M controls every link in the chain, from coming up with an idea right through until the item reaches the customer. Doing so the logistic flow is considerably more efficient than that of an individual producer, importer and/or retailer. Another crucial supply chain success factor is good IT support providing rapid sales feedback from the stores.

Transports and environment

H&M makes efforts to use clean and efficient modes of transport with limited environmental impact. The majority of the merchandise is transported by ocean, but goods are also transported by rail, road or sometimes air from the production countries to H&M's distribution centres.

The most advantageous option is chosen for each consignment. The environment is an important parameter in this decision. Whenever possible, transport by rail is the first choice. The ambition is that any transport by air must be combined with transports by ocean, which results in considerably less environmental impact. Transporting as much as possible in well utilised transport units directly to the sales countries is also an important factor in reducing the influence on the environment.

Once the items have been received and checked, they are distributed directly to the stores or to the stores' central replenishment facilities. The stores are then refilled as the items are sold.

In 2007 H&M opened a new large distribution centre in Poznan, Poland. This new facility supplies the Internet and catalogue sales countries outside the Nordic region as well as the stores in Eastern Europe. A new large distribution centre is also being built in Hamburg, Germany. It is expected to be completed by summer 2008 and will serve the stores in Germany, the Netherlands and Austria.



The store is H&M's most important sales channel. The store environment must be pleasant and provide ideas and inspiration.

5. CUSTOMER

“Clear, inviting and exciting.”

Shop in store, online or by catalogue

H&M's customers can choose between a number of different sales channels – in store, online or by catalogue. This increases accessibility and gives increasing numbers of customers the option of shopping at any time and from any place. Internet and catalogue sales are available in the Nordic region, the Netherlands, Germany and Austria.

Within H&M there are different kinds of stores – everything from very large stores offering all the concepts to small stores aimed at a narrower customer segment. This is why there is often more than one H&M store on a street, because they provide different shopping experiences and are aimed at somewhat different customer segments.

Interesting and inspiring stores

The display window plays an important part in attracting customers and profiling H&M as a brand. It must be clear and inviting and must inspire customers to make purchases.

H&M stores are self-service stores and it must be easy for customers to find their way about. The store environment should be pleasant and generate a sense of well-being. It shall give customers ideas and inspire them to

choose what suits their own style. H&M matches the range of garments in the stores to make it easier for customers to combine items. Display windows, mannequins, torsos and tables must all provide attractive shopping suggestions and are therefore updated frequently.

New items every day make the stores interesting and lively. Having a number of collections each season also means that the store changes its appearance often. The aim is that customers should always be able to find something new and exciting.

New stores are continually being opened and older stores refurbished in order to be inviting and easy for customers to navigate. Stores in the big cities and stores aimed at young people are renovated more often.

Internet and catalogue complementary sales channels

The store is by far H&M's most important sales channel, although catalogue and Internet sales are increasing. Internet and catalogue sales offer a wide and well-matched product range, with various shopping suggestions and combinations illustrated. Ordering is quick and easy for customers, whether traditionally via a catalogue or online.



H&M's messages are the same all over the world and through all communication channels. Kylie Minogue was the face for one of the beachwear collections in summer 2007. Kylie performed at the spectacular opening party for H&M's first store in Shanghai.

THE H&M BRAND

A STRONG BRAND is an increasingly important competitive advantage. All H&M's communication aims to build the brand, short- and long-term, while at the same time conveying the company's offering. Collections, stores, the magazine, PR activities, shows, events and design collaborations must communicate the same messages. Customers must be able to recognise H&M and know what H&M stands for – fashion and quality at the best price.

H&M makes fashion accessible

There is always something new happening at H&M – new items come in, stores are refurbished and new campaigns are launched. H&M must be inviting, exciting and must always surprise. This way of thinking has guided H&M throughout its history and has helped to build the strong brand that exists today.

When H&M's first store in Hong Kong opened in March 2007, customers queued for 48 hours ahead of the doors opening. The fact that people choose to do this shows how strong the brand is. The queues and the success of the openings create a positive buzz around H&M.

Collaboration with icons and designers strengthens the brand

Each year H&M launches a number of big campaigns supplemented with smaller campaigns. This generates interest in the season's new collections. The campaigns

are an exciting, recurrent invitation to H&M.

One of the spring's largest women's collections was a wide, classic collection produced by H&M in collaboration with style icon Madonna. In the autumn H&M's collaboration with Roberto Cavalli received a great deal of attention when the Italian fashion legend created an exclusive women's and men's collection for H&M. These collaborations show the strength and breadth of H&M's offering by illustrating clearly that fashion and design is not a matter of price. The attention they receive also strengthens the H&M brand as an international fashion company.

Same message globally

H&M communicates through all channels. The collaborations with designers and style icons are good examples of this. When H&M wanted to produce a beachwear collection based on Australian surf style and was looking for someone who could symbolise this, the choice was Kylie Minogue.

Kylie was the face of one of the summer's beachwear collections – in the stores and in H&M's advertising. When she then performed at the opening in Shanghai, the world's media reported on this and on H&M's move into Asia. H&M does the unexpected and the high level of attention strengthens the brand and also makes it more exciting to go into the local store.



The Kylie campaign could be seen in all PR material, from bags, hangers and gift packs to the customer magazine and store displays.

H&M inspires everywhere

H&M has high requirements that all its communication must be of the highest quality.

H&M Magazine provides a good idea of how H&M views fashion. It offers readers a mix of fashion, inspiration and the latest lifestyle trends. It is issued four times a year and is aimed equally at customers and staff. Like all H&M's communication, the magazine can be seen as an invitation to H&M. It is important for building the brand in the long term and is also available on the H&M website.

PR makes the brand even clearer

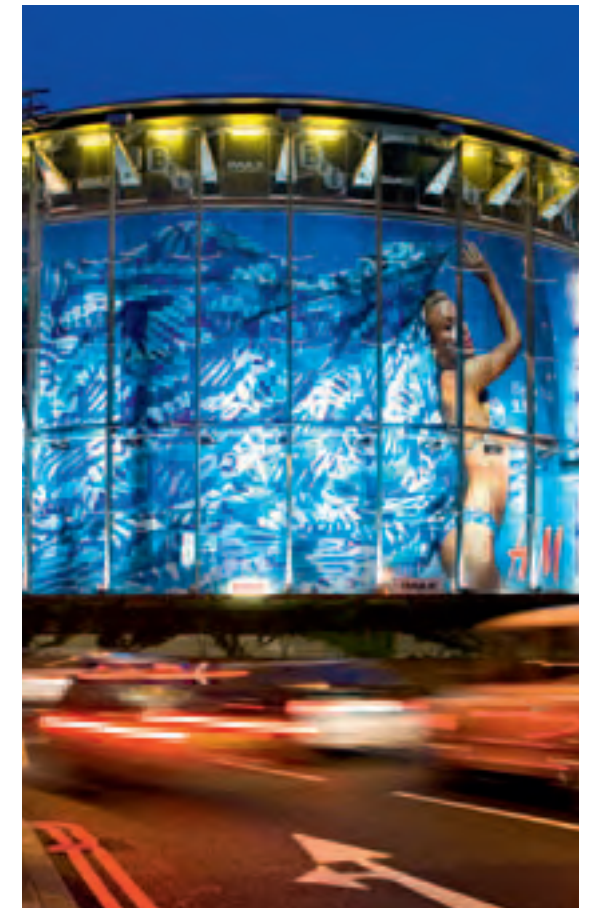
H&M is in close contact with the media in order to showcase its fashion and increase knowledge about H&M. H&M also communicates continually with the business press and financial markets.

Financial information

The H&M share is one of the most traded shares on the OMX Nordic Exchange in Stockholm. In terms of market capitalisation H&M was the largest company on the exchange in Stockholm and had at the end of the financial year approximately 170,000 shareholders. The message in H&M's financial communications follows the same patterns as the company's other communications. Providing accurate and relevant information – at press conferences and telephone conferences, for example – gives journalists and analysts a sound basis for their work and at the same time strengthens the H&M brand.

Website always provides the latest news

Current information about H&M, its campaigns, collections and stores can be found at www.hm.com. Financial information is also available there.



The Kylie collection will contribute to give around 229,000 people access to clean water and 129,000 people access to sanitation facilities in Tanzania, Mozambique and Madagascar.

COLLEAGUES CREATE GROWTH

The colleagues are H&M's greatest asset

H&M's competent and committed colleagues are one of the major reasons why H&M has succeeded in growing with good profitability for such a long period.

At the financial year-end, H&M employed about 68,000 people. Converted into full-time positions the number was 47,029, 80 percent of whom were female. Of those in positions of responsibility within the company, such as store managers and country managers, 76 percent were female.

If H&M is to continue its expansion, it is essential that the colleagues want to develop and grow along with the company. It is therefore very important that H&M is and continues to be an attractive employer, since many staff will need to be recruited in the period ahead.

Colleagues must have opportunity to grow with the company

An important ingredient in creating an attractive workplace is that the staff can develop with the company. We believe in individuals and in our colleagues' ability to use their common sense to take responsibility and take initiatives. We call this the spirit of H&M. To encourage individual development among colleagues, H&M also provides internal training – generally with the emphasis on learning on the job.

Like H&M's concept, this approach has proved to work all around the world. Everywhere we find capable colleagues with a sense of commitment and a desire to improve the business.

Varied duties – at home and abroad

Job rotation is a good way for colleagues to develop, thereby developing the company. In a store, job rotation may mean that a person's duties vary from customer service, the cash-desk, fitting rooms and unpacking to display and follow-up of advertising and campaigns.

When we open stores in new markets job rotation may involve colleagues from established H&M countries supporting a store manager and store colleagues on site for the intensive period that precedes a store opening. One example of this is the establishment of H&M's first stores in

Hong Kong and Shanghai. Here the new employees were supported by more than 100 store colleagues, store managers, builders, decorators and others from eight different established H&M countries. The management team received special training in the Netherlands for three intensive months before the openings.

Internal recruitment for positions of responsibility

The openings in Hong Kong and Shanghai are good examples of how H&M succeeds in transferring its knowledge and culture, which is particularly important when moving into new countries. Having more varied duties gives colleagues a greater understanding of how H&M's approach is put into practice in different parts of the business. It also gives us an opportunity to discover new talent for management and specialist functions within the company.

At present, the majority of those in managerial positions were recruited from within H&M.

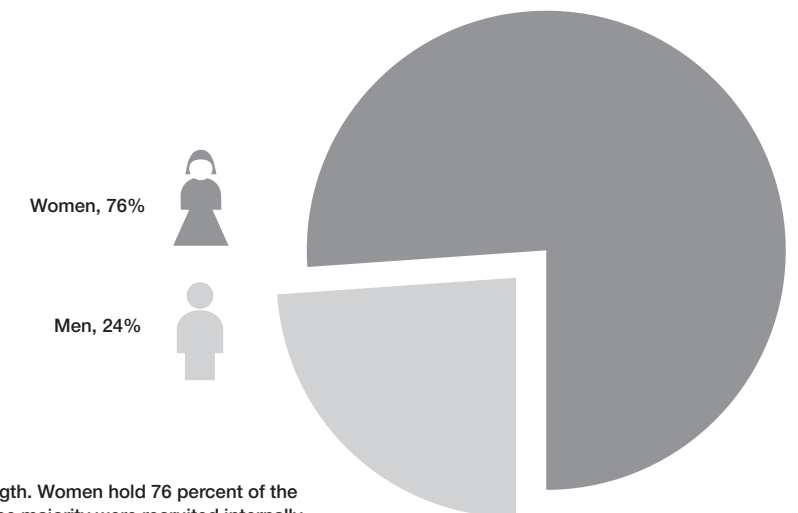
Improvement through cooperation

H&M has grown substantially for many years and has never employed more people than now. This, together with the fact that these colleagues are spread all over the world, leads to greater requirements of H&M as an employer. To meet these new demands we are working hard on preparing our global policies on diversity and equality and against discrimination. H&M aims to be a good employer even in countries where laws and regulations do not live up to H&M's requirements. The entire business must be characterised by a fundamental respect for the individual, which applies to everything from fair pay, reasonable working hours and freedom of association to the opportunity to grow and develop within the company.

H&M has found open and constructive dialogue with trade unions a positive experience and we welcome such relations wherever we operate. Such cooperations are essential if we are to improve still further. Examples of cooperation on staff issues include our agreement with UNI (Union Network International) and the work that we carry out with the European Works Council.



For the opening of H&M's first stores in Hong Kong and Shanghai the store managers and store staff were supported by more than 100 colleagues from eight different countries. In our new markets it is very important to transfer knowledge from already established countries in order for the business to get going as quickly and smoothly as possible.



Many women in positions of responsibility

The colleagues' commitment is H&M's strength. Women hold 76 percent of the positions of responsibility within H&M and the majority were recruited internally.

EFFORTS FOR LONG-TERM IMPROVEMENTS

TAKING RESPONSIBILITY FOR how people and the environment are impacted by our activities is important and is essential to H&M's success. H&M conducts a dialogue both internally and with external stakeholders concerning how the company can develop further. It is therefore important to formulate and convey clearly how we should work, especially since H&M does not own any factories of its own. Our products are instead produced by around 700 independent suppliers, primarily in Asia and Europe.

Code of Conduct and Sustainability Policy – the backbone of H&M's work

Our Code of Conduct and our Sustainability Policy (page 45) form the backbone of our work on corporate social responsibility. All the factories involved in producing H&M's products are covered by the Code of Conduct. It applies both to our suppliers and to any production outsourced to subcontractors that they may use.

The Code of Conduct, which is based on ILO conventions and on the UN Convention on the Rights of the Child, includes the following requirements:

- compliance with local labour law
- statutory pay and working hours
- the right to organise and bargain collectively
- a ban on child labour
- a ban on discrimination
- a ban on forced labour
- health and safety in the workplace
- compliance with local environmental legislation.

Focus on compliance with the Code of Conduct

H&M works intensely to check compliance with the Code of Conduct. This is done by visits to the suppliers' factories by our own auditors as well as independent audits carried out by the Fair Labor Association. Through a new IT system, developed especially for H&M's CSR work this year, the auditors' reports can be accessed by the production offices and the CSR department in Stockholm. H&M employs nearly 60 auditors in total.

H&M carries out an extensive audit consisting of more than 300 points when it starts cooperating with new

suppliers, or when a supplier uses a new subcontractor. This is known as the FAP audit and forms part of our Full Audit Programme. The aim is to obtain as accurate a picture as possible of conditions at the factory in question. The supplier is then given a certain period in which to draw up a plan for remedying any shortcomings.

The auditors follow up the implementation of these measures. In 2007 follow-up of the audits was a priority matter. In connection with the follow-up visits the auditors review the suppliers' action plans and improvements. The visits act as a forum for in-depth discussions with the suppliers, focusing on the suppliers' own solutions. The key to long-term development is that the suppliers themselves are committed to sustainable improvements in the business.

Water samples from factories with water treatment

H&M's Code of Conduct states that the suppliers must comply with environmental legislation. In practice, the requirements cover the handling of chemicals, waste management and waste-water treatment. H&M requires factories that carry out wet processes such as washing and dyeing to treat their waste-water. We also set requirements of the quality of water discharged by applying the guidelines developed by a working group made up of clothing companies within Business for Social Responsibility (BSR), which include H&M. During the year H&M analysed water samples from factories with water treatment. The results will form a basis for future FAP audits of the factories. Read more about the BSR guidelines at www.bsr.org/waterquality.

We are also proud of our partnership with the charity WaterAid. In 2007 we donated more money than ever before for the organisation's work to provide the world's poorest with clean water. H&M's donation will contribute to giving around 229,000 people access to clean water and 129,000 people access to sanitation facilities in Tanzania, Mozambique and Madagascar. This money came from sales of the Kylie collection. In addition, sales of a specially-designed bikini contribute to WaterAids projects in Bangladesh.



The Fair Labor Association carries out independent audits of our suppliers' factories in China and also reviews our system for follow-up of the Code of Conduct. The cooperation with the FLA is an important quality assurance, but is also a way for H&M to show stakeholders the effectiveness of its own follow-up.

More efficient use of resources

The water samples from the factories are an example of how we actively check that our products are being manufactured with limited environmental impact. This is possible to do thanks to our suppliers' commitment to observing the Code of Conduct. It does not solve all the problems, however. H&M does not buy fabrics directly from fabric suppliers, for example, and therefore cannot inspect their operations in the same way. Consequently, we realise that other types of cooperation and other methods are required if we are to have a positive influence on developments. Within the Cleaner production project we work to encourage the fabric dyeing mills to take environmental considerations into account in their activities by making suggestions for more efficient use of resources.

Independent inspections benefit all parties

H&M works continually to improve its own methods and routines. Consequently, in 2006 H&M became a member of the Fair Labor Association (FLA). The FLA carries out independent audits of our suppliers' factories in China and also reviews our system for follow-up of the Code of Conduct. The cooperation with the FLA is an important quality assurance, but is also a way for H&M to show stakeholders how effective its own follow-up is. In 2007 the FLA reported for the first time on the results of its audits on H&M's suppliers. The FLA's conclusions are in line with the results of our own FAP audits and are available on the organisation's website www.fairlabor.org.

Strategic cooperation for long-term improvements

The challenges faced in the production countries are complex. We therefore cooperate with other players in the clothing industry. Among other things, H&M supports the Better Factories Cambodia programme. This initiative, which is run by the International Labour Organization (ILO), aims to improve working conditions for those employed through education and independent monitoring. During the year a number of H&M's suppliers in Cambodia took part in BFC's courses. The courses educate factory workers in matters such as employment rights and obligations.

Another educational project was carried out in India, where H&M organised training for the members of workers' councils at three factories. The aim of this training, which was implemented in conjunction with the Fair Wear Foundation and two other international clothing companies, was to establish well-functioning workers' councils capable of representing the workers vis-à-vis the factory management.

Another current project is the MFA Forum Bangladesh. In addition to around ten buyers, other participants include representatives of the Bangladeshi government, local industry organisations, the World Bank, the global trade union organisation ITGLWF and a number of other organisations. One of the focuses of this year's work was on the purchasing behaviour of the buying companies, including H&M. The aim is to find ways of working that

do not impact negatively on the suppliers' ability to comply with the Code of Conduct.

Continued cooperation with UNICEF

H&M started its cooperation with UNICEF in 2004 and in 2007 a new cooperation agreement was formulated that is effective for a further three-year period. The cooperation involves a programme for the prevention of HIV/AIDS in Cambodia as well as the investigation of the social consequences of cotton growing in preparation for future work. A major study on this topic was carried out during the year which identified a number of problem areas. Based on the information in the report, H&M and UNICEF will be planning and implementing concrete measures in 2008.

Increased use of organic cotton

H&M works actively to reduce the environmental impact of cotton growing. We want to encourage the growing of organic cotton by contributing to increased demand and we also want to improve conventional cotton growing. Where organic cotton is concerned, we are very pleased that our work on collections that use organic cotton has been so well received by our customers. In total we used around 1,300 tonnes of organically grown cotton in 2007.

In order to contribute to improvements within conventional cotton growing, H&M is a member of the Better Cotton Initiative (BCI). The BCI is a partnership between organisations, clothing companies, cotton growers and others. The objective is to measurably reduce the negative effects of conventional cotton growing. This cooperation was initiated by WWF in 2004. More information on the BCI can be found at www.bettercotton.org.

Climate-smart transport solutions

Reducing the company's carbon dioxide emissions and thus limiting its climate impact is an important part of H&M's environmental work. This mainly involves working on climate-smart solutions for the transportation of goods and use of energy in our stores and warehouses. We continually evaluate our transportation with a view to reducing its environmental impact. Since transport by air has the greatest environmental impact, we always try to choose other transport options. If this is not possible, transport by air is combined with transport by boat. Land-based transport should preferably be by train. H&M also supports the Clean Shipping Project's (CSP) requirements of shipping. From the start of 2008 we will be applying the CSP criteria when assessing the environmental performance of different transport companies.

In the stores lighting is controlled in order to reduce energy consumption. A number of sales countries continually check energy consumption in the stores in order to identify any consumption above normal levels quickly. Remedial action can then be taken promptly.

Our work has been noted

Corporate social responsibility work is an ongoing process and we are always looking for ways to improve. At the

same time, naturally it is flattering when our work is noticed and rewarded. H&M received the highest marks in a review of 35 garment companies' CSR work that was carried out by the organisation Consumers Research and Testing. In addition, H&M's CSR work was noted by Ethisphere Magazine, which named H&M as one of the world's most sustainable companies in its rankings for 2007.

H&M combats corruption

H&M dissociates itself from corruption in any form. This position is made clear in our Code of Ethics. All H&M's suppliers and employees that come into contact with suppliers undertake to comply with the Code.

H&M included in sustainability indexes

H&M is included in a number of sustainability indexes, including the Dow Jones Sustainability Index World and FTSE4Good. The aim of these indexes is to make it easier for institutional investors to choose socially and environmentally sustainable investments.

Future targets

H&M's efforts in respect of corporate social responsibility are aimed at a number of overall objectives. To come closer to these objectives, each year we formulate a number of detailed intermediate targets to be achieved in a specified time period.

Some of the targets for 2008 are to:

- Together with UNICEF, carry out a project with the aim of improving conditions for children in cotton-growing areas in Tamil Nadu in India.
- Identify a tool for calculation of carbon dioxide emissions from the manufacture of H&M's products.
- Develop training for H&M's auditors with the aim of increasing the suppliers' understanding of the company's requirements, thereby facilitating greater compliance with the Code of Conduct.



Since 2005 H&M has been licensed to use the European Union's official eco-label, the Flower. The Flower represents restrictions on harmful substances and reduced water pollution throughout the production chain, from raw cotton to the finished product. In 2007 more than 630,000 baby garments labelled with the Flower were sold in our stores.

H&M'S SUSTAINABILITY POLICY

H&M's business concept is to offer fashion and quality at the best price. Quality also means that the products must be made in an environmentally and socially sustainable way. Like all H&M's operations, the company's CSR work is based on working towards continual improvement.

We have a responsibility to everyone who contributes to our success, even those who are not employed by H&M. That is why we cooperate with our suppliers in order to develop long-term sustainable social and environmental standards in the factories that manufacture H&M's products.

We must ensure that our employees' human rights are not infringed and we have the same commitment to the people employed by our suppliers and other cooperation partners, as well as to our customers.

We apply the precautionary principle in our environmental work and carry out preventive work involving the substitution of hazardous chemicals.

We endeavour to use resources efficiently and to minimise waste. By noting new technologies, our choices of material and improved production process can be part of our preventive work on minimising our environmental impact. We must continually review the company's aims and strategies in order to reduce the company's climate impact.

Our decisions are based on considerations in which short- and long-term environmental benefits are taken into account in order to ensure that we choose solutions that are sustainable long-term.

We must be a good global citizen and act responsibly in our business relations. We distance ourselves from all forms of corruption. We conduct a dialogue with various stakeholders in order to build confidence in our business in the world on which we are dependent for our long-term success.

More information about H&M's CSR work and the latest CSR report are available at www.hm.com/csr.

FOCUS ON QUALITY AND SAFETY

H&M'S QUALITY, CHEMICAL and safety tests form an important and natural part of the company's care for and service to its customers. Tests are carried out both in H&M's own laboratories and at external facilities. H&M has laboratories at the majority of its production offices around the world, as well as at the buying office. Around half a million tests are carried out annually and these include everything from laundry tests to chemicals testing.

High quality requirements – meticulous controls

H&M's tests and quality controls are an important part of the company's buying operations. Quality assurance is carried out at all stages in the buying process. Sample garments are tested first, followed by garments from the production. Laundry tests cover shrinkage, twisting, colourfastness and dry rubbing, among other things. In addition, H&M tests salt and chlorine bleaching, pilling and seam strength. Durability tests are carried out on details such as zips and press-studs. Flame tests are carried out on all fabrics, i.e. material, suspected of being easily flammable such as thin and fluffy materials or fabrics with a brushed surface. The production offices have quality controllers who inspect the suppliers' factories and ensure that the products meet H&M's quality requirements.

Extra high quality requirements for children's wear

H&M has long been a driving force in the safety of children's wear and always follows the strictest rules in all the countries in which the company is present. The strictest of these rules is then applied in all Group countries. Training constantly develops safety-consciousness among colleagues and suppliers.

Risk analyses are carried out as early as at the design stage and continue throughout product development,

and quality and safety tests are also performed. These tests are then carried out on an ongoing basis throughout production in accordance with current standards.

One example of H&M's safety-consciousness is detachable hoods on outerwear to reduce the risk of accidents if the child should get caught by the hood while playing. H&M's products conform to the EU standard on cords and drawstrings on children's clothing, up to an age of 14 years. Further information on quality and safe children's wear can be found at www.hm.com.

All suppliers must abide by H&M's chemical restrictions

All H&M's suppliers must abide by a special agreement – H&M's Chemical Restrictions. Cosmetics suppliers must also comply with H&M's Cosmetics Restrictions. The restrictions include a list of chemicals that are impermissible in the clothes and production or must not be present above specified levels. Substances on the list include metals such as cadmium, lead and mercury, certain dyes, formaldehyde, PVC, phthalates and brominated flame retardants. More information is available at www.hm.com. Metal parts in prolonged contact with the skin are not permitted to release nickel, since nickel can cause an allergic reaction. These restrictions contribute to reducing the environmental impact of the production stage and when worn-out items are scrapped.

The products undergo extensive testing to check that all the chemical requirements are met. Most of the tests are carried out at independent external laboratories. As an important part of H&M's long-term work against allergies we are participating in European standardisation work aimed at establishing reliable standards for testing allergenic substances, for example in perfumes.



Raincoat
€ 9,90

H&M has long been a driving force in the safety of children's wear and always follows the strictest rules in all the countries in which H&M is present. The strictest of these rules is then applied in all Group countries.

Established system for product recalls

Despite having a well thought-out system for product safety, on rare occasions a product that does not live up to H&M's requirements may reach the stores. To ensure that such products are recalled quickly, a special recall routine has been established. No products were recalled during the year.

How a product recall is handled:

- An unsafe product comes to our attention.
- The quality department and the Production Manager decide on a global recall.
- Sale of the product is immediately stopped in all markets and the authorities concerned are informed.
- Immediate information is sent internally to colleagues and to customers, for example by means of newspaper advertisements, the Internet and in-store notices.
- The quality department analyses what happened in order to prevent it from happening again.
- The recalled products are destroyed.

H&M's product policy

- H&M does not sell real fur.
- H&M only sells leather from cattle, buffalo, sheep, goats and pigs that are raised for meat production.

- H&M does not buy leather from India due to the cruel animal transportation that takes place.
- H&M does not buy silk from India due to poor working conditions in the Indian silk industry.
- H&M does not accept mulesing, the practice carried out on merino sheep in Australia in order to prevent fly strike, and has therefore decided to concentrate its buying on suppliers that can guarantee mulesing-free merino wool.
- H&M products contain no materials made from endangered species.
- Down and feathers come exclusively from birds raised for meat production. H&M also requires a certificate stating that the down and feathers have been washed and sterilised as necessary.
- For wooden products originating from countries with tropical rainforest, H&M requires certification from the FSC (Forest Stewardship Council).
- H&M's children's clothes must be comfortable and practical. H&M endeavours not to sell children's wear that could be perceived as provocative.
- Prints on tops and other garments must not be offensive, racist, sexist, political or religious.
- All garments are marked with their country of origin.



Dress
€ 69,90

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Dress
€19,90

ADMINISTRATION REPORT

The Board of Directors and the Managing Director of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, submit herewith their annual report and consolidated accounts for the financial year 1 December 2006 to 30 November 2007.

BUSINESS

The Group's business consists mainly of the sale of clothing and cosmetics to consumers.

H&M's business concept is to offer fashion and quality at the best price. The business is operated from leased store premises as well as via Internet and catalogue sales. At the end of the financial year H&M was present in 28 countries, of which three are on a franchise basis. The total number of stores at the end of the financial year was 1,522, of which ten were franchise stores. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland and the Netherlands, and also in Germany and Austria where Internet sales started in autumn 2007.

H&M's own design and buying function creates the collections centrally. To ease the supply of goods H&M is increasingly using the concept of regional grouping. This means that goods are bought for and distributed to a group (region) of sales countries, rather than to each sales country as previously. The goods are then divided between the sales countries in the region according to demand in each market.

To facilitate this regional grouping and support the major on going expansion, the Group structure was reviewed and refined during the year. Among other things, this refinement involved transferring the central functions of design, buying, logistics and stock keeping into a separate buying company, H & M Hennes & Mauritz GBC AB, as of 1 June 2007 and the strengthening of the production function in Hong Kong to become a central procurement function for the Group.

The collections are produced by around 700 external suppliers in about 20 countries where H&M's production offices maintain contacts with the suppliers. This means that the production offices are responsible for placing the order with the right supplier and for the items being produced at the right price, being of good quality and being delivered at the right time. They also carry out controls to ensure that production takes place under good working conditions. The goods are then transported by ocean, rail, road or air to various distribution centres. From there the goods are distributed directly to the stores and/or to the stores' central regional replenishment centres.

The best price is achieved by having few middlemen, buying in large volumes, purchasing the right product from the right market, being cost-conscious in every part of the organisation and having efficient distribution processes. To assure the quality of the goods, H&M works in close partnership with all its suppliers, from product development to production. All testing, such as chemical testing and laundry tests, are carried out continually at the production offices and at external laboratories.

SIGNIFICANT EVENTS

The Group opened 193 (168) new stores during the financial year and 16 (16) stores were closed. Of the new store openings, 6 (4) were opened under the franchising arrangement. This represents a net increase of 177 (152) stores. In the fourth quarter 94 (86) stores were opened and 4 (5) stores were closed. The total number of stores in the Group thereby amounted to 1,522 (1,345).

During the year H&M moved into Asia by establishing stores in China, with four stores in Hong Kong and three in Shanghai. H&M's reception in China has been very good and there is great potential for growth. Greece and Slovakia are other new countries in which H&M again had a positive reception, as was also the case in Qatar, which was a new franchise country.

In autumn 2007 H&M started up Internet sales in Germany and Austria, with a very positive impact.

As part of the regional grouping, the new logistics facility in Poznan, Poland, was opened during the year, initially supplying goods to the stores in Eastern Europe as well as H&M's Internet and catalogue sales outside the Nordic region. In Hamburg, building work has begun on a new, larger logistics centre that will serve the stores in Germany, the Netherlands and Austria.

With effect from 1 June 2007 operation of the Swedish stores was transferred to the subsidiary H & M Hennes & Mauritz Sverige AB.

Internet and catalogue sales operations in Sweden were transferred to a Swedish subsidiary, H & M Rowells AB, with effect from 1 December 2007.

H&M works continually on developing its offering to the customer and in 2007 a number of new initiatives took place. For example, H&M opened a new store chain under the brand name COS – Collection of Style. The stores carry a range for women and men in a higher price segment. H&M aims to offer the best price for comparable items also in this segment. Eleven stores opened in 2007 in the UK, Germany, the Netherlands and Belgium.

The expanded footwear range for women was launched initially in around 200 H&M stores in spring 2007. During the autumn the men's collections were supplemented with a small collection of men's footwear. H&M's footwear was well received by customers; this was reflected in good sales development.

As announced previously, the Group has started a new home textiles initiative. To assure the quality of the concept the launch of H&M Home was deferred until autumn 2008. Sales of H&M Home will initially start through Internet and catalogue sales in the Nordic countries, the Netherlands, Germany and Austria.

During the year SEK 60 m was placed in an anniversary foundation to mark the fact that 60 years have passed since H&M was established in Västerås in 1947. The proceeds of the foundation will be spent on projects in areas such as health, education and access to water in countries in which H&M's goods are produced.

SALES AND PROFITS

H&M Group sales excluding VAT increased in the financial year by 15 percent (in local currencies by 17 percent and in comparable stores by 5 percent) compared with the previous year and amounted to SEK 78,346 m (68,400). Sales including VAT were SEK 92,123 m (80,081).

The gross profit amounted to SEK 47,847 m (40,664), which corresponds to 61.1 percent (59.5) of sales.

The operating profit after deducting selling and administrative expenses was SEK 18,382 m (15,298). This represents an operating margin of 23.5 percent (22.4).

The operating profit has been charged with depreciation of SEK 1,814 m (1,624).

The Group's financial net income amounted to SEK 788 m (510). Profit after financial items was SEK 19,170 m (15,808), an increase of 21 percent.

The Group's profit for the financial year after applying an average effective tax rate of 29.1 percent (31.7) was SEK 13,588 m (10,797), which represents earnings per share of SEK 16.42 (13.05), an increase of 26 percent. The lower tax rate is due to changes in internal pricing, corporation tax reductions in Denmark, the Netherlands and Slovenia, as well as a non-recurring effect of a tax refund in the Netherlands of SEK 130 m relating to previous financial years.

The profit for the year represents a return on shareholders' equity of 45.4 percent (40.2) and a return on capital employed of 63.7 percent (58.7).

COMMENTS ON PROFITS

The financial year was characterised by very good sales development with well-received collections. This also applies to countries where the retail sector has in general been weaker. It is particularly pleasing that sales developed well in Germany, H&M's largest market. New customer offerings such as the expansion of H&M's Internet and catalogue sales, the launch of the footwear range in a number of H&M stores and the start-up of the COS stores have contributed to the Group sales positively.

The number of new and refurbished stores reached a record high during the year. In addition, the standard of these stores was raised to make them more attractive and thereby further strengthen H&M's competitiveness.

The pre-tax profit for the financial year was negatively affected by currency translation effects of around SEK 199 m (+127) when compared with the result recalculated at average rates for the

previous year. These translation effects arise because of changes in the exchange rates for the local currencies of the various foreign subsidiaries relative to Swedish kronor.

FINANCIAL POSITION AND CASH FLOW

The Group's total assets on the closing date increased by 17 percent, amounting to SEK 41,734 m (35,555).

The Group's cash flow for the financial year amounted to SEK 6,010 m (-201). Current operations generated a positive cash flow of SEK 15,381 m (12,055). Cash flow was affected by, among other things, dividends of SEK -9,515 m (-7,861), investments in fixed assets of SEK -3,608 m (-1,982) and financial investments with a term of three to twelve months amounting to SEK 3,848 m (-2,398). Liquid funds and short-term investments amounted to SEK 20,964 m (18,625).

Stock-in-trade increased by 10 percent compared with the same date the previous year and amounted to SEK 7,969 m (7,220). This represents 10.2 percent (10.6) of sales excluding VAT. Stock-in-trade accounted for 19.1 percent (20.3) of total assets.

The Group's equity/assets ratio was 76.9 percent (78.1) and the share of risk-bearing capital was 78.5 percent (80.0).

Shareholders' equity apportioned to the outstanding 827,536,000 shares equalled SEK 38.78 (33.57) per share on the closing date.

Liquidity management

In 2007 the longest investment period was six months. The Group does not use any derivative instruments in the interest-bearing securities market, nor does the Group trade in shares or similar instruments. See also Note 2, Financial Risks.

COLLEAGUES

H&M's business shall be characterised by a fundamental respect for the individual, which applies to everything from fair pay, reasonable working hours and freedom of association to the opportunity to grow and develop within the company. The company's values – the spirit of H&M – which have been in place ever since the days of H&M's founder, Erling Persson, are partly based on the colleagues' ability to use their common sense to take responsibility and use their initiative.

H&M has grown significantly ever since its beginnings in 1947 and at the end of the financial year employed about 68,000 people. The average number of employees in the Group, converted to full-time positions, was 47,029 (40,855), of which 4,456 (4,142) were employed in Sweden.

CORPORATE SOCIAL RESPONSIBILITY

In many markets H&M acts as both a buyer and a seller. This requires H&M to act responsibly and sustainably as regards corporate social responsibility, which includes environmental considerations. Corporate social responsibility has been a Group management function for a number of years.

H&M does not own any factories of its own, but instead buys its goods from around 700 independent suppliers. A fundamental principle is that H&M's goods must be produced under good working conditions. H&M therefore sets high requirements of good working conditions and uses its Code of Conduct to work towards long-term improvements for those making the products. H&M aims to incorporate environmental work into day-to-day routines in every area of the company's activities.

EXPANSION AND FUTURE DEVELOPMENT

H&M continues to take a positive view of future expansion and development opportunities. In 2008 H&M's expansion will continue to focus on established markets that are judged to have great potential for growth for a long time to come. A net addition of 190 (177) stores is planned for the financial year. The largest numbers of stores are planned for the USA, Spain, the UK, France, Germany and Italy.

The proportion of renovations of existing stores will remain the same as in 2006/2007. The investments and costs calculated per unit are expected to be at the same level as in the previous year.

In January 2008 Internet sales in Germany and Austria were supplemented with catalogue sales.

In cooperation with H&M's franchise partner Alshaya the opening of H&M stores in four new markets is planned for 2008: Egypt, Saudi Arabia, Bahrain and Oman.

Preparations are underway for H&M's opening in Tokyo, Japan in autumn 2008.

H&M plans to expand into Russia. The first stores are expected to open in Moscow in 2009. The Russian market is deemed to be of much interest with great potential for growth for a long time to come and H&M will focus initially on Moscow and the surrounding area.

H&M's objective is to increase the number of stores by 10 to 15 percent each year while at the same time increasing sales at existing stores.

TAXES

For the full-year 2007/2008 the Group's effective tax rate is expected to decline further compared with the 2006/2007 tax rate of 29.1 percent. The tax rate for 2007/2008 is expected to be 27.5 percent due to the full effect of the changes in internal pricing and the fact that corporation taxes in some countries will decline.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

In local currencies sales increased by 10 percent in December 2007 compared with the same month in the previous year. Sales in comparable stores reduced by 1 percent.

January sales up to and including 29 January 2008 increased by 16 percent in local currencies compared with the same period in the previous year.

GUIDELINES FOR REMUNERATION PAID TO SENIOR EXECUTIVES

At the Annual General Meeting on 3 May 2007 a resolution on remuneration paid to senior executives within H&M was passed for the first time in accordance with the new Companies Act. The number of people considered to be senior executives is around 30.

The guidelines below are effective until the 2008 AGM.

The term senior executives covers the Managing Director, other members of the executive management team and country managers.

Compensation to senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at competitive market rates. H&M is present in more than 20 countries and therefore levels of compensation may vary between countries. The greatest share of the remuneration consists of a regular basic salary. For variable components see the section below.

Senior executives receive a regular basic salary, pension benefits and certain executives also receive other benefits such as car benefits.

The Managing Director, certain members of the executive management team and all the country managers may also receive a bonus. In addition to the ITP plan, the executive management team is covered by either a benefit-based or a premium-based pension solution. The retirement age for the members of the executive management team, with the exception of the Managing Director, varies between 60 and 65 years. Members of the executive management team and country managers that are employed by a subsidiary abroad are covered by local pension arrangements as well as a premium-based pension solution. The retirement age for these is in accordance with local rules on retirement age. The cost of these commitments is partly covered by separate insurance policies.

The notice period for senior executives varies from three to twelve months. No severance pay is payable within H&M, except in the case of the Managing Director.

Pension terms etc for the Managing Director

The retirement age for the Managing Director is 65. He receives a pension of 65 percent of regular salary for three years and thereafter a lifetime pension equivalent to 50 percent of that salary. The Managing Director is entitled to 12 months' notice. In the event that the company cancels his employment contract, the Managing Director will receive severance pay of an extra year's salary in addition to the 12 months' notice.

Variable remuneration

The Managing Director, country managers and certain senior executives are included in a bonus system. The size of the bonus per person is based on 0.1 percent of the increase in the dividend approved by the Annual General Meeting and the fulfilment of targets

in their respective areas of responsibility. The maximum bonus per person and year has been set at SEK 0.3 m net after tax. In the case of the Managing Director the bonus is 0.3 percent of the dividend increase, up to a maximum of SEK 0.9 m net after tax. The bonus paid must be invested entirely in shares in the company, which must be held for at least five years.

In certain cases other members of the executive management team as well as country managers may receive further one-off payments, up to a maximum of 30 percent of regular salary, at the discretion of the Board or the Managing Director.

Miscellaneous

The Board may deviate from the guidelines where there is a particular reason to do so in individual cases.

THE BOARD'S PROPOSAL FOR GUIDELINES FOR ADOPTION AT THE 2008 AGM

The Board's proposal for guidelines for adoption at the 2008 AGM is the same as the text above.

NUMBER OF SHARES ETC.

The total number of shares in H&M is 827,536,000, of which 97,200,000 are class A shares (ten votes per share) and 730,336,000 are class B shares (one vote per share). Class A shares are entitled to ten votes each and are not listed on a regulated market. The company Stefan Persson Placering AB, which is primarily owned by Stefan Persson, holds all 97,200,000 class A shares, which represent 57.1 percent of the votes. In addition, Stefan Persson holds 186,274,400 class B shares, which represent 10.9 percent of the votes. This means that overall, 68.0 percent of the votes and 34.3 percent of the total number of shares are represented by Stefan Persson, personally and through companies.

§ 15 of the Articles of Association states that the Annual General Meeting shall elect the Board of Directors.

APPLICATION OF IFRS ACCOUNTING STANDARDS

IFRS has been applied to the Group with effect from 1 December 2005, which means that this annual report is H&M's second full report prepared in accordance with IFRS. For further information see Note 1.

RISKS AND UNCERTAINTIES

A number of factors may affect H&M's results and business. Most of these can be dealt with through internal routines, while certain others are affected more by external influences. There are risks and uncertainties related to fashions, weather situations, quota systems and exchange rates, but also in connection with expansion into new markets, the launch of new concepts, changes in consumer behaviour or handling of the brand.

Fashion

Working in the fashion industry is a risk in itself. Fashion is a perishable item and there is always a risk that one of the collections will not be well received by customers.

Within each concept H&M must have the right volumes and achieve the right balance in the mix between fashion basics and trend items. To optimise fashion precision, H&M buys items on an ongoing basis during the season.

The purchasing patterns are relatively similar in the various markets, but differences do occur. For example, the start of the season and the length of the season can vary between countries. Both delivery dates and volumes of goods for the different countries and stores are adjusted accordingly.

The weather

H&M's goods are bought and launched in stores on the basis of normal weather patterns. Major deviations from normal conditions may affect sales. The effect will be greatest if there are major deviations at the beginning of a season.

Textile quotas

The textile industry has been working with textile quotas for many years. Changes in textile quotas could have an effect on buying costs. The textile quotas affect the entire industry and are therefore largely competition-neutral.

Foreign currency

The most significant purchase currencies for the Group are the US dollar and the euro. Fluctuation in the dollar/euro exchange rate is the single largest transaction exposure for the Group.

To hedge the product flows in foreign currencies and thus reduce the effects of future exchange rate fluctuations, the majority of the Group's product flows are hedged under forward contracts on an ongoing basis throughout the year. Information on hedge accounting is provided in Note 1, Accounting Principles, and also in Note 2, Financial Risks.

In addition to the effects of transaction exposure, translation effects also affect the Group's results due to changes in exchange rates between the local currencies of the various foreign subsidiaries and the Swedish krona as compared with the same period in the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but may increase or decrease when converted into Swedish currency depending on whether the Swedish krona has weakened or strengthened.

Translation effects also arise in respect of the Group's net assets on consolidation of the foreign subsidiaries' balance sheets. No equity hedging is carried out for this risk. See also Note 2, Financial Risks.

For other financial risks see Note 2, Financial Risks, on page 65.

DIVIDEND POLICY

H&M's financial goal is to enable the company to continue enjoying good growth and to be prepared to exploit future business opportunities. It is essential that the expansion, as in the past, proceeds with the same high degree of financial strength and continued freedom of action.

Based on this policy, the Board of Directors has determined that the total dividend should equal around half of the profit after taxes. In addition, the Board may propose that surplus liquidity can also be distributed.

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 14.00 (11.50) per share.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the Annual General Meeting	SEK 12,366,931,306
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The Board of Directors and the Managing Director propose: A dividend to the shareholders of SEK 14.00 per share	SEK 11,585,504,000
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To be carried forward as retained earnings	SEK 781,427,306
	SEK 12,366,931,306

The Board of Directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position of the Group and the parent company and observing the requirements that the nature and extent of the business, its risks and future expansion plans impose on the Group's and the parent company's equity and liquidity.

GROUP

SEK m

INCOME STATEMENT

1 December – 30 November	2007	2006
Sales including VAT	92,123	80,081
Sales excluding VAT, Notes 3, 4	78,346	68,400
Cost of goods sold, Notes 6, 8	-30,499	-27,736
GROSS PROFIT	47,847	40,664
Selling expenses, Notes 6, 8	-27,687	-23,971
Administrative expenses, Notes 6, 8, 9	-1,778	-1,395
OPERATING PROFIT	18,382	15,298
Interest income	793	515
Interest expense	-5	-5
PROFIT AFTER FINANCIAL ITEMS	19,170	15,808
Tax, Note 10	-5,582	-5,011
PROFIT FOR THE YEAR	13,588	10,797

All profit is attributable to the parent company's shareholders.

Earnings per share, SEK (before and after dilution)	16.42	13.05
Number of shares (before and after dilution)	827,536,000	827,536,000

GROUP

SEK m

BALANCE SHEET

30 November	2007	2006	EQUITY AND LIABILITIES	2007	2006
ASSETS			EQUITY		
FIXED ASSETS			Share capital, Note 16	207	207
Intangible fixed assets			Reserves	263	22
Leasehold rights, Note 11	266	222	Retained earnings	18,035	16,753
	266	222	Profit for the year	13,588	10,797
Tangible fixed assets			TOTAL EQUITY	32,093	27,779
Buildings and land, Note 11	466	420	Long-term liabilities*		
Equipment, tools, fixtures and fittings, Note 11	8,821	7,134	Provisions for pensions, Note 18	156	130
	9,287	7,554	Deferred tax liabilities, Note 10	651	650
				807	780
Long-term receivables	253	155	Current liabilities*		
Deferred tax receivables, Note 10	883	102	Accounts payable	2,483	1,942
			Tax liabilities	2,036	1,224
TOTAL FIXED ASSETS	10,689	8,033	Other liabilities	1,468	1,560
CURRENT ASSETS			Accrued expenses, Note 19	2,847	2,270
Stock-in-trade	7,969	7,220		8,834	6,996
Current receivables			TOTAL LIABILITIES	9,641	7,776
Accounts receivable	1,122	865	TOTAL EQUITY AND LIABILITIES	41,734	35,555
Other receivables	356	249			
Prepaid expenses, Note 12	634	563			
	2,112	1,677			
Short-term investments, Note 13	4,900	8,748			
Liquid funds, Note 14	16,064	9,877			
TOTAL CURRENT ASSETS	31,045	27,522			
TOTAL ASSETS	41,734	35,555			

* Only provisions for pensions are interest-bearing.

GROUP
SEK m

CHANGE IN EQUITY

All shareholders' equity is attributable to the parent company's shareholders since there are no minority interests.

	Share capital	Reserves, translation effects	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2005	207	1,103	24,614	25,924
Translation effects for the year	–	-1,081	–	-1,081
Income and expenses posted directly to equity	–	-1,081	–	-1,081
Profit for the year	–	–	10,797	10,797
Total income and expenses	–	-1,081	10,797	9,716
Dividend	–	–	-7,861	-7,861
Shareholders' equity, 30 November 2006	207	22	27,550	27,779
	Share capital	Reserves, translation effects	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2006	207	22	27,550	27,779
Translation effects for the year	–	241	–	241
Income and expenses posted directly to equity	–	241	–	241
Profit for the year	–	–	13,588	13,588
Total income and expenses	–	241	13,588	13,829
Dividend	–	–	-9,515	-9,515
Shareholders' equity, 30 November 2007	207	263	31,623	32,093

GROUP
SEK m

CASH FLOW ANALYSIS

1 December–30 November	2007	2006
Profit after financial items*	19,170	15,808
Provisions for pensions	27	52
Depreciation	1,814	1,624
Tax paid	-5,557	-5,565
Cash flow from current operations before changes in working capital	15,454	11,919
Cash flow from changes in working capital		
Current receivables	-421	-317
Stock-in-trade	-615	-748
Current liabilities	963	1,201
CASH FLOW FROM CURRENT OPERATIONS	15,381	12,055
Investment activities		
Investments in leasehold rights	-86	-30
Sales of/investments in buildings and land	-56	6
Investments in fixed assets	-3,466	-1,958
Change in financial investments, 3–12 months	3,848	-2,398
Other investments	-96	-15
CASH FLOW FROM INVESTMENT ACTIVITIES	144	-4,395
Financing activities		
Dividend	-9,515	-7,861
CASH FLOW FROM FINANCING ACTIVITIES	-9,515	-7,861
CASH FLOW FOR THE YEAR	6,010	-201
Liquid funds at beginning of year	9,877	10,496
Cash flow for the year	6,010	-201
Exchange rate effect	177	-418
Liquid funds at end of year	16,064	9,877

* Interest paid amounts for the Group to SEK 5 m (5).
* Received interest amounts for the Group to SEK 822 m (487).

PARENT COMPANY

SEK m

INCOME STATEMENT

1 December – 30 November	2007	2006
Sales including VAT	10,738	7,727
Sales excluding VAT, Note 5	9,629	6,221
Cost of goods sold, Notes 6, 8	-3,579	-1,432
GROSS PROFIT	6,050	4,789
Selling expenses, Notes 6, 8	-2,934	-2,356
Administrative expenses, Notes 6, 8, 9	-1,092	-663
OPERATING PROFIT	2,024	1,770
Income from financial investments		
Dividends from subsidiaries	8,465	7,219
Interest income	449	247
Interest expense	0	0
PROFIT AFTER FINANCIAL ITEMS	10,938	9,236
Year-end appropriations, Note 21	130	3
Tax, Note 10	-751	-572
PROFIT FOR THE YEAR	10,317	8,667

Up to and including 31 May 2007 the Swedish stores were operated within the parent company; since this date they have been operated in a separate subsidiary. The departments for design, logistics and buying that were previously part of the parent company were also transferred into a separate subsidiary as of 1 June 2007.

PARENT COMPANY

SEK m

BALANCE SHEET

30 November	2007	2006	EQUITY AND LIABILITIES	2007	2006
ASSETS			EQUITY		
FIXED ASSETS			Restricted equity		
Tangible fixed assets			Share capital, Note 16	207	207
Buildings and land, Note 11	59	61	Restricted reserves	88	88
Equipment, tools, fixtures and fittings, Note 11	258	458		295	295
	317	519	Non-restricted equity		
Financial assets			Retained earnings, Note 17	2,050	2,898
Shares and participation rights, Note 22	17	11	Profit for the year	10,317	8,667
Receivables from subsidiaries	0	24		12,367	11,565
Long-term receivables	10	13			
Deferred tax receivables, Note 10	32	25	TOTAL EQUITY	12,662	11,860
	59	73	Untaxed reserves, Note 23	119	249
TOTAL FIXED ASSETS	376	592	Long-term liabilities*		
CURRENT ASSETS			Provisions for pensions	113	99
Stock-in-trade	407	759		113	99
Current receivables			Current liabilities*		
Accounts receivable	508	492	Accounts payable	124	1,078
Receivables from subsidiaries	5,786	4,991	Accounts payable, subsidiaries	0	23
Other receivables	42	11	Tax liabilities	5	171
Prepaid expenses and accrued income, Note 12	40	51	Other liabilities	221	115
	6,376	5,545	Accrued expenses and deferred income, Note 19	232	455
				582	1,842
Short-term investments, Note 13	4,900	5,000	TOTAL LIABILITIES	814	2,190
Liquid funds, Note 14	1,417	2,154	TOTAL EQUITY AND LIABILITIES	13,476	14,050
TOTAL CURRENT ASSETS	13,100	13,458	Pledged assets	–	–
TOTAL ASSETS	13,476	14,050	Contingent liabilities, Note 24	12,431	10,966

* Only provisions for pensions are interest-bearing.

Up to and including 31 May 2007 the Swedish stores were operated within the parent company; since this date they have been operated in a separate subsidiary. The departments for design, logistics and buying that were previously part of the parent company were also transferred into a separate subsidiary as of 1 June 2007.

PARENT COMPANY

SEK m

CHANGE IN EQUITY

	Share capital	Restricted reserves	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2005	207	88	10,759	11,054
Dividend	–	–	-7,861	-7,861
Profit for the year	–	–	8,667	8,667
Shareholders' equity, 30 November 2006	207	88	11,565	11,860

	Share capital	Restricted reserves	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2006	207	88	11,565	11,860
Dividend	–	–	-9,515	-9,515
Profit for the year	–	–	10,317	10,317
Shareholders' equity, 30 November 2007	207	88	12,367	12,662

PARENT COMPANY

SEK m

CASH FLOW ANALYSIS

1 December–30 November	2007	2006
Profit after financial items*	10,938	9,236
Provisions for pensions	14	28
Depreciation	88	120
Tax paid	-924	-940
Cash flow from current operations before changes in working capital	10,116	8,444
Cash flow from changes in working capital		
Current receivables	-831	-2,850
Stock-in-trade	352	-54
Current liabilities	-1,094	558
CASH FLOW FROM CURRENT OPERATIONS	8,543	6,098
Investment activities		
Net investments in fixed assets	114	-117
Change in financial investments, 3–12 months	100	1,350
Other investments	21	-1
CASH FLOW FROM INVESTMENT ACTIVITIES	235	1,232
Financing activities		
Dividend	-9,515	-7,861
CASH FLOW FROM FINANCING ACTIVITIES	-9,515	-7,861
CASH FLOW FOR THE YEAR	-737	-531
Liquid funds at beginning of year	2,154	2,685
Cash flow for the year	-737	-531
Liquid funds at end of year	1,417	2,154

* Interest paid amounts for the parent company to SEK - m (-).
* Received interest amounts for the parent company to SEK 452 m (252).

NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The parent company H & M Hennes & Mauritz AB (publ) is a limited company domiciled in Stockholm, Sweden. The parent company's corporate identity number is 556042-7220. The Group's business consists mainly of the sale of clothing and cosmetics to consumers. The company's financial year is 1 December – 30 November. The Annual Report was approved for publication by the Board of Directors on 30 January 2008 and will be submitted to the Annual General Meeting for adoption on 8 May 2008.

Stefan Persson Placering AB's shareholding in H & M Hennes & Mauritz AB corresponds to 11.75 percent of all the shares and 57.1 percent of the total number of votes. Stefan Persson Placering AB (556423–5769) is thus the parent company of H & M Hennes & Mauritz AB.

1 ACCOUNTING PRINCIPLES

BASIS FOR PREPARATION OF THE ACCOUNTS

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC). Since the parent company is a company within the EU, only IFRS approved by the EU are applied. The consolidated accounts also contain disclosures as set out in Recommendation RR 30:06 of the Swedish Financial Accounting Standards Council on Supplementary Accounting Rules for Groups.

The statements are based on historical acquisition costs, apart from certain financial instruments that are reported at fair value.

The functional currency for the parent company is Swedish kronor, which is also the reporting currency for the parent company and for the Group. Unless otherwise indicated, all amounts are reported in millions of Swedish kronor (SEK m).

The parent company

The parent company applies Recommendation RR 32:06 from the Swedish Financial Accounting Standards Council, entitled Accounting for Legal Entities, and the Swedish Annual Accounts Act in the preparation of its financial statements. The main difference from the Group's accounting principles is that the parent company does not apply IAS 39.

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

The accounting principles applied in 2006/07 are the same as those applied in the previous year, with the exception of the following:

- Amendments to IAS 19, Employee Benefits, have increased disclosure requirements,
- Amendments to IAS 39, Financial Instruments: Recognition and Measurement, provide opportunity to apply hedge accounting to forecast intra-group flows under certain circumstances and
- IFRIC 4, Determining whether an Arrangement contains a Lease, provides guidance for judging whether an agreement contains or is a leasing agreement.

Application of the above standards and statements has had no effect on the Group's position or profit.

FUTURE ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

A number of new standards, amendments and interpretations of existing standards have been published but have not yet entered into force. The standards, amendments and interpretations below, which it is judged may be applicable to the Group, are not expected to have any effect on the consolidated accounts on their introduction beyond the provision of supplementary information in certain cases:

- Supplement to IAS 1, Presentation of Financial Statements – information on capital (effective from 2007/08). This will result in increased information on capital in the Annual Report.
- IFRS 7 Financial Instruments: Disclosures (effective from 2007/08), will result in increased information requirements.
- IFRS 8, Operating Segments (effective from 2009/10) – this standard contains information requirements relating to the Group's operating segments.
- IFRIC 13, Customer Loyalty Programmes (effective from 2008/09) – requires rewards from customer loyalty programmes to be accounted for as a separate component of the sale transaction in which they are awarded, and that the amount of proceeds allocated to the award credits, measured at fair value, be reported as deferred income and distributed over the period when the obligation is fulfilled.
- Revised IAS 1, Presentation of Financial Statements (effective from 2009/10) – the revision brings about certain changes in the overall requirements of the presentation of financial statements, guidelines for their structure and minimum requirements of content.

ESTIMATES AND ASSESSMENTS

The preparation of the Annual Report and consolidated accounts requires estimates and assumptions to be made, as well as judgements in the application of the accounting principles. These affect recorded amounts for assets, liabilities, income, expenses and supplementary information. The estimates and assumptions are reviewed regularly and are based on historical experience, other relevant factors and expectations of the future. The actual outcome may therefore deviate from previous estimates and assumptions. It is the company's assessment that the estimates and assumptions made in the statements to 30 November 2007 cannot significantly affect the results and position for the forthcoming financial year.

CONSOLIDATED ACCOUNTS

The consolidated accounts encompass the parent company and its subsidiaries. Subsidiaries are included in the consolidated accounts from the date of acquisition, which is the date on which the parent company gains a determining influence, and are included in the consolidated accounts until such date as the determining influence ends. Currently all subsidiaries are 100 percent owned. The acquisition method is used in the preparation of the consolidated accounts. The net assets of the acquired subsidiaries are determined based on a market valuation of the assets, liabilities and contingent liabilities at the time of acquisition. If the acquisition cost of the subsidiary's shares exceeds the calculated value at the time of acquisition of the Group's share of the net assets of the acquired company, the difference is reported as goodwill upon consolidation. If the acquisition cost is less than the finally established value of the net assets, the difference is reported directly in the income statement.

The financial reports for the parent company and the subsidiaries included in the consolidated accounts cover the same period and have been prepared in accordance with the accounting principles that apply to the Group. Intra-group transactions such as income, expenses, receivables and liabilities as well as unrealised gains and losses are eliminated entirely in the preparation of the consolidated accounts.

FOREIGN CURRENCY

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are converted at the exchange rate on the closing date. Exchange rate differences arising on translation are reported in the income statement with the exception of exchange rate differences in respect of loans, which are to be regarded as net investment in a foreign business. Such exchange rate differences are posted directly to equity as translation effects.

Translation of foreign subsidiaries

Assets and liabilities in foreign subsidiaries are translated at the exchange rate on the closing date, while the income statement is translated at the average exchange rate for the year. The translation difference arising from this, and also as a result of the fact that net investment is translated at a different exchange rate at the end of the year than at the beginning of the year, is posted directly to equity as a translation reserve. On disposal of a foreign business the accumulated exchange rate differences in the income statement are posted together with the profit or loss on disposal. Where foreign businesses are concerned, the accumulated translation differences attributable to the period before 1 December 2004 – the date of adoption of IFRS – have been set at zero in accordance with the transitional rules in IFRS 1.

INCOME

The Group's income is generated mainly by sales of clothing and cosmetics to consumers. Sales revenue is reported less value-added tax, returns and discounts as sales excluding VAT in the income statement. Income is reported in conjunction with sale/delivery to the customer. The Group's income exhibits seasonal variations. The first quarter of the financial year is normally H&M's weakest and the last quarter its strongest. Interest income is reported as it is earned. Franchise sales comprise two components: sales of goods to franchisees, which are reported on delivery of the goods, and franchise fees, which are reported when the franchisee sells goods to the consumer.

MARKETING

Advertising costs and other marketing activities are expensed on a continuous basis.

INTANGIBLE AND TANGIBLE FIXED ASSETS

Intangible and tangible fixed assets are reported at acquisition cost less accumulated depreciation and any accumulated write-downs. Depreciation is distributed linearly over the assets' expected period of use. No depreciation is applied to land. See also Note 8 and Note 11.

Costs relating to intangible and tangible fixed assets are reported in the balance sheet if it is likely that the company will gain from the future financial benefits associated with the asset and if the asset's acquisition cost can be reliably calculated. Costs relating to ongoing maintenance and repair are reported as an expense in the period in which they arise.

The recorded value of intangible and tangible fixed assets is tested to see if impairment is indicated. If the asset's recorded value exceeds its recovery value (the net sales value or the value in use, whichever is the higher), a write-down of the required amount takes place. Any write-down is recorded in the income statement.

LEASING

Leasing agreements in which a substantial part of the risks and benefits of ownership are retained by the lessor are classified as operational leasing agreements. Minimal leasing agreements relating to operational leasing are recorded in the income statement as an expense and distributed linearly over the term of the agreement. The Group's main leasing agreements are leases for premises. Variable (sales-dependent) rent supplements are recorded in the same period as the corresponding sales.

FINANCIAL INSTRUMENTS

Financial instruments are assessed and recognised in accordance with the rules of IAS 39. Financial instruments recognised in the balance sheet include on the assets side liquid funds, accounts receivable, short-term investments, long-term receivables and derivatives. On the liabilities and equity side are accounts payable and derivatives.

Financial instruments are reported in the balance sheet when the Group becomes a party to the contractual terms of the instrument. Financial assets are removed from the balance sheet when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the balance sheet when the obligation is met, cancelled or ends.

The Group classifies its financial instruments in the following categories:

Financial assets and liabilities at fair value through profit or loss

This category consists of two sub-groups: financial assets and liabilities held for trading, and other financial assets and liabilities that the company initially chose to place in this category when they were first reported. Assets and liabilities in this category are assessed continually at fair value, with changes in value recognised in the income statement.

Loans receivable and accounts receivable

This category primarily covers cash and bank balances plus accounts receivable.

Accounts receivable have a short expected term and are recognised at the original invoiced amount without discounting, with deductions for doubtful receivables.

Financial assets held to maturity

Financial assets held to maturity refers to assets with payment flows that are fixed or that can be established in advance, and with a fixed term, which the Group has the express intention and capacity to hold until maturity. Assets in this category are valued at accrued acquisition cost, with the effective interest rate being used to calculate the value. At the closing date, all the Group's short-term investments fall into this category.

Financial assets that may be sold

This category contains financial assets that were either placed in this category at the time of acquisition or have not been classified in any other category. These are valued continually at fair value, with changes in value recognised in equity. No financial assets have been classified in this category.

Other financial liabilities

Financial liabilities that are not held for trading are assessed at accrued acquisition value. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no discounting.

Reporting of derivatives used for hedging purposes

All derivatives are reported initially and continually at fair value in the balance sheet. The result of the revaluation of derivatives

used for hedging is reported as described in the section Derivatives and Hedge Accounting below.

LIQUID FUNDS

Liquid funds covers cash and bank balances as well as short-term investments with a term of maximum three months from the date of acquisition. The investments carry no significant risk of value changes.

DERIVATIVES AND HEDGE ACCOUNTING

The Group’s policy is for derivatives to be held only for hedging purposes. Derivatives comprise forward currency contracts that are used to cover the risk of exchange rate changes in product flows.

With effect from 1 December 2005 H&M is applying hedge accounting in accordance with IAS 39. To meet the requirements of hedge accounting there must be a clear link to the hedged item. In addition, the hedging must effectively protect the hedged item, hedge documentation must have been prepared and the effectiveness must be measurable.

In hedge accounting, derivatives are classified as cash flow hedging or as fair value hedging. How these hedging transactions are reported is described below.

Hedging of forecast currency flows – cash flow hedging
Currency exposure relating to future forecast flows is hedged through forward currency contracts. Derivatives that hedge the forecast flow are reported in the balance sheet at fair value. Changes in value are reported directly in equity in the hedge reserve until such time as the hedged flow is recognised in the income statement, at which time the hedging instrument’s accumulated changes in value are transferred to the income statement where they then correspond to the profit/loss effects of the hedged transaction.

Hedging of contracted currency flows – fair value hedging
Currency exposure relating to future contracted flows is hedged through forward currency contracts. When a hedging instrument is used to hedge fair value, the hedges are reported at fair value in the balance sheet and the contracted flow is also reported at fair value with regard to the currency risk being hedged. Changes in the value of the derivative are reported in the income statement together with changes in the value of the hedged item.

STOCK-IN-TRADE

Stock-in-trade is valued at the lower of the acquisition cost and the net realisable value. For stock-in-trade in the stores the acquisition cost is determined by reducing the selling price by the calculated gross margin (retail method). The net realisable value is the assessed market value less the projected selling expenses.

PROVISIONS

Provisions are reported in the balance sheet where there is a commitment as a result of an event that has occurred and it is likely that an outflow of resources will be required in order to settle the commitment and the amount can be reliably estimated.

PENSIONS

H&M has several different plans for benefits after employment has ended. The plans are either defined benefit or defined contribution plans. Defined contribution plans are reported as an expense in the period when the employee performs the service to which the benefit relates. Defined benefit plans are assessed separately for the respective plan, based on the benefits earned during previous and current periods. The defined benefit obligations less the actual value of managed assets are reported under the heading ‘Provision for pensions’.

Defined benefit plans are primarily found in Sweden.

Pension obligations are assessed annually with the help of independent actuaries according to the so-called Projected Unit Credit Method. The assessment is made using actuarial assumptions. These assumptions include such things as the discount rate, anticipated salary and pension increases and the expected return on managed assets. Changes in the actuarial assumptions and outcomes that deviate from the assumptions give rise to actuarial gains or losses. Such gains or losses are recognised in profits in the year they arise.

For salaried employees in Sweden, H&M applies the ITP plan through insurance with Alecta. According to a statement by the Swedish Financial Accounting Standards Council’s Emerging Issues Task Force (URA 42), this is a defined benefit plan that covers a number of employers. The plan will be reported as a defined contribution plan until the company gains access to information allowing this plan to be reported as a defined benefit plan. Alecta’s surplus may be allocated to the insured employees and/or the employer taking out the insurance. As of 30 September 2007, Alecta’s consolidation ratio was 164.0 percent (141.4). The consolidation ratio is calculated as the fair value of managed assets as a percentage of the obligations, calculated in accordance with Alecta’s actuarial assumptions. This calculation is not in line with IAS 19.

For further information see Note 18.

INCOME TAX

Income taxes in the income statement represent current and deferred corporation tax payable by Swedish and foreign subsidiaries. Current tax is tax that will be paid or received in respect of the current year as well as adjustments to current tax attributable to previous periods. The corporate income tax rate in force in each country is applied. The statutory corporate income tax rate in Sweden is 28 percent. Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax is calculated using the tax rates that are expected to apply in the period when the receivables are invoiced or the liabilities are settled, based on the tax rates (and the tax legislation) in force on the closing date. Deferred tax receivables for temporary differences and loss carry-forward are recognised only to the extent that it is likely that these will be able to be utilised. As of the closing date, the Group has no loss carry-forward other than the reported deferred taxes receivable.

The recorded values of deferred tax receivables are tested as of each closing date and reduced where it is no longer deemed likely that they will be able to be utilised.

CASH FLOW ANALYSIS

The cash flow analysis is prepared according to the indirect method. The reported cash flow covers only transactions involving payments in or out.

SEGMENT REPORTING

The Group’s business consists mainly of sales of clothing and cosmetics to consumers. Internal follow-up is carried out by country. In segment reporting the operations are divided into three geographical regions: the Nordic region, Euro Zone countries excluding Finland, and the Rest of the World. The risks and opportunities are similar in each segment. There is no internal division into different business segments and hence reporting in secondary segments is not relevant.

Transactions between segments take place on normal commercial terms.

2 FINANCIAL RISKS

In the course of conducting business the Group is exposed to risk associated with financial instruments, such as liquid funds, short-term investments, accounts receivable and accounts payable. The Group also conducts transactions involving currency derivatives with a view to managing currency risks that arise in the course of its business.

- The risks related to these instruments are primarily the following:
- Interest risk associated with liquid funds and short-term investments
 - Currency risk associated with foreign currency flows
 - Credit risk associated with financial assets and derivative positions

How these risks are handled and controlled is regulated in the financial policy adopted by the company’s Board of Directors. The financial policy is the most important financial control tool for the company’s financial activities and establishes the framework within which the company works.

The Group’s accounting principles for financial instruments, including derivatives, are described in Note 1.

INTEREST RISK

Interest risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. Interest risk relates to the risk that the Group’s exposure to changes in market interest rates may affect net profit.

The Group’s exposure to risk from changes in interest rates relates to liquid funds as well as short-term investments. In accordance with the financial policy, the Group’s surplus liquidity is invested in current bank accounts or in fixed-interest deposits with a bank as the counterparty. The original term of the investments as of the closing date is up to six months. The financial policy allows investments for up to two years.

CURRENCY RISK

Currency risk is the risk that the value of a financial instrument will vary due to changes in exchange rates. The currency used for H&M’s accounts is Swedish kronor, but the Group conducts business in countries all around the world. This means that the Group is exposed to currency risk due to the fact that changes in exchange rates may affect profit and capital.

Transaction exposure associated with commercial flows
The payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the Group to currency risk. With a view to dealing with the currency risk relating to changes in exchange rates, the Group hedges its currency risk within the framework of the financial policy. The currency risk exposure is dealt with at central level. The bulk of the Group’s sales are made in euro and the Group’s most significant purchase currencies are the US dollar and the euro. Fluctuation in the dollar/euro exchange rate forms the single largest transaction exposure faced by the Group.

To hedge the product flows in foreign currencies and thus reduce the effects of future exchange rate fluctuation, the majority of the Group’s product flows are secured under forward contracts on an ongoing basis throughout the year. Since the sole purpose of this currency management is to reduce the risks, only exposure in the product flows is hedged.

The Group’s exposure to outstanding derivatives is reported in Note 15.

The Group’s operating result for the year has been affected by SEK 375 m (146) as a result of exchange rate differences relating to product flows.

Translation exposure on consolidation of units outside Sweden

In addition to the effects of transaction exposure, the profits are also affected by translation effects as a result of changes in exchange rates for the local currencies of the various foreign subsidiaries vis-à-vis Swedish kronor compared with the same period in the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but when converted into SEK may increase in kronor if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. These translation effects have affected profit after tax for the year by SEK -199 m (127) compared with the result that would have been reported in SEK if exchange rates had remained the same.

Translation effects affect the Group’s net assets on consolidation of the foreign subsidiaries’ balance sheets (translation exposure in the balance sheet). No equity hedging is carried out for this risk. The translation difference for the year, which is recognised directly in Group equity, amounts to SEK 241 m (-1,081).

CREDIT RISK

Credit risk is the risk that a party in a transaction involving financial instruments may not be able to fulfil its commitment and thereby cause a loss to the other party.

Credit risk exposure arises when liquid funds are invested, including short-term investments, but also in the form of a counterparty risk associated with trading in derivatives. To limit credit risk, forward contract transactions are only executed with counterparties with a good credit rating, and funds are only invested in banks with a minimum rating of A-1/A- (Standard & Poor) and P2/A3 (Moody’s).

The overwhelming majority of the Group’s sales are made against cash payment and consequently this part of the credit risk is low.

3 SEGMENT REPORTING

	2007	2006
Nordic region		
External net sales	15,017	13,499
Operating profit	7,033	3,655
Operating margin in %	46.8	27.1
Assets	17,826	12,065
Liabilities	3,317	2,470
Investments	322	209
Depreciation	231	219
Euro Zone countries excluding Finland		
External net sales	43,430	37,804
Operating profit	8,316	8,677
Operating margin in %	19.1	23.0
Assets	14,716	15,889
Liabilities	2,703	2,373
Investments	1,778	985
Depreciation	872	797
Rest of the World		
External net sales	19,899	17,097
Operating profit	3,033	2,966
Operating margin in %	15.2	17.3
Assets	8,309	7,499
Liabilities	934	1,059
Investments	1,508	788
Depreciation	711	608
Total		
External net sales	78,346	68,400
Operating profit	18,382	15,298
Operating margin in %	23.5	22.4
Assets excluding taxes recoverable	40,851	35,453
Liabilities excluding tax liabilities	6,954	5,902
Investments	3,608	1,982
Depreciation	1,814	1,624

SEGMENT REPORTING

Internal follow-up of the business is carried out by country. To present information on different segments in an easily accessible way, the operations are divided into three geographical regions: the Nordic region, Euro Zone countries excluding Finland, and the Rest of the World. There is no internal division into different business segments and hence reporting in secondary segments is not relevant. In 2007 the Group structure was reviewed and refined in order to facilitate the division of the logistics function into regions and to support the expansion in progress. As a result of this, the central functions of design, logistics, stock keeping and buying were transferred into a separate subsidiary that is included in the Nordic segment. A great deal of the Group's value-added is created in this segment. The internal pricing model was adapted in accordance with this with effect from 1 June, with the result that the operating profit and operating margin in individual segments for the current financial year are not comparable with previous years. Internal sales of goods within the Group during the financial year amounted to SEK 23,364 m (0). This has been eliminated in full in the segment reporting. Slovenia has changed its currency from SIT to EUR and has therefore been moved from Rest of the World to Euro Zone countries for both years.

4 NET SALES BY COUNTRY

	2007	2006
Sweden	5,788	5,359
Norway	4,123	3,873
Denmark	3,003	2,638
UK	6,404	5,914
Switzerland	3,909	3,759
Germany	18,674	17,408
Netherlands	5,166	4,193
Belgium	2,344	2,295
Austria	3,797	3,585
Luxembourg	299	280
Finland	1,843	1,629
France	5,830	4,969
USA	5,612	4,926
Spain	4,428	3,317
Poland	1,481	1,009
Czech Republic	514	432
Portugal	556	351
Italy	1,452	830
Canada	1,290	905
Slovenia	409	299
Ireland	358	279
Hungary	165	78
Slovakia	68	–
Greece	118	–
China	456	–
Franchise	259	72
Total	78,346	68,400

5 ROYALTIES FROM GROUP COMPANIES

The parent company's sales include royalties received from Group companies of SEK 2,517 m (0).

6 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

2007	Board, MD, executive management, salary	Salary, other employees	Payroll overheads total	<i>of which</i> pens. total	<i>of which</i> pens. Board, MD, exec mgmt
Sweden, parent company*	44	804	306	90	26
Subsidiaries	39	9,042	1,941	81	7
Group total	83	9,846	2,247	171	33

2006	Board, MD, executive management, salary	Salary, other employees	Payroll overheads total	<i>of which</i> pens. total	<i>of which</i> pens. Board, MD, exec mgmt
Sweden, parent company*	43	1,216	538	101	32
Subsidiaries	39	7,626	1,538	54	2
Group total	82	8,842	2,076	155	34

* The executive management includes two people not formally employed by the parent company; these are employees of H & M Hennes & Mauritz GBC AB.

Board fees

Board fees for the year as approved by the AGM amounted to SEK 3.9 m (3.9). The Board consists of eight ordinary members elected by the Annual General Meeting. There are also two employee representatives with two deputies. Six of the members of the Board are women and six men; five out of twelve are employed within the company. During the year the Board fees of SEK 3.9 m were paid out as follows:

	SEK
Stefan Persson, Chairman	1,250,000
Fred Andersson	350,000
Lottie Knutson	350,000
Sussi Kvart	400,000
Bo Lundquist	400,000
Stig Nordfelt	450,000
Karl-Johan Persson	350,000
Melker Schörling	350,000

Remuneration paid to senior executives

Based on the resolution on guidelines passed by the 2007 AGM – see Administration Report on page 52.

Remuneration to the Mananging Director

Remuneration to the Managing Director in the form of salary and benefits amounted to SEK 14.0 m, which included a bonus of SEK 1.5 m (11.9 including a bonus of 1.5). The pension expenses for the Managing Director during the year were SEK 20.6 m (25.9), of which SEK 19.9 m comprises pension commitments entered as liabilities. The total pension commitments entered as liabilities amount to SEK 76.9 m. The retirement age for the Managing Director is 65. The Managing Director receives a pension of 65 percent of regular salary for three years and thereafter a lifetime pension equivalent to 50 percent of that salary. The Managing Director is entitled to 12 months' notice. In the event that the company cancels his employment contract, the Managing Director will receive severance pay of an extra year's salary in addition to the 12 months' notice. The Managing Director's terms of employment are determined by the Board of Directors.

Remuneration to others in exective management team

Remuneration to other members of the executive management team in the form of salary and benefits amounted to SEK 26.0 m (27.1), which included bonuses of SEK 3.2 m (2.5). Pension expenses for other members of the executive management team during the year were SEK 5.2 m (5.7). Other members of the executive management team comprise eleven people, four of whom are women.

In addition to the Managing Director, the executive management team includes those responsible for the following functions: Finance, Buying, Production, Expansion, IR, Accounts, Marketing, HR, Communications, Corporate Social Responsibility and Security. There are rules in place for these senior executives in respect of supplements to retirement pension beyond the ITP plan. The retirement age varies between 60 and 65 years. The cost of this commitment is partly covered by separate insurance policies.

In addition, bonuses amounting to SEK 6.1 m (6.9) were paid out to country managers. No severance pay agreements exist within the Group other than for the Managing Director as described above. The terms of employment for other members of the executive management team are determined by the Managing Director and the Chairman of the Board.

7 AVERAGE NUMBER OF EMPLOYEES

	2007		2006	
	Total	Male %	Total	Male %
Sweden	4,456	18	4,142	20
Norway	1,509	7	1,481	7
Denmark	1,278	6	1,238	6
UK	3,872	22	3,617	23
Switzerland	1,474	12	1,412	11
Germany	10,085	20	9,302	19
Netherlands	2,254	18	2,023	18
Belgium	1,400	16	1,308	15

Austria	1,936	12	1,839	14
Luxembourg	134	16	126	11
Finland	823	11	731	12
France	2,950	25	2,486	26
USA	6,329	30	4,870	30
Spain	3,415	19	2,568	19
Poland	1,150	28	978	23
Czech Republic	249	7	239	7
Portugal	425	22	324	10
Italy	753	27	474	23
Canada	800	20	608	17
Slovenia	115	17	95	20
Ireland	188	19	170	20
Hungary	98	12	54	11
Slovakia	45	24	–	–
Greece	85	24	–	–
China	646	34	259	–
Other countries	560	41	511	39
Group total	47,029	20	40,855	20

Sickness absence in Sweden

	Sickness absence as % of reg. working hours		% of sickness absence lasting over 60 days	
	2007	2006	2007	2006
Female employees	5.0	5.5	46.1	51.2
Male employees	3.1	3.9	28.7	36.7
Employees < 30 years old	3.2	3.3	20.7	24.6
Employees 30–49 years old	5.2	6.0	50.4	57.0
Employees > 50 years old	8.4	8.4	60.8	59.3
All employees	4.7	5.2	44.3	49.4

8 DEPRECIATION

Depreciation has been calculated at 12 percent of the acquisition cost of equipment and leasehold rights (intangible fixed assets) and 20 percent for computer equipment and vehicles, based on estimated economic life. The fact that lease rights are depreciated over a period of more than five years is due to the crucial importance of the store locations to the business. Buildings are depreciated at 3 percent of acquisition cost. No depreciation is applied to land values. Depreciation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Cost of goods sold	203	172	12	15
Selling expenses	1,505	1,374	72	99
Administrative expenses	106	78	4	6
Total	1,814	1,624	88	120

9 AUDIT FEES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Ernst & Young				
Audit assignments	12.8	11.3	2.4	2.4
Other assignments*	18.4	10.8	11.5	4.8
Other auditors				
Audit assignments	2.5	2.3	–	–
Other assignments	1.3	1.1	–	–
Total	35.0	25.5	13.9	7.2

* Other assignments refers mainly to tax advice in connection with changes to internal pricing principles and refinement of the Group structure.

10 TAX

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
<i>Tax expense (-)</i>				
<i>/tax receivable (+):</i>				
Current tax				
Tax expense for the period	-6,408	-5,072	-758	-577
Adjusted tax expense for previous years	120	–	–	–
Total	-6,288	-5,072	-758	-577
Deferred tax				
Deferred tax receivable (+)				
/tax expense (-)				
in respect of temporary differences				
stock-in-trade	787	–	–	–
Deferred tax receivable (+)				
/tax expense (-) in respect of loss carry-forward	-15	-21	–	–
Deferred tax receivable (+)				
/tax expense (-) in respect of temporary differences	-66	82	7	5
Total	706	61	7	5
Total	-5,582	-5,011	-751	-572

Reconciliation between current tax rate and effective tax rate:

Expected tax expense according to the Swedish tax rate of 28%	-5,367	-4,426	-3,099	-2,587
Difference in foreign tax rates	-358	-503	–	–
Non-deductible/non-taxable	-61	-97	-17	-6
Other	84	15	-5	–
Tax for previous years	120			
Tax-free dividend, subsidiary	–		2,370	2,021
Total	-5,582	-5,011	-751	-572

Reported deferred tax receivable relates to:

Pensions	53	25	32	25
Loss carry-forward in subsidiaries	2	17	–	–
Temporary differences in stock-in-trade	787	–	–	–
Other temporary differences	41	60	–	–
Total	883	102	32	25

The loss carry-forward is expected to be utilised within the next few years. There is no other loss carry-forward for which deferred tax receivable is not reported.

Reported deferred tax expense relates to:

Fixed assets	465	475
Stock-in-trade	186	175
Total	651	650

11 LEASEHOLD RIGHTS, BUILDINGS, LAND & EQUIPMENT

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Leasehold rights				
Opening acquisition value	392	383	–	–
Acquisitions during the year	86	30	–	–
Sales/disposals	-15	-3	–	–
Translation effects	13	-18	–	–
Closing acquisition value	476	392	–	–
Opening depreciation	-170	-133	–	–
Sales/disposals	15	2	–	–
Depreciation for the year	-50	-45	–	–
Translation effects	-5	6	–	–
Closing accumulated depreciation	-210	-170	–	–
Closing book value	266	222	–	–

Buildings

Opening acquisition value	503	536	107	107
Acquisitions during the year	56	–	–	–
Sales/disposals	–	-6	–	–
Translation effects	5	-27	–	–
Closing acquisition value	564	503	107	107
Opening depreciation	-143	-136	-48	-45
Sales/disposals	–	2	–	–
Depreciation for the year	-14	-15	-3	-3
Translation effects	-1	6	–	–
Closing accumulated depreciation	-158	-143	-51	-48
Closing book value	406	360	56	58

Land

Opening acquisition value	60	67	3	3
Acquisitions during the year	–	–	–	–
Sales/disposals	–	-4	–	–
Translation effects	–	-3	–	–
Closing book value	60	60	3	3

The tax assessment values of the Swedish properties amount to SEK 57 m (57). The book value of these amounts to SEK 59 m (61).

Equipment

Opening acquisition value	13,605	12,971	1,001	957
Acquisitions during the year	3,466	2,000	123	117
Sales/disposals	-999	-580	-388	-73
Translation effects	101	-786	–	–
Closing acquisition value	16,173	13,605	736	1,001
Opening depreciation	-6,471	-5,819	-543	-500
Sales/disposals	905	525	150	74
Depreciation for the year	-1,750	-1,564	-85	-117
Translation effects	-36	387	–	–
Closing accumulated depreciation	-7,352	-6,471	-478	-543
Closing book value	8,821	7,134	258	458

The Group has no significant leasing agreements other than the leasing agreements for rented premises that were signed on normal market terms. Rental charges for the 2007 financial year amount to SEK 8,467 m (7,549), of which sales-dependent supplements amount to SEK 657 m (519).

Rentals according to the Group's leasing agreements (basic rent excluding any sales-dependent supplements) amount to (SEK m):

Due 2008	6,801
Due 2009–2012	19,732
Due 2013 and thereafter	12,478

12 PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Prepaid rent	549	455	14	37
Other items	85	108	26	14
Total	634	563	40	51

13 SHORT-TERM INVESTMENTS

This balance sheet item includes interest-bearing investments, i.e. investments in securities issued by governments or banks or in short-term bank deposits. As of 30 November 2007 there were no investments with terms longer than 6 months. The book value of short-term investments plus accrued interest equals the actual value. Investments are made on market terms and the interest rates are in the range 1.93–6.70 percent. The difference in interest rate depends on the currency in which the amount is invested. Short-term investments with a term of 0–3 months are reported as liquid assets (refer to note 14).

14 LIQUID ASSETS

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Cash and bank balances	1,649	1,336	109	106
Short-term investments, 0–3 months	14,415	8,541	1,308	2,048
Total	16,064	9,877	1,417	2,154

15 FORWARD CONTRACTS

The table below shows the outstanding forward contracts as of the closing date:

Currency pair	Book value		Fair value		Nominal amount		Average remaining term in months	
	2007	2006	2007	2006	2007	2006	2007	2006
Sell/buy								
NOK/SEK	–	–	–	–	–	–	–	–
GBP/SEK	–	–	–	–	–	–	–	–
NOK/USD	2	-7	2	-7	231	214	3.0	3.0
DKK/USD	-6	-5	-6	-5	199	161	2.5	3.0
GBP/USD	-7	-13	-7	-13	455	381	3.0	3.0
CHF/USD	-9	-5	-9	-5	298	245	3.0	3.0
EUR/USD	-88	-66	-88	-66	2,525	2,192	3.0	3.0
PLN/USD	-12	-5	-12	-5	195	106	2.5	3.0
CZK/USD	–	–	–	–	–	–	–	–
CAD/USD	1	1	1	1	82	67	2.5	2.5
SEK/USD	-6	-11	-6	-11	494	224	3.0	2.0
Total	-125	-111	-125	-111	4,479	3,590		

Forward contracts with a positive market value amount to SEK 7 m, which is reported under Other current receivables. Forward contracts with a negative market value amount to SEK 132 m, which is reported under Other current liabilities.

In accordance with H&M's principles for fair value hedging (refer to note 1 Accounting principles), the binding purchase commitment is also reported at fair value in respect of the currency risk hedged. These amounts are included in Other current receivables at SEK 132 m and in Other current liabilities at SEK 7 m.

As of 30 November 2007 SEK 139 m (113) was thus included in current receivables and current liabilities in respect of hedge accounting.

The market valuation was performed using data provided by the banks.

16 SHARE CAPITAL

The share capital consists of 97,200,000 class 'A' shares (10 votes per share) and 730,336,000 class 'B' shares (1 vote per share). There are no other differences between the rights of the shares. The total number of shares is 827,536,000.

17 APPROPRIATION OF PROFITS IN ACCORDANCE WITH THE 2007 ANNUAL GENERAL MEETING RESOLUTION

Unappropriated earnings as per balance sheet on 30 November 2006	11,565
Dividend, SEK 11.50 per share	-9,516
Refunded dividend	1
Retained earnings	2,050

18 PROVISIONS FOR PENSIONS

	GROUP	
	2007	2006
Capitalised value of defined benefit obligations	218	265
Fair value of managed assets	-62	-135
Provisions recorded in the balance sheet for pension obligations	156	130
Opening balance, 1 December	130	78
Reported pension expenses, net	39	76
Premiums paid	-8	-19
Pensions paid out	-5	-5
Recorded amount of defined benefit obligations 30 November	156	130

The amounts recorded as pension expenses include the following items:

Expenses for service during the current year	24	25
Interest expense	8	9
Expected return on managed assets	-3	-6
Actuarial gains and losses	9	48
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	1	–
Reported pension expenses, net	39	76

The cost of defined contribution pensions amounts to SEK 132 m (79).

Significant actuarial assumptions on the balance sheet date (weighted average amounts)		
Discount rate	4.37%	4.12%
Expected return on managed assets	4.32%	4.50%
Future salary increases	4.60%	4.00%
Future pension increases (inflation)	2.00%	3.00%

19 ACCRUED EXPENSES

	GROUP		PARENT COMPANY	
	2007	2006	2007	2006
Holiday pay liability	547	449	44	144
Payroll overheads	182	190	61	102
Accrued interest	–	–	–	–
Payroll liability	441	312	22	65
Costs relating to premises	761	607	–	–
Other accrued overheads	916	712	105	144
Total	2,847	2,270	232	455

20 RELATED PARTY DISCLOSURES

Stefan Persson Placering AB is the parent company of H & M Hennes & Mauritz AB. The H&M Group leases the following store premises in properties directly or indirectly owned by Stefan Persson and family: Drottninggatan 50–52 in Stockholm, Drottninggatan 56 in Stockholm, Sergelgatan 11 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö and Amagerstorv 23 in Copenhagen. In November 2007 Stefan Persson's company Ramsbury AB acquired the property at Oxford Circus in London in which H&M leases store premises.

Rent is paid at market rates and amounted to a total of SEK 49 m (39) for the financial year.

In 2005 an agreement was entered with Ramsbury AB regarding future leasing of office premises in Stockholm, for occupancy at the end of 2007/beginning of 2008. The rent has been reviewed by two independent evaluators and is at the market rate.

In addition to his Board fees, Board member Karl-Johan Persson received salary amounting to SEK 1.2 m for work carried out in the subsidiary H & M Hennes & Mauritz UK Ltd. For information regarding salaries and other remuneration to related parties please refer to note 6.

21 APPROPRIATIONS

	PARENT COMPANY	
	2007	2006
Depreciation in excess of plan	130	3
Total	130	3

22 PARTICIPATION IN GROUP COMPANIES

(All subsidiaries are wholly-owned)

	Corporate ID number	No. of shares	Book value	Domicile
Parent company participation				
K E Persson AB	556030-1052	1,000	0.1	Stockholm
AB Hennes	556056-0889	1,000	0.1	Stockholm
Big is Beautiful, BiB AB	556005-5047	3,300	0.4	Stockholm
Beká AB	556024-2488	450	1.3	Stockholm
H & M Hennes & Mauritz Sverige AB				
	556151-2376	1,250	0.1	Stockholm
Carl-Axel Herrmode AB	556099-0706	1,000	3.0	Stockholm
H & M Rowells AB	556023-1663	1,150	0.6	Stockholm
Mauritz AB	556125-1421	2,000	0.2	Stockholm
H & M Hennes & Mauritz GBC AB				
	556070-1715	1,000	2.6	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M India Private Ltd		1,633,500	2.9	India
H & M Hennes & Mauritz Japan KK		99	6.0	Japan
Total			17.4	
Subsidiaries' participations				
Carl Axel Pettersons AB	556027-7351	1,200		Stockholm
H & M Hennes & Mauritz A/S				Norway
H & M Hennes & Mauritz A/S				Denmark
H & M Hennes & Mauritz UK Ltd				UK
H & M Hennes & Mauritz SA				Switzerland
H & M Trading SA				Switzerland
H & M Hennes & Mauritz B.V. & Co. KG				Germany
Impuls GmbH				Germany
Magis GmbH & Co. KG				Germany
H & M Hennes & Mauritz Logistics GBC GmbH				Germany
H & M Hennes & Mauritz Logistics GmbH & Co. KG				Germany
H & M Hennes & Mauritz Holding BV				Netherlands
H & M Hennes & Mauritz Netherlands BV				Netherlands
H & M Hennes & Mauritz USA BV				Netherlands
H & M Hennes & Mauritz Belgium NV				Belgium
H & M Hennes & Mauritz GesmbH				Austria
H & M Hennes & Mauritz OY				Finland
H & M Hennes & Mauritz SARL				France
H & M Hennes & Mauritz LP				USA
Hennes & Mauritz SL				Spain
H & M Hennes & Mauritz sp.z.o.o.				Poland
H & M Hennes & Mauritz Logistics SPz.o.o.				Poland
H & M Hennes & Mauritz CZ, s.r.o.				Czech Republic
Hennes & Mauritz Lda				Portugal
H & M Hennes & Mauritz S.r.l.				Italy
H & M Hennes & Mauritz Inc.				Canada
H & M Hennes & Mauritz d.o.o.				Slovenia
H & M Hennes & Mauritz (Ireland) Ltd				Ireland
H & M Hennes & Mauritz Kft				Hungary
H & M Hennes & Mauritz Far East Ltd				Hong Kong
Puls Trading Far East Ltd				Hong Kong
H & M Hennes & Mauritz Holding Asia Ltd				Hong Kong
H & M Hennes & Mauritz Ltd				Hong Kong
Hennes Mauritz (Shanghai) Commercial Ltd Co				China
H & M Hennes & Mauritz SK s.r.c.				Slovakia
H & M Hennes & Mauritz A.E.				Greece

23 UNTAXED RESERVES

	PARENT COMPANY	
	2007	2006
Depreciation in excess of plan	119	249
Total	119	249

24 CONTINGENT LIABILITIES

	PARENT COMPANY	
	2007	2006
Parent company's lease guarantees	12,431	10,966
Total	12,431	10,966

25 KEY RATIO DEFINITIONS

Return on equity:	Profit for the year divided by average shareholders' equity.
Return on capital employed:	Profit after financial items plus interest expense divided by average shareholders' equity plus interest-bearing liabilities.
Share of risk-bearing capital:	Shareholders' equity plus deferred tax liability divided by the balance sheet total.
Equity/assets ratio:	Shareholders' equity in relation to balance sheet total.
Shareholders' equity per share:	Shareholders' equity divided by number of shares.
P/E ratio:	Price per share divided by earnings per share.
Comparable shops:	A shop is comparable if it has been open and has had an unchanged sales area for at least one financial year.

SIGNING OF THE ANNUAL REPORT

The undersigned hereby provide an assurance that the Annual Report and consolidated accounts have been drawn up in accordance with IFRS international accounting standards, as adopted by the EU, and with good accounting practice, and that they provide a true and fair view of the Group's and the parent company's position and earnings, and also that the Administration Report provides a true and fair view of the development of the Group's and the parent company's business, position and earnings, and also describe the significant risks and uncertainties faced by the companies making up the Group.

Stockholm, 30 January 2008			
	Stefan Persson Chairman	Fred Andersson	Lottie Knutson
	Sussi Kwart	Bo Lundquist	Stig Nordfelt
	Marianne Norin-Broman*	Karl-Johan Persson	Melker Schörling
	Margareta Welinder*	Rolf Eriksen Managing Director	
* Employee representative			

Our audit report was submitted on 31 January 2008

Åsa Lundvall
Authorised Public Accountant
Ernst & Young AB

Erik Åström
Authorised Public Accountant
Ernst & Young AB

AUDITORS' REPORT

To the Annual General Meeting of H & M Hennes & Mauritz AB (publ) Corporate identity number 556042-7220

We have audited the annual accounts, consolidated accounts, accounting records and the administration of the Board of Directors and the Managing Director of H & M Hennes & Mauritz AB for the financial year 1 December 2006 to 30 November 2007. The company's annual accounts and consolidated accounts are included in this document on pages 51–71. These accounts, the administration of the company and compliance with the Annual Accounts Act in the preparation of the annual report and the application of IFRS international accounting standards, as adopted by the EU, and of the Annual Accounts Act to the consolidated accounts are the responsibility of the Board of Directors and the Managing Director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

Our audit was conducted in accordance with generally accepted auditing standards in Sweden. This means that we planned and performed the audit in order to obtain a high, but not absolute, degree of assurance that the annual accounts and consolidated accounts are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board and the Managing Director and evaluating the significant assessments made by the Board and the Managing Director in preparing the annual accounts and

consolidated accounts, as well as assessing the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances in the company to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report has been prepared in accordance with the Annual Accounts Act and gives a true and fair view of the company's and the Group's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been compiled in accordance with IFRS international accounting standards, as adopted by the EU, and the Annual Accounts Act and give a true and fair view of the Group's earnings and financial position. The administration report is consistent with the other section of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting that the income statement and balance sheet of the parent company and the Group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm, 31 January 2008

Åsa Lundvall
Authorised Public Accountant
Ernst&Young AB

Erik Åström
Authorised Public Accountant
Ernst&Young AB

FIVE YEAR SUMMARY

Financial year	2007	2006	2005	2004	2003
Sales including VAT, SEK m	92,123	80,081	71,886	62,986	56,550
Sales excluding VAT, SEK m	78,346	68,400	61,262	53,695	48,238
Change from previous year, %	+15	+12	+14	+11	+6
Operating profit, SEK m	18,382	15,298	13,173	10,667	9,223
Operating margin, %	23.5	22.4	21.5	19.9	19.1
Depreciation for the year, SEK m	1,814	1,624	1,452	1,232	1,126
Profit after financial items, SEK m	19,170	15,808	13,553	11,005	9,609
Profit after tax, SEK m	13,588	10,797	9,247	7,275	6,386
Liquid funds and short-term investments, SEK m	20,964	18,625	16,846	15,051	13,194
Stock-in-trade, SEK m	7,969	7,220	6,841	5,142	5,050
Equity, SEK m	32,093	27,779	25,924	22,209	20,097
Number of shares, thousand (before and after dilution)	827,536	827,536	827,536	827,536	827,536
Earnings per share, SEK (before and after dilution)	16.42	13.05	11.17	8.79	7.72
Shareholders' equity per share, SEK (before and after dilution)	38.78	33.57	31.33	26.84	24.28
Return on shareholders' equity, %	45.4	40.2	38.4	34.4	32.6
Return on capital employed, %	63.7	58.7	56.3	51.9	48.9
Share of risk-bearing capital, %	78.5	80.0	80.2	82.5	81.6
Equity/assets ratio, %	76.9	78.1	78.1	79.0	78.0
Total number of stores	1,522	1,345	1,193	1,068	945
Average number of employees	47,029	40,855	34,614	31,701	28,409

For definitions of key ratios refer to note 25.

International Financial Reporting Standards (IFRS) are applied with effect from 2005/2006. Restatement of 2004/2005 in accordance with IFRS has not involved any adjustment. Years 2002/2003–2003/2004 have been reported according to the previously applied principles based on the Swedish Financial Accounting Standards Council's recommendations.

CORPORATE GOVERNANCE REPORT 2007

H & M HENNES & MAURITZ AB

SWEDISH CODE OF CORPORATE GOVERNANCE

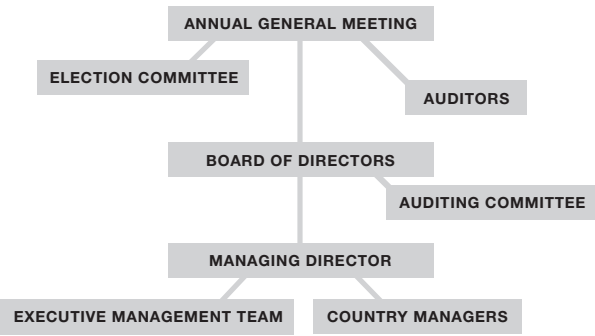
H&M applies the Swedish Code of Corporate Governance and has therefore prepared this corporate governance report in accordance with the Code. This corporate governance report describes H&M's corporate governance, management and administration as well as internal control over financial reporting. The Corporate Governance Report for 2007 is not part of the formal Annual Report and has not been reviewed by the company's auditors.

The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation. The box below gives a brief statement of the rules from which H&M deviates. Explanations for the deviations are given in the relevant sections later in the report.

Deviations from the Code:

- Chairman of the Board is chairman of the Election Committee.
- H&M has no remuneration committee.
- H&M does not meet all of the Code's independence criteria for the Board and for the Auditing Committee.

H&M'S CORPORATE GOVERNANCE STRUCTURE



Corporate governance is basically about how the company is to be run in order to safeguard the shareholders' interests. Corporate governance is regulated by Swedish legislation, primarily the Swedish Companies Act and the listing agreement with OMX Nordic Exchange Stockholm AB, as well as rules and recommendations such as the Swedish Code of Corporate Governance. In addition, H&M's articles of association form a central document, establishing, among other things, the company's name, domicile, business orientation and share capital. To read H&M's articles of association, please see the section on Corporate Governance under Investor Relations at www.hm.com.

The Annual General Meeting (AGM) is the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. The AGM is convened once a year in order to carry out tasks such as adopting the annual accounts, discharging the members of the Board of Directors and the Managing Director from liability and deciding how the profit or loss for the past financial year is to be allocated. The meeting also elects the Board of Directors and, when necessary, auditors for the forthcoming period of office. Extraordinary general meetings can be convened where there is a particular need to do so.

The Election Committee is the AGM's body for preparing the Meeting's decisions on appointment matters with a view to creating a good basis for the Meeting's treatment of these matters.

The task of the Board of Directors is to manage the company's affairs on behalf of the shareholders.

The auditors are appointed by the shareholders at the AGM. The auditors scrutinise the company's annual report and accounts as well as the management of the company by the Board and Managing Director.

The Managing Director is appointed by the Board of Directors and is responsible for the daily management of the company as directed by the Board. The demarcation between the tasks of the Board and the Managing Director is laid down in written instructions approved by the Board.

H&M has a matrix organisation in which the country managers and members of the executive management team report directly to the Managing Director (see section on control environment). The matrix organisation consists of the sales countries, headed by the country managers, and the central functions/departments, for which the executive management team is responsible.

ANNUAL GENERAL MEETING 2007

All shareholders who are entered by name in the register of shareholders and have notified their attendance on time are entitled to participate in the meeting and vote for all their shares. Shareholders who cannot be present in person may be represented by a proxy. H&M's Annual General Meeting 2007 was held in Victoriahallen at the Stockholm International Fairs on 3 May. 1,111 shareholders attended the meeting, representing 80.9 percent of the votes and 60.7 percent of the total number of shares. H&M's Board of Directors, management and Election Committee as well as the company's two auditors attended the meeting.

In the main, the following resolutions were passed:

- Lawyer Sven Unger was elected chairman of the meeting.
- The balance sheets and income statements for the parent company and for the Group were adopted.
- Dividend to shareholders of SEK 11.50 per share.
- The members of the Board and the Managing Director were discharged from liability for the 2005/2006 financial year.
- The number of Board members elected by the meeting to serve until the next AGM was eight, with no deputies elected by the meeting (in accordance with the Code of Corporate Governance).
- The fees paid to Board members until the next AGM were set at SEK 3,900,000 in total, to be distributed as follows: Chairman of the Board SEK 1,250,000; Board members SEK 350,000; members of the Auditing Committee an extra SEK 50,000; and the chairman of the Auditing Committee an extra SEK 100,000.
- Re-election of Fred Andersson, Lottie Knutson, Sussi Kvart, Bo Lundquist, Stig Nordfelt, Karl-Johan Persson, Stefan Persson and Melker Schörling as ordinary members. Stefan Persson was re-elected as Chairman of the Board.
- The proposed principles for the Election Committee were approved.
- The proposed guidelines for remuneration paid to senior executives were adopted.
- The proposed amendments to the articles of association were adopted.
- The proposed contribution to a foundation was adopted.

The minutes of the AGM were posted on the website within two weeks of the meeting.

Material from the meeting, such as the notice of the meeting, the Board's statement concerning allocation of profit and the Managing Director's address and presentation etc. were translated into English and posted on the website.

ANNUAL GENERAL MEETING 2008

H&M's Annual General Meeting 2008 will be held in Victoriahallen at the Stockholm International Fairs on 8 May. To register to attend the 2008 AGM please see page 82 of the Annual Report or visit www.hm.com under Investor Relations, Corporate Governance, Annual General Meeting. Since September 2007 information has been provided on the website concerning shareholders' rights to raise matters at the meeting and when such business must be received by H&M in order to be included in the notice of the meeting.

ELECTION COMMITTEE

Prior to each AGM the Election Committee produces proposals for resolutions at the AGM. These include proposing the chairman of the meeting, the Board of Directors and Chairman of the Board, the remuneration to the Board and its distribution as well as auditing fees, principles for the Election Committee and, when necessary, proposing auditors. A report of the work of the Election Committee in advance of the AGM is available in a separate document on the website. In accordance with the principles of the Election Committee adopted at the AGM, the Election Committee is made up of the Chairman of the Board plus four other members each representing one of the four largest shareholders as at 31 August 2007, apart from the shareholder represented by the Chairman of the Board. To read the principles of the Election Committee in full, please see the section on the Election Committee under Investor Relations, Corporate Governance at www.hm.com.

The composition of the Election Committee based on the ownership structure on 31 August 2007 was:

- Stefan Persson, Chairman of the Board
- Lottie Tham, representing Lottie Tham
- Tomas Nicolin, representing Alecta
- Jan Andersson, representing Swedbank Robur Fonder
- Peter Lindell, representing AMF Pension

A deviation from the Code is that the Election Committee appointed Stefan Persson as chairman of the Election Committee, on the grounds that this may be deemed an obvious choice in view of the ownership structure of H&M.

Since the 2007 AGM the Election Committee has held two meetings at which minutes were taken and was also in contact between these times. As a basis for its proposals to the 2008 AGM the Election Committee carried out an assessment of the composition of the Board of Directors. This assessment was partly based on Stefan Persson's verbal account of the work of the Board. The work of the Board functioned well over the course of the year.

No special fees were paid to the Election Committee's chairman, nor to any other member of the Committee.

Shareholders wishing to submit proposals to the Election Committee can do so either to individual members of the Election Committee or by e-mail to valberedningen@hm.com.

BOARD OF DIRECTORS

During the financial year, H&M normally holds five regular Board meetings and one statutory Board meeting. Extraordinary Board meetings are held when the need arises. The Board consists of eight ordinary members elected by the AGM and no deputy

members. There are also two employee representatives with two deputies. Six of the members of the Board are female and six male; five out of twelve are employed within the company. The Managing Director attends all Board meetings except when the Managing Director's work is being evaluated. The Managing Director reports to the Board on the operational work within the Group and ensures that the Board is given relevant and objective information on which to base its decisions. Other members of the management such as the CFO and Chief Accountant also attend in order to provide the Board with financial information. The Board is assisted by a secretary who is not a member of the Board.

WORK PLAN FOR THE BOARD OF DIRECTORS

In addition to laws and recommendations, the work of H&M's Board is governed by its formal work plan, which is established once a year. The work plan regulates matters such as the distribution of work between the Board and the Managing Director, financial reporting, investments and financing.

The Managing Director's responsibilities include issues relating to expansion, buying, human resources, finance and accounts, as well as reporting to the Board on operating activities. The Managing Director is also responsible for relationships with the company's stakeholders, including financial markets and government agencies.

WORK OF THE BOARD IN 2007

H&M's Board held five regular Board meetings during the year, as well as a statutory Board meeting and an extraordinary meeting held by circulation. One of the meetings was held in Poznan in Poland, the location of the new warehouse serving the countries of Eastern Europe as well as Internet and catalogue sales outside the Nordic region. The attendance of the Board members is reported in the table Composition of the Board of Directors and Attendance during the Year. Managing Director Rolf Eriksen was present at all the Board meetings during the year.

The Board meetings begin with a discussion of the company's financial situation, with costs and sales as the main focus. The various financial reports and the Annual Report are discussed and verified before being published. Accounting matters are dealt with in detail within the Auditing Committee and reported back to the Board.

Matters dealt with at the Board meetings in 2007 included the company's main aims for the year, the rate of expansion and the results of expansion into markets such as Hong Kong, Shanghai, Slovakia, Greece and Qatar. In addition, the Managing Director reported on the status of new concepts such as COS, the organic cotton collection, H&M Home and footwear, as well as for example developments in buying work and Internet and catalogue sales, future marketing campaigns, etc. The refinement and review of the Group structure were also discussed. The Board was kept informed of the company's CSR and environmental work. Before the 2007 AGM the Board proposed that a foundation be established, to which H&M would contribute SEK 60 million, to commemorate H&M's 60th anniversary. The purpose of the foundation is to help improve the quality of life of people in regions in which H&M's products are manufactured.

Decisions taken by the Board in 2007 include the planned expansion into Russia in 2009; investments to increase the total number of stores and the level of these investments; and expansion of the footwear range in a number of H&M stores.

The Board also discussed strategic matters such as competition and development opportunities, and also revised its financial policy and information policy.

In connection with the Board's review of the proposed annual report for 2007, auditor Erik Åström gave an account of the year's audit work.



Stefan Persson



Fred Andersson



Lottie Knutson



Sussi Kvart



Bo Lundquist



Stig Nordfelt



Karl-Johan Persson



Melker Schörling



Marianne Norin-Broman



Margareta Welinder



Tina Jäderberg



Agneta Ramberg

FACTS ABOUT THE BOARD MEMBERS

STEFAN PERSSON

Chairman of the Board. Born 1947.

PRIMARY OCCUPATION:

Working Chairman of the Board of H&M.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Member of the board of MSAB and board assignments in family-owned companies.

EDUCATION:

Stockholm University & Lund University, 1969–1973.

WORK EXPERIENCE:

1976–1982 Country Manager for H&M in the UK and responsible for H&M's expansion abroad.

1982–1998 Managing Director and Chief Executive Officer of H&M.

1998– Chairman of the Board of H&M.

FRED ANDERSSON

Board member. Born 1946.

PRIMARY OCCUPATION:

CEO of Coromandel förvaltning AB.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of Corem Property Group AB. Member of the boards of Consilium AB, Viamare Invest AB, Bonnier Industrier, Hammarplast Industrier, Climate Well.

EDUCATION:

Economics, Finnish Institute of Exports.

WORK EXPERIENCE:

Founder of Indoor Design in Helsinki, a design company with its own production.

1984–1989 Managing Director of Ikea of Sweden, Ikea's product range and buying company.

1989–1992 CEO of Scandic Hotels.

1992–1993 Consulting assignment for Securum.

1993–1996 Managing Director, Volvo Personbilar Sverige.

1996–1998 Chairman and responsible for EF's Whitbread project.

1998 Founded the Coromandel companies.

2002–2008 CEO and partner in the Nicator Group.

2008– CEO of Coromandel förvaltning AB.

LOTTIE KNUTSON

Board member. Born 1964.

PRIMARY OCCUPATION:

Communications Director at Fritidsresor Group Nordic, with responsibility for communications as well as corporate social responsibility.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

No positions other than as member of the Board of H&M.

EDUCATION:

Université de Paris III, Diplôme de Culture Française, 1985–1986. Theatre History, Stockholm University, 1989. Department of Journalism at Stockholm University, 1987–1989.

WORK EXPERIENCE:

1988–1989 Journalist, Svenska Dagbladet.

1989–1995 Communications department at SAS Group.

1995–1996 PR Consultant, Johansson & Co.

1996–1998 PR and Communications Consultant, Bates Sweden.

1998–1999 Communications Consultant, JKL.

1999– Communications Director at Fritidsresor Group for the Nordic countries.

SUSSI KVART

Board member and member of the Auditing Committee. Born 1956.

PRIMARY OCCUPATION:

Consulting, with a focus on strategic business advice, corporate governance and board procedures.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of Kvinvest AB. Member of the boards of Healthcare Provision – Stockholm County Council, Stockholms Stadshus AB, Transparency International Sweden and DGC One AB.

EDUCATION:

Bachelor of Laws, Lund University 1980.

WORK EXPERIENCE:

1983–1989 Lagerlöf (now Linklaters) law firm, as lawyer from 1986.

1989–1991 Political Expert, Riksdagen (Swedish parliament), parliamentary office of the Swedish Liberal Party.

1991–1993 Political Expert, Swedish Cabinet Office.

1993–1999 Company Lawyer, LM Ericsson.

1997–2001 Member of Aktiebolagskommittén (Swedish Companies Act Committee).

2000–2001 Lawyer and Business Developer, LM Ericsson, Corporate Marketing and Strategic Business Development.

2002– Sussi Kvart AB.

BO LUNDQUIST

Board member and member of the Auditing Committee. Born 1942.

PRIMARY OCCUPATION:

Head of family-owned investment company. Board assignments.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of the boards of Stockholm University College of Physical Education and Sports (GIH), Teknikmagasinet AB (unlisted company), Djurgården Elitfotboll AB (unlisted company) and member of the board of Frans Svanström AB (unlisted company). Member of the board of the Anders Wall Foundation for Free Enterprise.

EDUCATION:

M.Sc. Engineering, Chalmers University of Technology in Gothenburg 1968.

WORK EXPERIENCE:

1970–1974 Administrative Director, Luleå University.

1975–1978 Divisional Manager, SSAB.

1978–1982 Sales Manager, Sandvik.

1982–1984 Managing Director, Bulten.

1984–1990 Vice President, Trelleborg.

1991–1998 Managing Director and Chief Executive Officer, Esselte.

1994–1998 Involved in various central trade & industry organisations, including Chairman of the Federation of Swedish Commerce and Trade.

STIG NORDFELT

Board member and Chairman of the Auditing Committee. Born 1940.

PRIMARY OCCUPATION:

Consulting, with a focus on board procedures.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Member of the boards of CGU Life AB and Capinordic Fonder AB.

EDUCATION:

M.Sc. Business and Economics from the School of Business, Economics and Law, Gothenburg University 1963.

WORK EXPERIENCE:

1964–1981 Authorised Public Accountant, Reveko AB, Stockholm, from 1971 Senior Partner and joint owner.

1982–1985 Managing Director, Tornet AB, Stockholm.

1986–2006 Managing Director, Pilen AB, Stockholm.

KARL-JOHAN PERSSON

Board member. Born 1975.

PRIMARY OCCUPATION:

Board assignments and responsible for expansion and business development at H&M.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

H&M's subsidiaries in Denmark, the USA, the UK and Germany. The Swedish Chamber of Commerce in the UK and the GoodCause Foundation.

EDUCATION:

European Business School, London, 1996–2000.

WORK EXPERIENCE:

2001–2004 Managing Director, European Network.

2005–2007 Business development, H&M.

2007– Responsible for expansion and business development at H&M.

MELKER SCHÖRLING

Board member. Born 1947.

PRIMARY OCCUPATION:

Founder and owner of MSAB.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of MSAB, AarhusKarlshamn AB, Hexagon AB, Securitas AB, Securitas Systems AB. Vice Chairman of Assa Abloy AB.

EDUCATION:

M.Sc. Business and Economics from the School of Business, Economics and Law, Gothenburg University 1970.

WORK EXPERIENCE:

1970–1975 Controller, LM Ericsson, Mexico.

1975–1979 Controller, ABB Fläkt, Stockholm.

1979–1983 Managing Director, Essef Service, Stockholm.

1984–1987 Managing Director, Crawford Door, Lund.

1987–1992 Managing Director and CEO, Securitas AB, Stockholm.

1993–1997 Managing Director and CEO, Skanska AB, Stockholm.

MARIANNE NORIN-BROMAN

Employee representative on the H&M Board since 1995. Born 1944.

MARGARETA WELINDER

Employee representative on the H&M Board since 2007. Born 1962.

TINA JÄDERBERG

Deputy employee representative on the H&M Board since 2007. Born 1974.

AGNETA RAMBERG

Deputy employee representative on the H&M Board since 1997. Born 1946.

COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE DURING THE YEAR

Name	Year elected	Independent ¹⁾	Independent ²⁾	Fees ³⁾ (SEK)	Board meetings	Auditing Committee	Shareholding	Shares held by related parties
Stefan Persson, Chairman	1979	No	No	1,250,000	7/7		186,274,400	97,200,000 ⁴⁾
Fred Andersson	1990	No	Yes	350,000	7/7		800	
Lottie Knutson	2006	Yes	Yes	350,000	7/7		400	
Sussi Kvar	1998	Yes	Yes	400,000	7/7	3/3	2,200	850
Bo Lundquist	1995	No	Yes	400,000	7/7	3/3		20,000 ⁵⁾
Stig Nordfelt	1987	No	Yes	450,000	7/7	3/3	4,000	
Karl-Johan Persson	2006	No	No	350,000	7/7		6,066,000	
Melker Schörling	1998	Yes	Yes	350,000	6/7		114,000	
Marianne Norin-Broman, employee representative	1995	No	No		7/7		70	120
Margareta Welinder ⁶⁾ , employee representative	2007	No	No		2/4			
Tina Jäderberg ⁷⁾ , deputy empl. representative	2007	No	No		4/4			
Agneta Ramberg, deputy empl. representative	1997	No	No		7/7			

1) Independent of the company and the company management as defined by the Swedish Code of Corporate Governance.
2) Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance.
3) Fees as resolved at the 2007 Annual General Meeting. The fees relate to the period until the next AGM is held and will be paid out in 2008.

4) Shares owned through Stefan Persson Placering AB.
5) Shares owned through Bo Lundquist's company Smideseken AB.
6) Margareta Welinder succeeded Vivian Enochsson as employee representative on 19 June 2007.
7) Tina Jäderberg succeeded Eva Nilsson as deputy employee representative on 19 June 2007.

There are no outstanding share- or share price-related incentive programmes for the Board of Directors.

INDEPENDENCE ACCORDING TO THE CODE

The composition of H&M's Board meets the independence requirements set of members by the OMX Nordic Exchange Stockholm AB. The composition of the Board also satisfies the Code's rule that at least two of the Board members who are independent of the company and the company management are also independent of the company's major shareholders.

The Code states, however, that a majority of the Board members elected by the AGM must be independent of the company and the company management. H&M deviates from this rule in that four of the eight Board members elected by the AGM have sat on the Board for over twelve years and one is employed by the company. The explanation given by the Election Committee for the first deviation is that H&M should have a Board made up of members who have come to know the company and its business very well over a long period of time. The second deviation, which is that an employee is also a Board member, is deemed natural in this case in view of the ownership structure of H&M.

FINANCIAL REPORTING

H&M's financial reporting is carried out in compliance with the laws, statutes, agreements, regulations and recommendations that apply to companies listed on the OMX Nordic Exchange Stockholm AB. It falls to the Board of Directors to ensure the quality of financial reporting with the help, for example, of the Auditing Committee (see text below). More information is available in the section on internal control over financial reporting.

AUDITING COMMITTEE

H&M's Auditing Committee is made up of three Board members. The Committee is appointed annually by the Board of Directors at the statutory Board meeting held in conjunction with the AGM. The Auditing Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting. The Committee is also the main path of communication between the Board and the company's auditors.

The Auditing Committee, which comprises chairman Stig Nordfelt and members Sussi Kvar and Bo Lundquist, held three meetings during the year at which minutes were kept.

A deviation from the Code is that the majority of the members of the Committee are not independent of the company and the company management, since Stig Nordfelt and Bo Lundquist have sat on the Board for over twelve years. The reason for the deviation is that these members have an in-depth knowledge of

the company and of business economics and their experience and skills are deemed to make a constructive contribution to the Committee's work. During the year the Committee addressed issues concerning the company's financial reporting and internal control, gathered information concerning the scope and focus of auditing assignments, and also gathered information on matters including the refinement and review of the Group structure, work on the Code of Ethics and ongoing IR work. It also discussed the annual report and interim reports. Authorised Public Accountants Åsa Lundvall and Erik Åström have attended the Auditing Committee's meetings and reported to the Committee on their auditing work. The meetings were also attended by Leif Persson, CFO and Anders Jonasson, Chief Accountant, among others. The Committee's meetings are always minuted. The minutes are then distributed to the Board.

INFORMATION ON AUDITORS

The Annual General Meeting appoints auditors every four years. The 2005 AGM appointed Authorised Public Accountants Åsa Lundvall and Erik Åström and deputies Torsten Lyth and Anders Wiger from the Ernst & Young AB accounting firm. The 2007 AGM resolved that, as previously, the auditors' fees should be paid based on the invoices submitted.

Åsa Lundvall, Authorised Public Accountant, has conducted auditing assignments for H&M for a number of years and has been a deputy auditor since the 2003 Annual General Meeting. At the 2005 AGM Åsa Lundvall was appointed as auditor for H&M.

Erik Åström, Authorised Public Accountant, conducts auditing assignments for a number of listed companies, such as Hakon Invest, Investment AB Kinnevik, Modern Times Group, Saab and Apoteket.

AUDIT FEES

	GROUP			PARENT COMPANY		
	06/07	05/06	04/05	06/07	05/06	04/05
Ernst & Young						
Audit assignments	12.8	11.3	10.3	2.4	2.4	1.9
Other assignments*	18.4	10.8	5.1	11.5	4.8	0.4
Other auditors						
Audit assignments	2.5	2.3	2.2	–	–	–
Other assignments	1.3	1.1	2.1	–	–	–
Total	35.0	25.5	19.7	13.9	7.2	2.3

* Other assignments refers mainly to tax advice in connection with changes to Internal pricing principles and refinement of the Group structure.

Ernst & Young AB is a member of a global network used for auditing assignments for most of the Group companies and meets H&M's requirements with respect to competence and geographical coverage. The auditors' independent status is guaranteed partly by legislation and professional ethics, partly by the accounting firm's internal guidelines and partly by the Auditing Committee's guidelines regulating which assignments the accounting firm is permitted to conduct in addition to the audit.

The fees invoiced by the auditors over the past three financial years, see page 78.

COMPANY MANAGEMENT

H&M's Managing Director is responsible for the day-to-day operations. The Managing Director has appointed a team of senior executives with ongoing responsibility for the various parts of the business. This team consists of the Managing Director himself and eleven other individuals, four of whom are women. The executive management team is responsible for the following functions: Finance, Buying, Production, Expansion, Accounts, Human Resources, Marketing, Communications, Investor Relations, Security and Corporate Social Responsibility.

INFORMATION ABOUT THE MANAGING DIRECTOR

Rolf Eriksen has long, sound experience of the retail sector, starting with five years' training in decoration and scene painting in Copenhagen, Denmark, which he completed in 1964. He then worked as a marketing manager for the next 20 years for the Danish department store ANVA in Copenhagen.

Rolf Eriksen joined H&M in 1986 as Country Manager for H&M Denmark. For a four-year period in the 1990s he was also Country Manager for H&M Sweden. In March 2000 he became Managing Director and CEO of H & M Hennes & Mauritz AB. Rolf Eriksen has no significant assignments outside of H&M.

His shareholding in H&M as at 30 November 2007, was 39,700.

GUIDELINES FOR REMUNERATION PAID TO SENIOR EXECUTIVES

In accordance with the Swedish Annual Accounts Act, the 2007 AGM adopted guidelines for remuneration paid to senior executives at H&M. To view the full guidelines refer to the Administration Report on page 52 of the 2007 Annual Report.

H&M deviates from the Code in having no Remuneration Committee, since the Board of Directors may be regarded as

carrying out these tasks. The Board decides the remuneration to the Managing Director in accordance with the guidelines established at the 2007 AGM. The terms of employment of other senior executives are decided by the Managing Director and the Chairman of the Board. No severance pay agreements exist within H&M other than for the Managing Director.

INTERNAL CONTROL

This section has been prepared in accordance with section 3.7.2 of the Swedish Code of Corporate Governance, i.e. a description of how internal control over financial reporting is organised, and the recommendations issued by the Swedish Corporate Governance Board in September 2006, as well as the guidelines produced by the Swedish Institute of Authorised Public Accountants (FAR) and the Confederation of Swedish Enterprise.

The Board of Directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment.

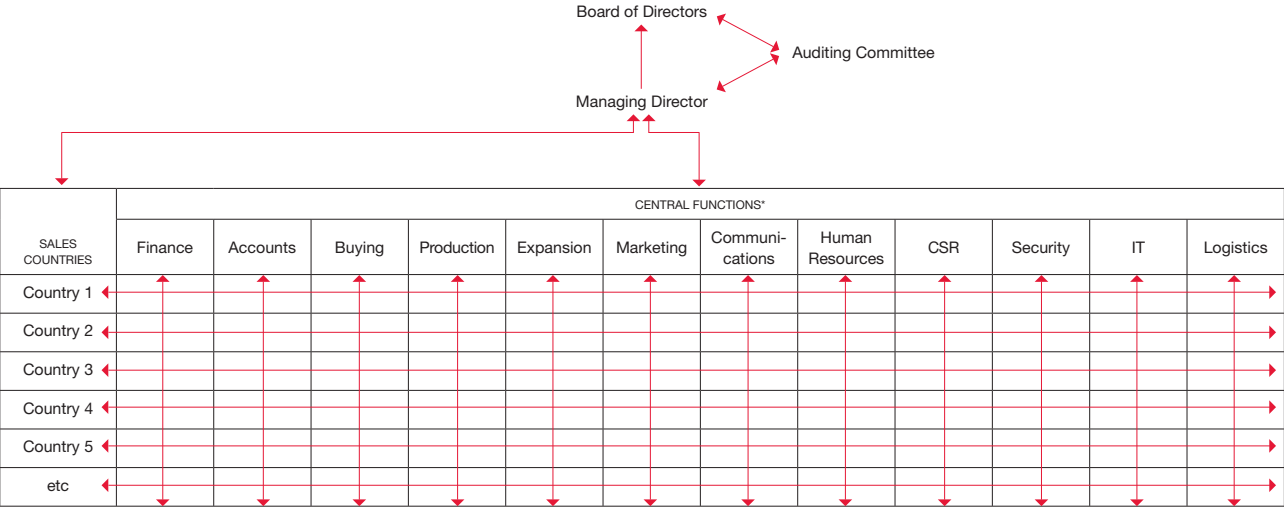
COSO

H&M uses the COSO framework for internal control over financial reporting as a basis. The COSO framework, which is issued by the Committee Of Sponsoring Organizations of the Treadway Commission, is made up of five components: control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The control environment forms the basis of internal control, because it includes the culture that the Board and management communicate and by which they work. The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines, as well as routines. For further information on our colleagues see pages 40–41 of the Annual Report.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide colleagues with good guidance. Within H&M there exists above all a Code of Ethics, a policy that permeates the entire company since it describes the way in which our colleagues should act in relation to the company and the outside world.



* Executive Management Team

H&M's internal control structure is based on:

- The division of work between the Board of Directors, the Auditing Committee and the Managing Director, which is clearly described in the Board's formal work plan. The executive management team and the Auditing Committee report regularly to the Board based on established routines.
- The company's organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Policies, guidelines and manuals; of these, the Code of Ethics, the communications policy and the store instructions are examples of important overall policies.
- Awareness among colleagues of the maintenance of good control over financial reporting.
- Reporting.

H&M has a matrix organisation (see page 79), which means that those on the executive management team with responsibility for a function are responsible for the results of work within their function in each country (the vertical arrows). The country managers are responsible for profitability in their country and thereby have overall responsibility for all the functions within their business (the horizontal arrows). The country organisation is in turn divided into regions, with a number of stores in each region.

All the companies within the H&M Group have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which favours internal control and facilitates comparisons between the different companies.

There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the Group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated out to the respective department in the country offices. In 2007 each central department reviewed its guidelines and manuals to see which needed updating and what new guidelines needed to be developed.

RISK ASSESSMENT

H&M carries out regular risk analyses to review the risks of errors within the financial reporting of significant income and balance sheet items. Operational risks are also charted. H&M has identified certain areas with a higher intrinsic risk of errors, including stock-in-trade shrinkage, cash-desk manipulation and misappropriation of merchandise. Another risk area is the valuation of stock-in-trade, including assessments relating to dead stock.

To limit the risks there are appropriate policies and guidelines as well as processes and controls within the business.

CONTROL ACTIVITIES, INFORMATION AND COMMUNICATION

Policies and guidelines are of particular importance for accurate accounting, reporting and provision of information and also define the control activities to be carried out.

Within H&M policies and guidelines relating to the financial process are updated on an ongoing basis. This takes place primarily within the central function concerned and is communicated to the countries via e-mail and the intranet as well as at meetings.

The aim of the control activities is to discover, prevent and correct inaccuracies and non-compliance. Control activities include such things as account reconciliation, analytical follow-up, comparisons between income statement and balance sheet items and controls in IT systems.

In 2007 the company's general IT controls were audited by an external party. These controls were mainly assessed with the assistance of those responsible for the systems and system areas in certain business processes.

H&M has a communications policy providing guidelines for communication with external parties. The purpose of the policy is to ensure that all information obligations are met and that the information provided is accurate and complete.

MONITORING

As part of the company's 2007 internal control work, each central department assessed internal control within its respective functions in the sales countries using the COSO model. Where necessary, this work resulted in action plans for the countries setting out further work on areas in which internal control can be strengthened further. As part of this assessment, the central departments were also provided with feedback concerning areas that could be improved centrally in the future.

Within the stores, controls are performed annually by internal shop controllers with the aim of finding out the strengths and weaknesses of the store assessed and how any deficiencies can be corrected. Within each central department risks within each function were also reviewed and documented during the year as part of the assessment of internal control in the sales countries.

Follow-up and feedback in respect of any problems found during the annual assessment of internal control form a central part of internal control work, since this is an effective way for the company to ensure that deficiencies are corrected and that control is strengthened further.

The Board of Directors and the Auditing Committee continuously evaluate the information provided by the executive management team, including in respect of internal control. The Auditing Committee's task of monitoring the efficiency of internal control by the executive management team is of particular interest to the Board. This work includes checking that steps are taken with respect to any problems detected and suggestions made during the assessment by the central departments as well as by external auditors.

INTERNAL AUDIT

H&M has not found it necessary up to now to establish a specific internal audit function. The work on internal control during the year has further increased awareness of internal control within the Group. In the company's opinion, the assessment of internal control carried out in the sales countries during the year by all the central departments – such as Expansion, Communications, Security, Logistics and Production – as well as the work carried out by internal shop controllers largely corresponds to the work performed in other companies by an internal audit function. The issue of a specific internal audit function will be reviewed again in 2008.

Stockholm, February 2008

The Board of Directors

More information on H&M's corporate governance work can be found in the section on Corporate Governance under Investor Relations at www.hm.com.

THE H&M SHARE

Key ratios per share

	2007	2006	2005	2004	2003
Shareholders' equity per share, SEK	38.78	33.57	31.33	26.84	24.28
Earnings per share, SEK	16.42	13.05	11.17	8.79	7.72
Change from previous year, %	+26	+17	+27	+14	+12
Dividend per share, SEK	14.00*	11.50	9.50	8.00	6.00
Market price on 30 November, SEK	399.00	319.00	253.00	216.00	176.50
P/E ratio	24	24	23	25	23

Distribution of shares, 30 November 2007

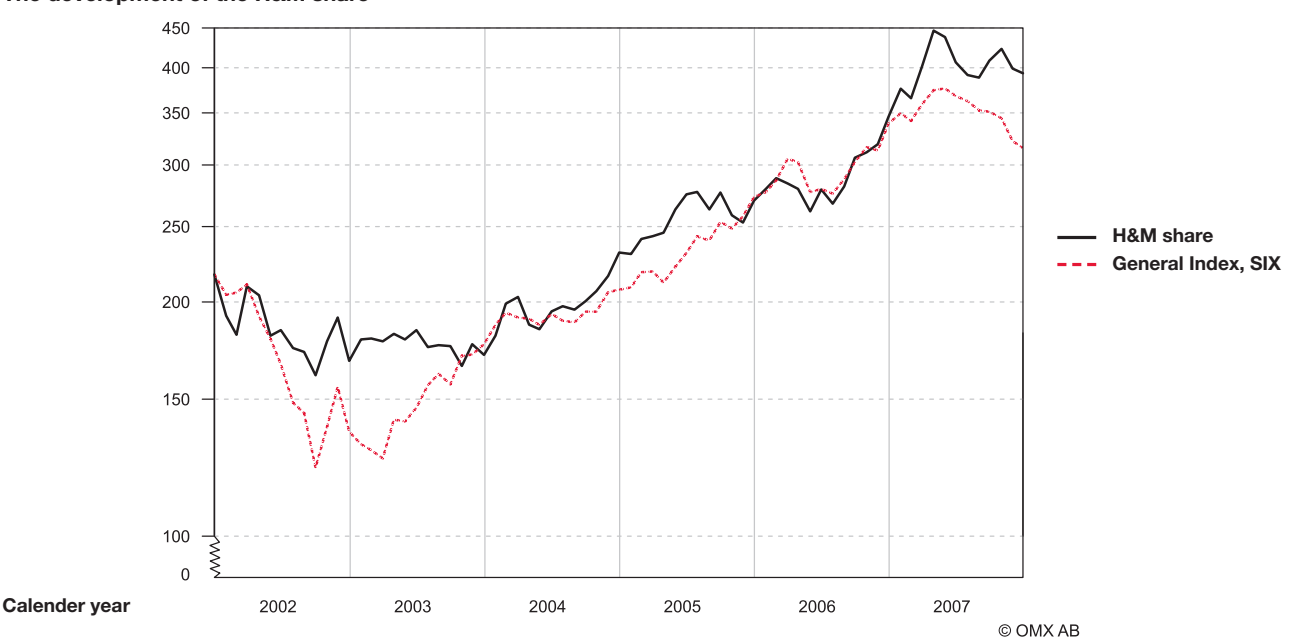
Shareholdings	Number of shareholders	%	Number of shares	%	Average shares per shareholder
1– 1,000	157,258	92.8	30,451,351	3.7	194
1,001– 5,000	9,263	5.5	20,590,129	2.5	2,223
5,001– 10,000	1,299	0.8	9,618,848	1.2	7,405
10,001– 50,000	1,097	0.6	23,362,448	2.8	21,297
50,001– 100,000	200	0.1	14,393,659	1.7	71,968
100,001–	420	0.2	729,119,565	88.1	1,735,999
Total	169,537	100	827,536,000	100	4,881

Major shareholders, 30 November 2007

	No. of shares	% of voting rights	% of total shares
Stefan Persson and family	301,672,400	69.1	36.5
Lottie Tham and family	44,040,200	2.6	5.3
Alecta Pensionsförsäkring	24,305,000	1.4	2.9
Swedbank Robur Fonder	22,365,837	1.3	2.7
JP Morgan Chase Bank	21,932,792	1.3	2.7
AMF Pensionsförsäkrings AB	15,500,000	0.9	1.9
Handelsbanken Fonder	14,637,642	0.9	1.8
SSB CL Omnibus	11,776,103	0.7	1.4
Clearstream Banking	11,774,098	0.7	1.4
SEB Investment Management	11,350,777	0.7	1.4

* Proposed by the Board of Directors

The development of the H&M share



FINANCIAL INFORMATION AND CONTACT DETAILS

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Victoriahallen, Stockholm International Fairs in Stockholm on Thursday 8 May 2008, at 3 p.m. Shareholders who are registered in the share register print-out as of Friday 2 May 2008 and give notice of their intention to participate in the AGM no later than 12 noon, Friday 2 May 2008 (same date as above) are entitled to participate in the AGM.

Nominee shares

Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own names in order to be entitled to participate in the AGM. In order to re-register shares in time, shareholders should request temporary owner registration, which is referred to as voting right registration, in good time before 2 May 2008.

Notice

Notice of intention to participate in the Annual General Meeting must be submitted by mail, fax or telephone to:

H & M Hennes & Mauritz AB
Head Office/Carola
SE-106 38 Stockholm
Telephone: +46 (0)8-796 55 00
Fax: +46 (0)8-796 55 44
www.hm.com/arsstamma

Shareholders must state in the notice their name, civil identity number and telephone number (daytime).

Dividend

The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting a dividend for 2007 of SEK 14.00 per share.

The Board of Directors has proposed Tuesday 13 May 2008 as record day. With this record day, VPC (the Nordic Central Securities Depository) is expected to pay the dividend on 16 May 2008. To have the right to receive a dividend H&M shares must be bought on 8 May 2008 at the latest.

FINANCIAL INFORMATION

H & M Hennes & Mauritz AB will provide the following information:

27 March 2008	Three Month Report
8 May 2008	Annual General Meeting 2008 at 3 p.m. at Victoriahallen, Stockholm International Fairs, Stockholm
18 June 2008	Half Year Report
30 September 2008	Nine Month Report
29 January 2009	Full Year Report
26 March 2009	Three Month Report
4 May 2009	Annual General Meeting 2009

As previously, we plan to publish monthly sales figures on the 15th of the following month. If the 15th falls on a weekend, the sales figures will be published on the following weekday. However, the sales figures for February, May, August and December are planned to be published in each following interim report.

This information will be available at www.hm.com.

CONTACT DETAILS

Head Office

H & M Hennes & Mauritz AB
Mäster Samuelsgatan 46A
SE-106 38 Stockholm
Tel.: +46 (0)8-796 55 00

For information on H&M and addresses of the country offices visit www.hm.com.

Contacts

Head Office

Managing Director Rolf Eriksen

Finance Leif Persson

Accounts Anders Jonasson

Sales Jonas Guldstrand

Buying Madeleine Persson

Design Ann-Sofie Johansson

Production Karl Gunnar Fagerlin

Corporate Social Responsibility Ingrid Schullström

Expansion Karl-Johan Persson

Marketing Jörgen Andersson

Communications Kristina Stenvinkel

Investor Relations Nils Vinge

Human Resources Pär Darj

IT Kjell-Olof Nilsson

Logistics Danny Feltmann

Security Angelika Giese



Push-up bra
€ 12,90

A black and white photograph of a man with short dark hair and a light beard, looking directly at the camera. He is wearing a light-colored collared shirt under a dark-colored sweater with a large argyle pattern in shades of grey and white. The sweater has a V-neckline. He is also wearing a dark watch on his left wrist. The background is a plain, light-colored wall.

Sweater
€ 9,90

H&M