



ANNUAL REPORT PART 1

H&M in words and pictures 2009



Dress €39.95

H&M 2009


35 *markets*

1,988 *stores*

76,000 *employees*

sales including VAT SEK 118.7 billion

profit after tax SEK 16.4 billion

A woman with blonde hair and a black headband is smiling broadly, wearing a black leather jacket over a light blue shirt. She is holding the collar of the jacket with her right hand.

Jacket
€ 39.95

Autumn 2009
Women



Denim jacket
€14.95

Spring 2010
Women



Knitted hat
€4.90

Spring 2010
Divided



Autumn 2009
Jimmy Choo for H&M



Shoes €79.95



Spring 2009
Children

Blouse €14.90



Jumper € 39.95

Spring 2010
Sonia Rykiel pour H&M

A woman with long, dark, wavy hair is looking slightly to the side. She is wearing a light-colored, long-sleeved blouse with a collar. A large, chunky necklace is worn around her neck, featuring a thick, textured orange cord and a large, light-colored, fringed pendant. The background is plain white.

Blouse

€34.95

Spring 2010
Women

FASHION & QUALITY *at the* BEST PRICE

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

H&M's growth target is to increase the number of stores by 10–15 percent per year, but also to increase sales in comparable units. The growth, which is fully self-financed, will proceed with an emphasis on quality and continued high profitability.

H&M is driven by strong values such as simplicity, continuous improvement, team spirit, cost-consciousness and entrepreneurship.

Focusing on the customer, H&M's in-house designers create a wide and varied range for everyone who loves fashion. Quality is a central concept, right through from first idea to final customer. New items are offered to customers every day.

H&M does not own any factories but instead works with independent suppliers via local H&M production offices in Asia and Europe. Products should be made under good working conditions and with the least possible impact on the environment.

H&M's establishment strategy is for every store to be in the best business location. H&M does not own any stores, but instead rents premises from both international and local landlords.



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CEO REFLECTS ON 2009

It has been an eventful, educational and challenging year for H&M. We expanded substantially during 2009, opening stores in exciting new markets. Despite the influence of the economic downturn on sales, which did not quite live up to our expectations, we still enjoyed good profitability and gained valuable experience.

Our aim for the future is to provide our customers with an even better offering. We should always exceed our customers' expectations and we should do this by continuing to be creative and innovative and by constantly developing in every area.

From our business concept of "fashion and quality at the best price" H&M has grown since the start in 1947 into a fashion company with nearly 2,000 stores in 35 markets and around 76,000 employees. H&M is also one of the most valued brands in the world. Sales in 2009 reached SEK 119 billion and thanks to good cost control, profit for the year grew by a billion kronor to SEK 16.4 billion.

We have experienced fantastic development involving constant improvement, teamwork and a strong belief in people – some of our most important values along the way. At H&M we all work together to continuously give our customers

"WE ARE CONSTANTLY STRIVING TO EXCEED CUSTOMERS' EXPECTATIONS."

more fashion and quality for their money. It is also the H&M employees' ability to take the initiative that keeps the entrepreneurial spirit alive during the rapid expansion of H&M.

During the year, we opened 250 stores net in both existing and new markets. Russia and Lebanon are new additions – the latter via franchise. We also opened our first H&M stores in Beijing and continued to grow in Tokyo and other major cities around the world. Paris and Barcelona got their first COS stores. Monki and Weekday opened in Germany and, through the start of H&M Home, we also



CEO Karl-Johan Persson

began to sell home textiles.

Many things have made a strong impression on me during my initial exciting period as CEO. I have had many interesting meetings with both customers and colleagues who have provided me with valuable insights and ideas for how we can raise our game to become even better at what we do.

The year was also full of challenges. The global financial crisis and recession, with more consumer restraint and discount-driven markets, naturally affected. However, we recognised that there were things we could have done better too.

Self-criticism and striving to make constant improvements are part of H&M's corporate culture and we work hard to become more efficient in all areas. Increased efficiency also means that we can invest in giving our customers an even more attractive offering.

RECESSION PROVIDES OPPORTUNITIES. The recession of 2009 also created opportunities that we were able to take advantage of, thanks to our financial strength. This included finding more attractive store locations than we had initially anticipated. And, naturally, we will continue to take opportunities as they arise. However, the most important thing to us is that we expand with quality and at a pace that allows us to continue to operate H&M with high profitability. We always choose to do what is best for H&M and for our customers in the long term.

Our growth target is the same – to increase the number of stores by 10 to 15 percent per year with continued high profitability and at the same time increase sales within comparable units. In 2010 we plan to have a net addition of around 240 new stores.

On 27 February 2010, we opened the first H&M store in South Korea – a full-range store on four floors in the best location in the Myeong-dong fashion district in Seoul. The response from customers has been fantastic, and the positive reception points to further opportunities in South Korea. It is an exciting market with high purchasing power and plenty

of people with an interest in fashion, just like in our other Asian markets, China and Japan.

Israel will become a new franchise market in 2010 with three store openings planned for spring in Tel Aviv, Jerusalem and Haifa. During the second half of the year, we will continue to expand in Russia with new stores in Moscow and St Petersburg. In autumn, we will open a new H&M store on the Champs Elysées in Paris, where we are working with the world-famous architect Jean Nouvel.

Every year we open stores with new, updated interiors designed to attract and inspire our customers. We think long-term and invest a great deal in refurbishment

“OUR GROWTH TARGET IS THE SAME, TO INCREASE THE NUMBER OF STORES BY 10 - 15 PERCENT PER YEAR.”

and freshening up stores as well as constantly creating exciting new store designs all to ensure that our customers have an inspiring experience.

At the same time our other brands COS, Monki, Weekday and Cheap Monday are growing. Internet and catalogue sales, which are offered in seven countries, continue to expand and in autumn 2010 we plan to start internet sales in the UK. This will also make it possible for UK customers to shop from H&M Home.

SUSTAINABILITY IS PART OF OUR STRATEGY. In order to secure H&M's future growth and continued high profitability it is important for us to run our business in a socially and environmentally sustainable manner. H&M does not own any factories. Our 16 production offices in Asia and Europe work closely with the 700 independent suppliers who make our products.

To us, sustainability goes hand in hand with our business concept: to offer fashion and quality at the best price. Quality is about ensuring that our products meet or exceed the expectations of our customers.

It also means that our clothes should be made and sold under good working conditions and with a limited impact on the environment.

In this way we can offer our customers even more value for money. As sustainability is strategically important at H&M, we decided to make these issues the responsibility of the whole company in 2009. We shifted the responsibility for environmental and social issues to each of the company's functions away from the Corporate Social Responsibility (CSR) department, which in turn will become a support function.

A great deal of improvement has been made since we started to work actively on sustainability in the supply chain in 1997. However, there is still a lot left to do, and we are greatly humbled by the challenge of what is needed to achieve long-term improvements.

STRONG POSITION. Although we recognise the seriousness of the current recession, H&M's business model has proven to be profitable even in tougher times.

Customer surveys conducted in all our markets show that we have strengthened our position from already high levels.

We have an attractive offering, exciting and commercial collections, a strong corporate culture and skilful employees the world over. There are many new cities and countries to take H&M to and I feel very optimistic about the future. ■



**KARL-JOHAN PERSSON, CEO
H & M HENNES & MAURITZ AB
STOCKHOLM, 2010**

H&M 2009 *in brief*



JIMMY CHOO FOR H&M – *Shoes in luxury materials*

Legendary accessories brand Jimmy Choo created in autumn 2009 a sophisticated, fashionable guest collection of shoes and accessories along with a capsule clothing range for men and women.

“The collection is full of fun, unique clothes and accessories with an accessible and glamorous identity made with luxury materials accented by colour and detail,” said Jimmy Choo founder and president, Tamara Mellon, ahead of the launch.

From 14 November, thousands of eager customers were given the chance to discover the collection, which was sold in around 200 selected city stores.



FASHION AGAINST AIDS

Together with the Designers Against AIDS organisation, H&M is supporting the battle against HIV and AIDS. In 2009, some of the music world's most famous artists collaborated with H&M for the second year in a row to create a Fashion Against AIDS special Divided collection for boys and girls. Katy Perry, Dita Von Teese, N.E.R.D and Yoko Ono were among the artists to design colourful and graffiti-style prints on T-shirts, T-shirt dresses, vests and bodies in 100 percent organic cotton. The project was given 25 percent of the sales price to help raise awareness of HIV/AIDS. Over the year, the campaign, which also spreads a safe sex message to young people, raised SEK 16.4 million.

ALL FOR CHILDREN

In 2009, H&M started All for Children with UNICEF to protect the rights of children in India living in areas where cotton is produced. All for Children includes a \$4.5 million donation from H&M over five years. The initiative is H&M's most extensive project with UNICEF to date and aims to give children the opportunity to go to school as well as improve their access to healthcare. H&M customers can contribute by buying a specially designed organic cotton bag in the stores, with 30 percent of the proceeds going to the project.

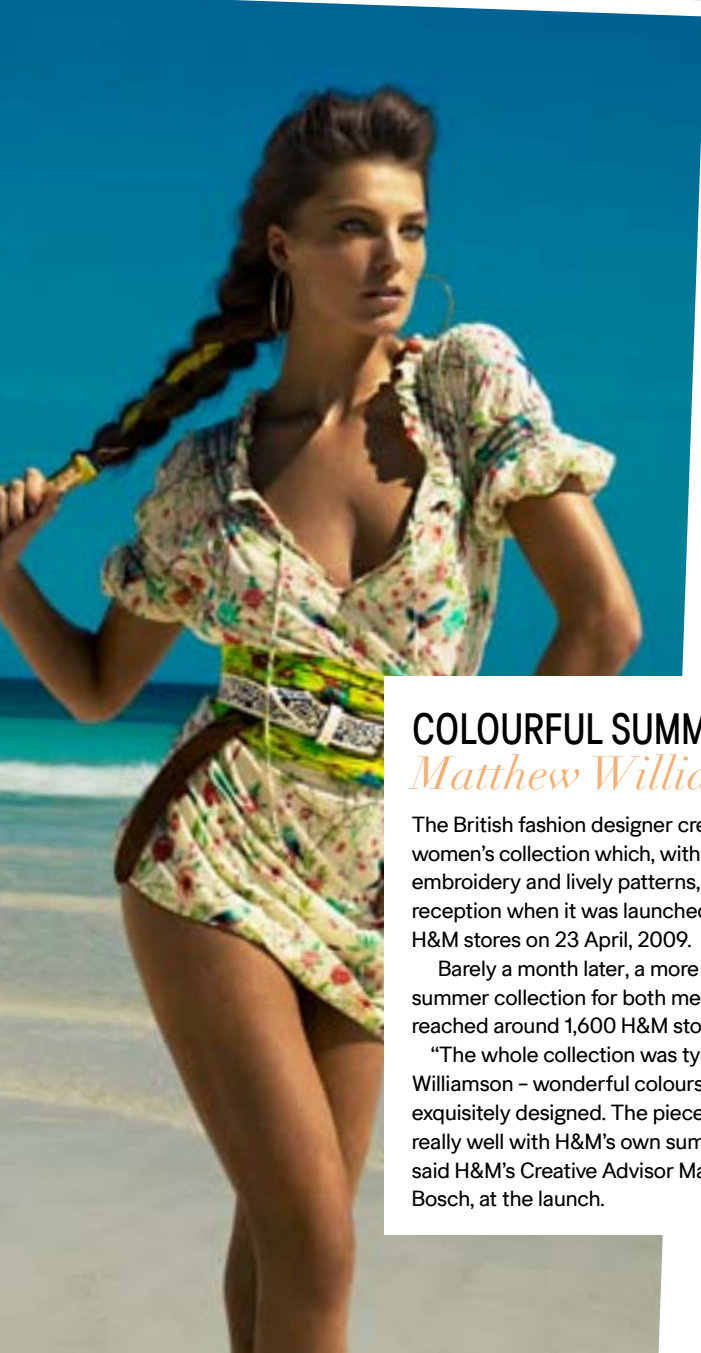


H&M HOME

With the huge current interest in interiors and design, H&M launched H&M Home in February 2009. H&M Home is an interior textiles concept with sales via the internet and catalogue in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria. There has been a lot of interest from customers, and there are plans to start sales in the UK too, from autumn 2010.

H&M Home shares the same philosophy as H&M overall: everyone should be able to find something to suit their lifestyle at the best price. In collaboration with designers, artists and illustrators, H&M Home presented four collections in 2009.

On 25 September the H&M Home Showroom opened in Stockholm. It is a modern gallery where items from the interiors collections are presented in playful displays that are regularly updated and changed. Modern interiors blend seamlessly with fashion in the 200 square metre space. It is a place where customers can go for inspiration and to buy H&M Home items over the counter.



COLOURFUL SUMMER WITH *Matthew Williamson*

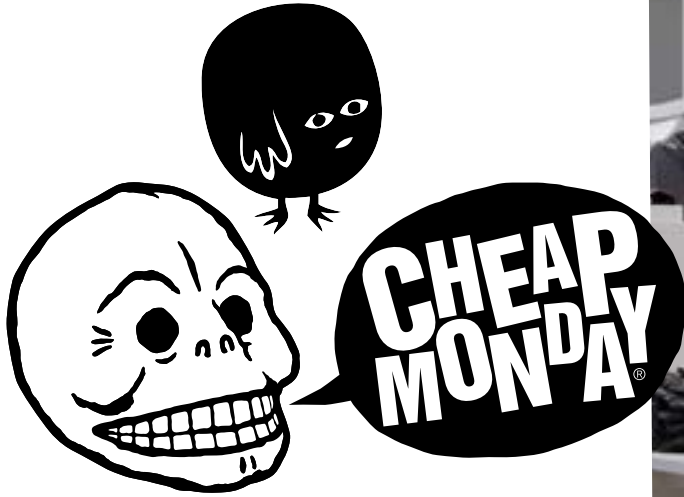
The British fashion designer created a capsule women's collection which, with its bright colours, embroidery and lively patterns, got a fantastic reception when it was launched in around 200 H&M stores on 23 April, 2009.

Barely a month later, a more comprehensive summer collection for both men and women reached around 1,600 H&M stores.

"The whole collection was typical Matthew Williamson – wonderful colours and patterns exquisitely designed. The pieces also worked really well with H&M's own summer collections," said H&M's Creative Advisor Margareta van den Bosch, at the launch.

H&M arrives IN LEBANON

In October 2009, H&M opened its first stores in Lebanon. All three stores are situated in Beirut's most popular shopping district. The openings meant that by the end of the financial year H&M had stores in 35 markets – eight of which are in the Middle East where stores are run through franchise agreement.



WEEKDAY AND MONKI *now also in Germany*

During the year the first Monki stores opened in Norway and Denmark. The store chains Monki and Weekday also opened their first stores outside Scandinavia, in Germany.

Both chains are run by H&M subsidiary FaBric Scandinavien AB, which also designs fashion under the Cheap Monday brand. Cheap Monday is sold in around 30 countries through some 1,500 retailers. The first Cheap Monday store in Copenhagen opened its doors in November 2009.



COS *in the fashion capital*

In 2009, store chain COS – Collection of Style – expanded into France and Spain. The first COS store in Paris sells women's, men's and children's clothes over three levels in the trendy Marais district. Barcelona also got its first COS store.

Like H&M, COS offers fashion and quality at the best price. With its modern, elegant and chic collections in a higher price segment, COS complements the H&M range. COS, which first opened in the UK in 2007, is now also available in Germany, the Netherlands, Belgium and Denmark. At the end of the financial year there were 23 COS stores, with plans to open a further twelve stores in 2010.

Expansion CONTINUES IN JAPAN

Japan got four new H&M stores in 2009, including a flagship store in the shopping and entertainment district of Shibuya in Tokyo. H&M arrived in Japan in 2008 and the opening of the first two stores was the most successful in the company's history. The positive response to the new stores one year on shows that interest continues and points to great opportunities for H&M in Japan in the future.



SONIA RYKIEL *pour H&M*

A guest collection of underwear from French fashion house Sonia Rykiel was launched in time for the Christmas season. Sonia Rykiel pour H&M was sold in 1,500 H&M stores as well as in eight of Sonia Rykiel's own boutiques all over the world from 5 December, 2009. With chic, playful underwear and accessories, the collection attracted strong interest from customers.

The collaboration between H&M and the fashion house, whose founder is called "The Queen of Knits", was followed up with a clothing collection for women and girls in the signature feminine, modern Parisian style of the Rykiel house. The collection – a knitted fashion parade – was released in around 200 H&M stores on 20 February, 2010.



The first stores **IN MOSCOW**

In March 2009, Russia got its very first H&M store. The launch in the shopping and entertainment centre Metropolis attracted hundreds of customers. This very positive reception was followed by three more successful openings in the Moscow area: Mega Khimki, Mega Belaya Dacha, and Prospect Mira.

In November the doors to the first H&M store in St Petersburg opened and yet again many eager customers queued for the event.

With a population of 142 million, including 15 million in Moscow and the surrounding area, the Russian market is considered very interesting with great potential for long-term growth. By the end of the year, H&M had five stores in Russia.

H&M OPENS *in Beijing*

In April 2009, the first much anticipated H&M store opened in Beijing. The full-range store is situated on the pedestrian street of Qianmen, in the centre of the Chinese capital near Tiananmen Square. At the opening, customers got the chance to buy the just-launched Matthew Williamson guest collection. H&M opened its first store in China in Shanghai in 2007, and had by the end of 2009 a total of 27 stores in the country, including Hong Kong.



H&M ♥ FASHION

FROM THE LATEST TRENDS TO THE MOST WEARABLE BASICS – *there is something for everyone in H&M's collections. 2009 was a year of exciting innovations, such as colourful retro-influences, new materials and individual expression.*

What will H&M customers be looking for next season? This is a question Head of Design Ann-Sofie Johansson and her colleagues are constantly asking themselves. They start the hunt for inspiration way ahead of every season.

"When we interpret the season's trends, it's important to have as wide a range of influences as possible. We get inspiration from travel, visiting fairs and flea markets, reading blogs and browsing through fashion magazines," she says.

H&M has fashion for everyone – from modern basics to the very latest trends, from children's collections for the youngest,

through to women's and men's clothes for fashion-conscious adults. In between are Divided, the jeans concept & denim, and popular designer collaborations. Fashion is not just about clothes – it includes everything from accessories and underwear to footwear and cosmetics. From spring 2009 H&M offers fashion for the home too, with the H&M Home collection.

H&M HAS MANY in-house designers who as a team, including patternmakers and buyers, create the H&M collections. Together with the design responsables of H&M's various concepts, Ann-Sofie Johansson works out several directions – the season's main trends.

"For example, we can have one romantic,

one ethnic and one tailored main trend. In recent years we have also created a futuristic line, with experimental designs," says Ann-Sofie.

The main trends run through the entire range and are sold in all H&M markets. This means the different concept teams consisting of designers, buyers, assistants, patternmakers, section heads and budget controllers – begin from the same starting point but translate the main trends into different types of garments for their concept and their customers.

Some of the key trends for 2009 were the ethnic, decorative Wilderness, and the sharp, slightly rock-influenced Power. Unexpected combinations, individual expression and new materials were highlighted.

A fresh focus on materials produced some inspiring results. Classic raw materials such as wool, cotton and leather were given new types of treatment.

"New textures were created by using new weaving techniques and raw materials, such as metallic yarn, which felt exciting this year," says Ann-Sofie.

Trends often extend over several seasons. New trends can appear, only to disappear

"CLASSIC RAW MATERIALS WERE GIVEN NEW TYPES OF TREATMENT. METALLIC YARN, FOR EXAMPLE, FELT EXCITING."

Ann-Sofie Johansson, Head of Design



Head of Design Ann-Sofie Johansson

for a while before coming back.

"One example is the strong or very wide shoulders that made a real breakthrough this year," says Ann-Sofie.

Wide shoulders came into fashion in the 1980s, the decade which is also the source of 2009's retro influences.

"There have been attempts at an 80s fashion comeback for several years, without any real success. However, this year, things took off with the emergence of both pastel shades and neon brights. In denim fashion, higher waistbands appeared on jeans, and worn, light denim became popular again."

Fashion is not just about the new and



SHOES - THE PERFECT ACCESSORY

H&M offers fashion from top to toe, and footwear is the perfect accessory to complement personal style and set off an outfit. H&M's footwear is displayed with the collections for women, men, teenagers and children.

experimental – it is also about never-ending attention to details.

“We update our basics regularly.

A neckline moved up or down a few centimetres can make all the difference to a jersey top feeling here and now,” says Ann-Sofie.

2009 WAS FULL of exciting new fashions for customers of all different ages in all different styles. One of the most written about collections was the all-black, slightly more luxurious autumn range in Divided Exclusive, with both 80s and 90s influences.

Materials were sophisticated and exclusive, such as silk velvet, silk, sequins and real suede and leather.

An exciting new garment for women and girls was the glamorous and comfortable all-in-one, which became a key spring/summer piece. Chinos were a trend item for men and boys – preferably worn with the legs rolled up. Knits were big across all departments in autumn and winter with the introduction of new stitching techniques and innovative designs.

Organic cotton and recycled materials are being used in more and more H&M gar-

ments. In 2009 for example, H&M had men's suits and shirts made entirely from organic cotton in the Modern Classics concept. In spring another children's organic collection was launched. The year also saw designer collaborations with Matthew Williamson and Jimmy Choo and, for Christmas, an underwear collection with Sonia Rykiel:

“Sonia Rykiel is such a distinctive designer that as soon as I see a stripe I think of her,” says Ann-Sofie. “And just like H&M, she stands for fashion being fun and not being taken too seriously.”

PARALLEL WITH colourful 80s fashion and trends such as Wilderness and Power, H&M is looking along more minimalist lines for 2010 and 2011. When Ann-Sofie thinks of the future, she talks of stylish, elegant fashion.

“I think we will see a change when it comes to skirt lengths. Super-short will dominate for a while longer, at least over summer 2010. Then hemlines will creep down to below the knee, and gradually even further down. This is an example of a wider trend: we are heading for a more grown-up look.” ■

DIVIDED EXCLUSIVE

Divided Exclusive, a special collection within the Divided range, offered a luxury biker look in 2009. Thanks to sophisticated and exclusive materials, such as silk velvet, sequins, and real suede and leather, the collection exuded both glamorous 80s and elegant 90s style.



MEN

The menswear collections contain classic tailoring to modern basics, leisurewear, and the current season's fashion reflecting the very latest trends. They also include coordinating accessories, underwear and footwear.

OUR COLLECTIONS

Items containing organic cotton are available in every department.

WOMEN

The womenswear collections are aimed at fashion-conscious women of all ages. The wide range contains everything from modern basics to tailored classics, leisurewear, sportswear, Big is Beautiful, maternity wear, and the very latest trends. The collections are complemented with coordinating accessories, underwear and footwear.



CHILDREN

The children's range is divided into different concepts for babies (0-18 months), children (1½-8 years) and H&M Young (9-14 years). H&M has extra high quality standards when it comes to children's clothes. The collections are as fashionable as they are practical, hardwearing, safe and comfortable.



&DENIM

The jeans concept &denim offers everything from traditional five-pocket jeans to trendy fashion jeans. In 2009 the &denim collection was expanded with additional pieces, such as denim shirts, jackets, dresses, skirts and shorts.



COSMETICS

H&M's cosmetics department offers a comprehensive range of make-up alongside skin and bodycare products. The range is updated continually with new colours, fragrances and products to reflect fashion trends. H&M does not permit animal testing on any of its cosmetic products - either in the production process or on the finished product. All suppliers have to guarantee that all contents, packaging and labelling fulfil EU quality and safety standards.



DIVIDED

Divided offers fashion in a youthful style. The range is made up of street-style fashion for every occasion - from everyday to partywear - complemented by coordinating accessories, footwear and underwear.



MONKI

Monki is a clothing brand, a store concept – and a whole universe to fashion-conscious women. Today there are stores in large and medium-sized cities in Sweden, Denmark, Norway and Germany.



WEEKDAY

At Weekday, customers can find urban fashion for boys and girls from in-house brands Cheap Monday and MTWTFSS. In 2008 Weekday opened in Copenhagen, Denmark – the first store outside Sweden. Since 2009, there has also been a Weekday store in Hamburg, Germany.



COS - COLLECTION OF STYLE

COS combines the quality and fashion focus of prêt-à-porter fashion with lower price levels. Like H&M, COS offers fashion and quality at the best price, but within a higher price segment. The first store opened in London, UK in 2007. Today there are also COS stores in Belgium, Denmark, France, the Netherlands, Spain and Germany.



H&M HOME

H&M Home – fashion for the home – is an interior textiles concept for the bedroom, bathroom, living room and kitchen sold via mail order and internet shopping in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria, and through a showroom in Stockholm, Sweden.



CHEAP MONDAY

Cheap Monday started as a jeans brand in 2004, but has since 2005 been a full-range concept. Through approximately 1,500 retailers in 30 countries, customers are offered young fashion with an urban attitude comprising a high fashion element at low prices. In 2009 the first Cheap Monday store opened in Copenhagen, Denmark.



QUOTES ON H&M

“I think it’s an amazing collaboration and I think H&M makes really great choices in the designers they pick and Matthew Williamson is a given for H&M.”

Helena Christensen, model and photographer

“I like the idea of very stylish things that people can get at affordable prices. For us it’s taking high and low and mixing it all together. We have kids so it’s functional when you need something quick and cute wherever you are.”

Gabrielle Reece, volleyball professional and model

“I do my shopping sprees at H&M. I was recently in Italy and instead of going to other stores, I went to H&M.”

Hayden Panettiere, actress

“I’ve always been a big fan of Sonia Rykiel. To me she is so feminine, and so wonderfully dramatic, like a big glittery bow on a dress.”

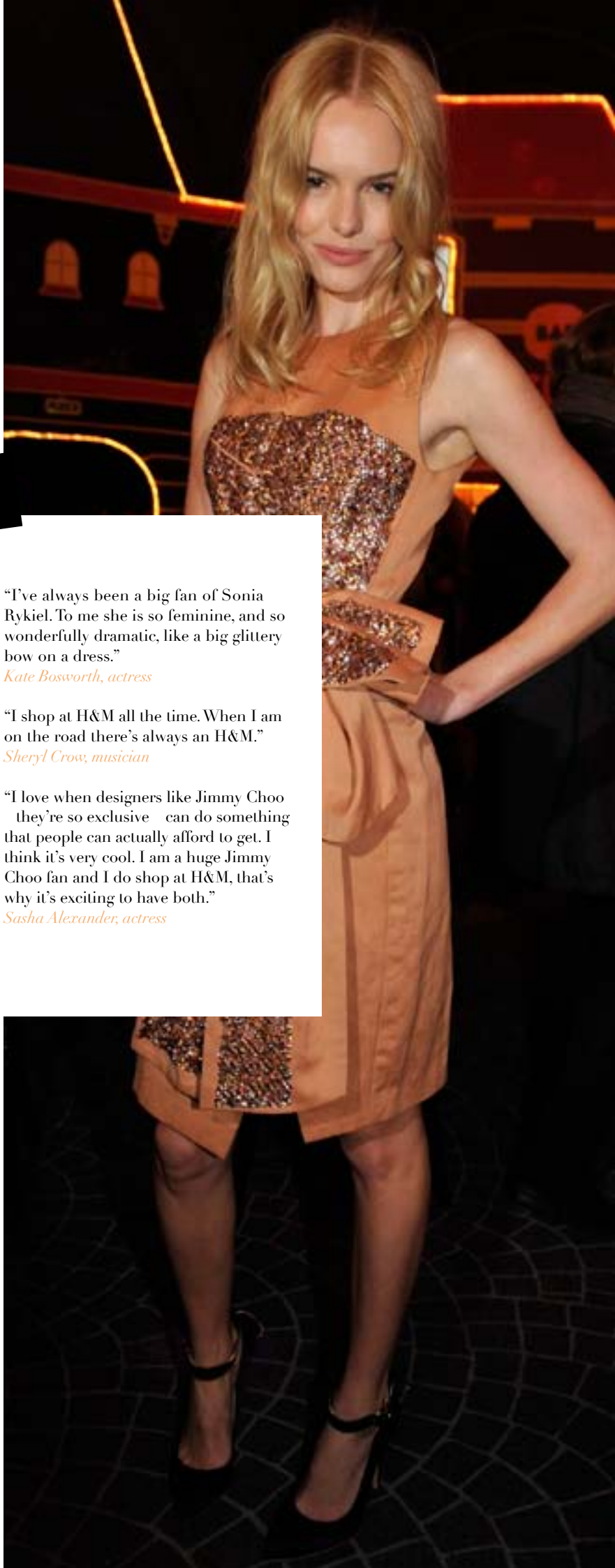
Kate Bosworth, actress

“I shop at H&M all the time. When I am on the road there’s always an H&M.”

Sheryl Crow, musician

“I love when designers like Jimmy Choo they’re so exclusive – can do something that people can actually afford to get. I think it’s very cool. I am a huge Jimmy Choo fan and I do shop at H&M, that’s why it’s exciting to have both.”

Sasha Alexander, actress



FROM IDEA TO STORE

FROM MOOD BOARD TO WARDROBE FAVOURITE. *The story of an H&M garment involves creativity, planning and sustainability considerations. We follow one of all the garments created every year by H&M.*

In January 2010, a light grey tunic lands in the women's department of H&M's flagship store in Stockholm. Meanwhile, similar tunics are being unpacked in other H&M stores – from Tokyo in the east to San Francisco in the west.

In a wide cut with an ethnic floral pattern on a softly draping, slightly transparent material, the tunic is on trend for spring. The seed of the design was sown much earlier when the H&M design team started gathering inspiration for the season. Travel, films, exhibitions, street fashion, blogs, magazines and museum visits – influences come from many sources. H&M's designers are in touch with customers to find out what is in demand.

FOR SPRING 2010, the inspiration has been filtered down into key trends such as All American, Green Garden and the ethnically influenced Global Traveller. The inspiration material for Global Traveller included colourful folklore patterns, style icons such as the Mexican actress María Félix, the 60s freedom movement, craftsmanship, cowboys & indians, jetset lifestyle, and films such as Easy Rider and Ang Lee's Woodstock.

"For every concept we have to translate key trends into products to suit our customers," says Tina Felixon, one of the

section responsables in the buying department. "We look at important pieces – in this case tunics, narrow bottoms and short jackets – and choose materials, colours and patterns that feel right for the trend and the season."

From the choices made, H&M's product designers and patternmakers develop clothes and accessories. Meanwhile, intensive evaluation work is going on in production offices in Asia and Europe. H&M does not own any factories, instead working with independent suppliers who manufacture all the products.

"When we get an indication that there's going to be huge demand for a garment, we have the capacity to make large quantities," says Karl Gunnar Fagerlin, Head of Production. "Our business concept is to supply fashion and quality at the best price. We strive for long-term relationships with our suppliers. When it comes to production rate, delivery reliability, efficiency and price, we work with our suppliers to create production plans spanning several years."

Production offices are also responsible for ensuring that all products are made under good working conditions, as well as with limited impact on the environment.

"H&M's Code of Conduct applies to all our suppliers and we inspect every factory," says Karl Gunnar. "For those suppliers who don't manage to meet all the requirements



Tina Felixon of the buying department with her team.

"FOR EVERY CONCEPT WE HAVE TO TRANSLATE KEY TRENDS INTO PRODUCTS TO SUIT OUR CUSTOMERS."

Tina Felixon, buying department

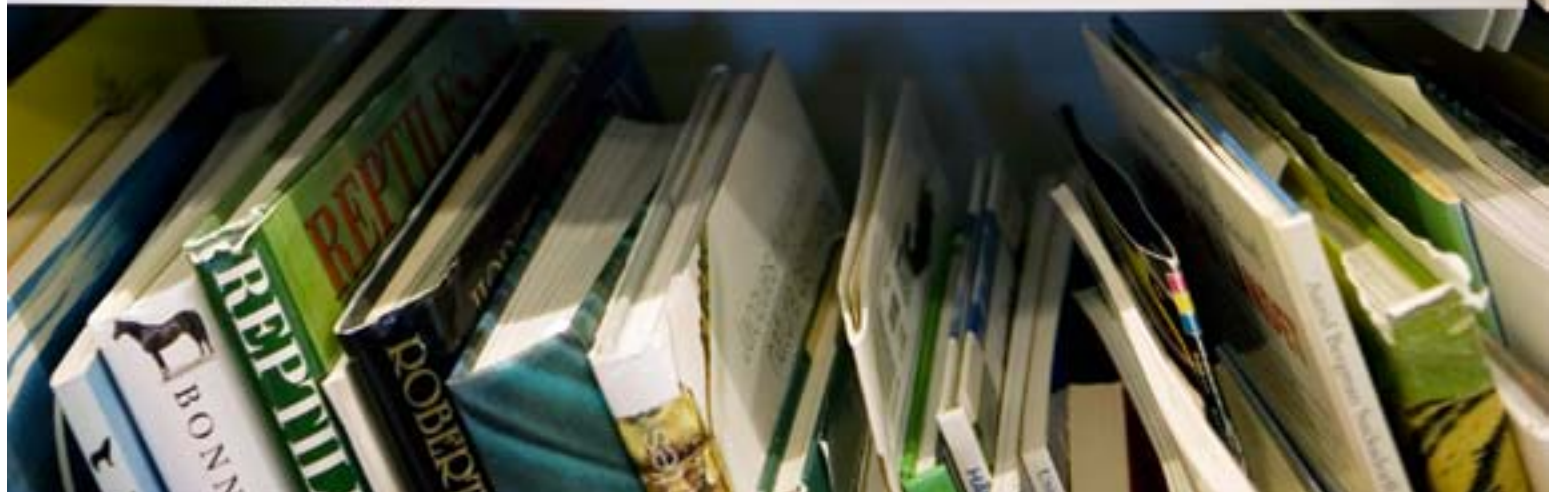




ARTISTS



PHOTO



In the White Room library at H&M's Head Office in Stockholm – one of the many sources of inspiration.



Designers and buyers evaluate the season's materials, colours and patterns.



The production team in Shanghai looks through the season's materials.

“FOR SPRING 2010, THE INSPIRATION HAS BEEN FILTERED DOWN INTO KEY TRENDS SUCH AS ALL AMERICAN, GREEN GARDEN AND THE ETHNICALLY INFLUENCED GLOBAL TRAVELLER.”

of the code, we work together to draw up an action plan to achieve improvements. In the long term we always expect suppliers to fulfil every requirement of the Code of Conduct.”

H&M, like its customers, has high standards when it comes to quality.

“It is a fundamental condition that all suppliers must comply with H&M's quality standards – it's non-negotiable,” says Karl Gunnar.

PRODUCTION PLANNING is done by the production offices in collaboration with the buying department in Stockholm, where the season's collection is designed, planned and quantified.

“Samples are made from our sketches, which we then evaluate as a team,” says Tina. “We sift things out and give each other feedback, and it's far from every idea that goes through to become a finished garment that ends up in our stores. The team does a final check of the samples that have come through the sifting process. Then the design is complete. But before production can begin, sample garments are also checked by the production offices, which do thorough tests on things like shrinkage, colourfastness and chemical content.”

To ensure that products are manufactured under good working conditions and comply with H&M's environmental standards, auditors visit suppliers often, and carry out regular unannounced inspections of their premises.

“It's important that the inspections work like a wake-up call for us and our suppliers,” says Karl Gunnar. “Things can always be improved, and we work with proactive suppliers who want to achieve good results with us.”

NEW GARMENTS ARRIVE at H&M's around 2,000 stores daily. They are packed, folded and labelled in the countries where they are produced. When they leave the suppliers, they are transported via distribution centres to the various stores.

“The focus of H&M's logistics work is always the store. There are merchandisers on site in every country and it is their planning that governs our process,” says Logistics Manager Danny Feltmann.

The right quantity of tunics must be in the right place at the right time. They come ready-folded for the shelf with a price tag



Ann-Sofie Johansson and designers.



Tracy Jiang and Carxiu Dong carry out quality control checks.



and size label and are supplied with other garments in the Global Traveller collection.

SUSTAINABILITY IS A KEY word in logistics. Environmental considerations are reflected in the method of transport chosen and the requirements – such as for environmentally friendly cars – are high. In 2009, H&M reduced its air freight by 5 percent.

“We try to ensure that as many products as possible are transported by rail,” says Danny.

It is important that there are efficient procedures in the stores when it comes to fitting rooms and replenishment. Everything has to run smoothly for both customers and staff.

“Regardless of whether the store is in Frankfurt or on Fifth Avenue, procedures are the same,” says Danny. “That’s because we have listened to our store colleagues, they are our store experts. We’ve learnt from them and always implement what they think works best.”

THE LIGHT GREY TUNIC should be easy to coordinate with other items from the Global Traveller trend, as well as with other items of the range.

“The tunic is a key item for the trend and obviously we hope it will be a key item for our customers too,” says Tina.

The colour palette ranges from earth

“WITH THE WIDE RANGE ON OFFER, THE POSSIBILITIES ARE ENDLESS. IN A FEW SIMPLE STEPS THE LIGHT GREY TUNIC CAN BE TRANSFORMED FROM A RELAXED EVERYDAY PIECE TO AN ON-TREND PARTY OUTFIT.”

tones including black, grey, khaki and red-brown, to neon brights. For everyday wear, for example, the tunic will look good with a short black jacket with shoulder pads and a pair of leggings in grey – one of this year’s base colours. Together, these pieces create a relaxed, everyday silhouette that will suit lots of customers.

WITH THE WIDE RANGE on offer, the possibilities are endless. H&M stores are constantly replenished with new stock. The light grey tunic could instead be teamed with a pair of shiny black harem pants, with a wide belt around the waist and chunky, ethnic-inspired jewellery. These simple steps transform it from a relaxed, everyday piece to an on-trend party outfit.

“Everybody can style garments together in different ways and create their own look. H&M has something for everyone,” says Tina Felixon. ■



Before production begins, all samples are checked by H&M's production managers.



The light grey tunic on display in store.

H&M GROWS WORLDWIDE

H&M IS EXPANDING RAPIDLY ON FOUR CONTINENTS.

The establishment strategy has been the same since 1947: it is always the best business location that counts.

H&M is expanding and establishing stores in new parts of the world. As new stores are opening their doors, others are being renovated, while interiors and displays are constantly updated. H&M's establishment strategy has been the same since 1947: it is always the best business location that counts.

"OUR GLOBAL GROWTH strategy is for each individual store to strengthen the H&M brand while also contributing to increased sales and profitability," says Head of Expansion Stefan Larsson. "Our focus is always on the individual store."

One important development this year was the establishment in Russia. On 13 March the then CEO, Rolf Eriksen, opened H&M's first store in Moscow in the Metropolis shopping centre, as hundreds of people queued outside. A week later a second store opened in the Mega Khimki shopping centre, just outside Moscow. And in the autumn H&M also arrived in St Petersburg.

H&M does not own any store premises, which gives the company flexibility.

"The retail trade is constantly developing. The best business location today will not necessarily be the best tomorrow. Limited tenancies mean we can keep up with developments by always being in the best location."

H&M also has great flexibility when it

comes to different sizes, layouts and floor plans of its premises. It means a unique H&M store can be created around the individual conditions of each location to meet the demands of local customers. Larger buildings contain full-range stores with products designed to appeal to a wider customer base.

"Our strength is that we have a wide range and many different concepts. The various departments for women, men, teenagers and children are our foundation. We can work with them in different types of buildings, street locations and shopping centres with very different characters," says Stefan.

One example is the 3,000 square metre store in Shibuya Tokyo's centre for young, fashion-conscious trendsetters which opened in September 2009. The area's urban character and Tokyo's fast pace are reflected in a totally new building. Behind the dramatic facade with huge glass sections are four floors full of playful interiors and new display solutions.

H&M's relationships with landlords are about close, long-term cooperation, with H&M contributing added value to all parties.

"The fact that we attract a lot of customer traffic to our stores is one of the reasons behind our lucrative growth. This means more customers for surrounding businesses, which creates added value for landlords," says Stefan Larsson.

H&M's expansion is rapid and running parallel on four continents. Many potential projects are running simultaneously and competing with each other.

"There are considerably more opportunities for new openings than the stores that we actually do open," says Stefan Larsson. "During the establishment process we decide against some potential stores. Only the best business opportunities remain. The aim is for us to create the best H&M stores through a combination of best location and best possible business conditions, wherever we are in the world." ■

EXCITING NEW CITIES

In 2009, H&M stores opened in exciting cities such as Moscow, Beijing and Beirut. Comprehensive refurbishments were carried out on stores including the big flagship stores on Fifth Avenue, New York; Boulevard Haussmann, Paris; Oxford Circus, London and Drottninggatan, Stockholm. COS opened its first stores in Paris and Barcelona, while the first Weekday and Monki stores opened in Germany. The first Monki stores also opened in Norway and Denmark. H&M Home was launched via internet and catalogue sales, and got its very own showroom in Stockholm.



Karl-Johan Persson and Store Manager Kenichi Minamiura open the Shibuya store.



H&M arrives in Beijing.



Miss Japan 2009 - Emiri Miyasaka



Behind the glass facade in Tokyo's trendy Shibuya are four floors of fashion and inspiration.

STORE OPENINGS *2009*



18 September, Shibuya, Tokyo



23 April, Beijing

THE STORE IN SHIBUYA - TOKYO'S CENTRE
FOR YOUNG, FASHION-CONSCIOUS TREND-
SETTERS - OPENED IN SEPTEMBER 2009





13 March, Moscow

AN IMPORTANT EVENT THIS YEAR WAS
THE OPENING OF H&M'S FIRST STORE IN THE
METROPOLIS SHOPPING CENTRE IN MOSCOW



Re-opening 14 November, Fifth Avenue, New York



23 April, Beijing



Maja Hellspong, store development architect, and Camilla Henriksson, who is responsible for store display.

COME ON IN!

H&M STORES SHOULD BE INSPIRING AND INVITING. *Their interior design and displays create an overall impression that communicates what H&M is offering to customers.*

Stores are H&M's most important channels of communication. "When you step into one of our stores you should get an immediate H&M experience – a sense of what H&M is all about," says Maja Hellspong, a store development architect for H&M. "You should feel that fashion is fun, simple and inspiring."

Together the products, shop floors, displays and staff make up the whole package that communicates H&M's business concept of fashion and quality at the best price. The interior and displays should inspire and communicate what H&M has to offer, and help customers to find what they are looking for.

"It should be easy to surf between the different concepts in an H&M store. Fashion

"Conveying the H&M feeling isn't just about having a nice store," says Camilla. "A good display should inspire and invite, just like the clothes and the rest of the store. We do a lot of work on the presentation of clothes, styling mannequins inside the store, and on the display windows to show customers the breadth of our fashion range. In autumn, a window might be filled with clothes in an earthy colour palette with a decor of red and yellow autumn leaves for one period, and then with different denim styles the next. We regard constantly changing the look of our stores and display windows and surprising customers as an important part of the whole store experience."

ALL H&M STORES should boost the company's global brand, while also being individually adapted to suit their location. In the new flagship store in Shibuya, Tokyo, the city's skyline has been drawn by the famous illustrator Lovisa Burfitt on a huge feature wall:

"The graphics appear on every floor, which gives the whole store a playful and individual character," says Maja.

"The overall impression was enhanced even further by displays, where the mannequins were given a very special look for the opening, with facial features and make-up in vinyl, and wigs in different styles," says Camilla.

IN 2009, SUSTAINABILITY was a major consideration. H&M's store architects follow strict rules on the use of materials, how they are transported and what happens to them when they finally have to be replaced. PVC, for example, is a substance that isn't used at all.

"We have a high level of customer traffic in the stores, so it's important to use materials that age well and wear in a beautiful way. We work with looks that last over time and can be updated with small changes," says Maja. Often sustainability and aesthetics do coincide:

"This is relevant to lighting, for example. In recent years we have put a lot of effort into reducing energy use with measures such as energy-efficient light fittings. Lower lighting levels save energy, and it's also interesting to work with light and shade

it guides the eye around the store and puts the clothes firmly in focus." ■



Styled mannequins with wigs emphasise the overall look in the store.

ion is a world without rules where different garments and styles can be mixed freely," says Camilla Henriksson, who is responsible for the display department. "Our job is to make this possible for our customers in the best way, while clearly displaying what we believe in through our collections."

H&M STORES OFFER new items every day. Displays are changed regularly and adapted to suit seasons and trends, while pictures and details from the current season's campaigns reappear in the stores.



Fashion illustrator Lovisa Burfitt's illustrations in Shibuya, Tokyo.



Emily Klingstedt restyles mannequins in Stockholm for autumn.

THE RIGHT FEEL IN STORE

PLACEMENT, PRESENTATION AND STYLING. *H&M's visual merchandisers help customers find what they want.*

Emelie Klingstedt is a visual merchandiser in one of H&M's Stockholm stores. With a feel for fashion and interiors, a sense of what will sell, careful planning and the ability to make quick decisions, she works hard to get the most out of product presentation.

What does a visual merchandiser do?

"I work to make displays of H&M products inspiring and attractive. Customers should recognise an H&M store wherever they are in the world. We follow a basic plan, but we also have to be flexible and creative and be able to style mannequins in new ways, or reposition garments in the stores so that customers can discover how the clothes can be mixed and matched and feel 'I would really like to buy this'. I also train store colleagues in visual merchandising. We rehang departments to fit in with different trends, and I help with everything from working at the cash desk to unpacking products."

You have had assignments in several stores, most recently in Tokyo. Tell us about that.

"Together with colleagues from different countries, I helped out with building up the departments in a new store for a couple of weeks. I brought lots of tips and ideas home as well as being able to teach our new colleagues in Japan how we work with different departments and concepts."

What is the best thing about your job?

"To redesign a department with new trends and colour combinations and know that we have succeeded in creating the right feel in the store." ■

STORES AROUND *the world*

Gran Vía, Madrid



Fifth Avenue, New York



**"WHEN YOU STEP INTO ONE OF OUR STORES YOU
SHOULD GET AN IMMEDIATE H&M EXPERIENCE
- A SENSE OF WHAT H&M IS ALL ABOUT"**

Maja Hellspång, Architect



MEETING *customers*

NAME Sara Mendez Perez
AGE 24 **CITY** Madrid **DESCRIBE YOUR PERSONAL STYLE** I would probably call it fresh and relaxed.
WHAT DO YOU THINK OF THIS H&M STORE? It's so big you could almost get lost in it! **WHAT IS IN THE BAG?** A black oversized T-shirt. **DO YOU OFTEN SHOP AT H&M?** Yes, I do. **WHAT DO YOU USUALLY BUY?** Dresses and skirts.



NAME Sayo Yamabe **AGE** 21 **CITY** Tokyo, visiting Paris.
HOW OFTEN DO YOU SHOP AT H&M? This is the first time. **HAVE YOU BOUGHT ANYTHING?** Yes, I found a pair of trousers and a pair of leggings. **DID YOU SEE ANYTHING ELSE YOU LIKED IN STORE?** There were some lovely scarves and more leggings. **DO YOUR FRIENDS SHOP AT H&M?** Yes, the friends I came here with today bought some trousers and cardigans.



NAME Raphaël Jabot **AGE** 21 **CITY** Bobigny
DESCRIBE YOUR PERSONAL STYLE I don't have a particular style – I like to mix traditional brands with more subcultural design. I like taking things from both the men's and women's collections and mixing influences from different styles, such as rock and hip-hop with more traditional garments.
WHAT DID YOU BUY TODAY? I found an oversized blue top. **HAVE YOU VISITED HM.COM?** Yes, I have. **HAVE YOU BOUGHT ANYTHING FROM THE GUEST COLLECTIONS?** Yes, I bought a suit by Matthew Williamson. And I'm thinking about buying a suit and boots from the Jimmy Choo collection.



The interior of H&M in Paris.

NAME Jin Bae 44 with Allison 14 and Gene 10
CITY New York **HOW OFTEN DO YOU SHOP AT H&M?** Lots.
 Both for the children and myself. All the clothes I'm wearing today are from H&M.
WHAT IS YOUR FAVOURITE H&M GARMENT? I often buy jeans and I like thin, windproof jackets, like the one I'm wearing today. **DO YOU KNOW ABOUT H&M'S DESIGNER COLLABORATIONS?**
 Yes! My favourite was the Stella McCartney guest collection.



H&M AROUND THE CLOCK

Thanks to internet and catalogue sales, customers can now shop at H&M 24 hours a day, every day of the week. Today H&M offers internet and catalogue sales in the Nordic countries as well as in the Netherlands, Germany and Austria. In autumn 2010 internet sales will be launched in another important market – the UK.

The hm.com website is constantly updated with new items, inspiration material and information about what H&M has to offer. Many items that are part of the new season's range are available online before they reach the stores. Parts of the range are presented in H&M catalogues, which are published several times a year. The catalogues and webshop work as a source of inspiration both for customers who shop online and for those who prefer to go to a store.

Shopping on hm.com is quick. Clear pictures, product descriptions and measurement details make it easy to choose from the range. The website also provides a visual overview of the season's trends and new items.

In 2009, H&M saw a positive development in internet and catalogue sales. A new addition is the home textiles range, H&M Home – fashion for the home – which is initially being sold through internet and catalogue sales. Since September 2009, many items have also been shown and sold in the new H&M Home showroom in Stockholm, directly over the counter.



NAME Marta Trigo Plaza
AGE 28 **CITY** Madrid
HOW WOULD YOU DESCRIBE YOUR PERSONAL STYLE?
 I love fashion and like to keep up with what's happening. I usually try to adapt the trends so that I can keep the clothes I buy for several seasons. It's important that my clothes are comfortable. **WHAT HAVE YOU BOUGHT TODAY?** Some fun pyjamas that look like a dinner jacket – they're a present for my nephew.
HOW OFTEN DO YOU SHOP AT H&M? Every month. There's a store near to where I work – it's irresistible!
WHY DO YOU SHOP AT H&M?
 Because the clothes are cool and the prices are unbeatable.

NAME Charlotte von Mentzer **AGE** 33 **CITY** Stockholm **DESCRIBE YOUR PERSONAL STYLE** Boho chic or classic – it depends on the occasion and my mood on the day. **DO YOU OFTEN SHOP AT H&M?** Yes, nearly every week. **WHAT IS YOUR FAVOURITE H&M GARMENT?** Right now it's a gold cocktail dress. **WHY DO YOU SHOP AT H&M?** Because I can always find the latest trends at a reasonable price. **DO YOU KNOW ABOUT H&M'S COLLABORATION WITH JIMMY CHOO?** Yes, of course. I bought a pair of leather trousers and a leopard print scarf.

H&M's BEST ASSET

PERSONAL RESPONSIBILITY, CURIOSITY AND AN UNPRETENTIOUS PROFESSIONALISM.

It is the employees and their ability to take the initiative that keep the entrepreneurial spirit alive – and make H&M an attractive employer.

The H&M Group now has around 76,000 employees. Driven by curiosity, customer focus and a desire for constant improvement, employees are H&M's best asset.

In other words, H&M is not just about a successful business concept. The corporate culture – summed up by the “H&M spirit” – has been a major factor in enabling H&M to grow into one of the world's largest fashion companies with around 2,000 stores in 35 markets, and at the same time enjoy high profitability.

THE H&M CULTURE is based on believing in people and their ability to act on their own initiative, test the boundaries and have the courage to put forward any ideas they may have. These are the very same values on which H&M was once founded. Straightforwardness, unpretentiousness and team spirit are encouraged, as well as common sense and cost-consciousness. And, not least, trying to avoid all forms of bureaucracy.

“Sales are what we live on, not administration,” says Sanna Lindberg, Head of Human Resources since autumn 2009.

“We delegate a great deal of responsibility. Those who work in a store should feel like it is their store.”

Freedom with responsibility is not just relevant to H&M stores – it applies to every aspect of the company.

“We give people guidelines and frameworks, but within these they can move freely. We would rather they took the initiative than get everything right every time. Sometimes mistakes are made



H&M's values

but the most important thing is to learn from them.”

WORK ROTATION and internal recruitment are also used to keep the entrepreneurial spirit alive while H&M is expanding at such a rapid rate. Sanna Lindberg's background including a summer job in store and being a store manager, buyer and marketing manager, and with experience from a handful of countries, most recently as country manager for the US proves that there are numerous opportunities

to develop within H&M.

“We want people to get breadth before becoming an expert. People should also feel that they can grow within H&M, rather than leaving the company to try different jobs,” she says.

IN A WORLD where competition for staff is increasing, H&M must continue to be a good employer and an attractive place to work. H&M has global policies for diversity and equality and against discrimination. H&M has positive experiences from



Sanna Lindberg, Head of Human Resources



Employees at the Canton Road store, Hong Kong.



The new store in New York's 86th Street – and the new employees.

an open and constructive dialogue with trade unions and welcomes such relation-

“THE H&M CULTURE IS BASED ON BELIEF IN PEOPLE AND THEIR ABILITY TO ACT ON THEIR OWN INITIATIVE, TEST THE BOUNDARIES AND HAVE THE COURAGE TO PUT FORWARD ANY IDEAS THEY HAVE.”

ships everywhere the company operates. H&M has had a global agreement with the worldwide union federation, Union Network International (UNI), for several years. H&M also has an active European Works Council with union representatives

from a number of European countries. Even in countries with laws and regulations that do not live up to H&M's values, the company's business should be characterised by basic respect for the individual. H&M's requirements are not limited to the requirements of the national law and often go further.

In 2010 H&M will continue to grow in existing markets and will enter South Korea and Israel. In total, H&M is planning a net increase of around 240 new stores in 2010.

Sanna Lindberg stresses the importance of leadership in this expansion:

“We must support everyone in order to discover our stars and future leaders. As a manager it's important to see the people around you and help them develop. It's up to you as a manager to encourage them to grow.” ■



NAME Olga Osipova **JOB** Human Resources Manager
CITY Moscow

Tell us about your role in one of H&M's new markets.

"H&M is expanding in Russia, so right now most of my work involves recruiting staff for our stores. Training and development of colleagues who meet customers every day is part of this too."

What is special about working for H&M?

"Being part of building up a business from the start while also being part of a large fashion company where there are opportunities to try different jobs. The special thing about H&M is that you can communicate openly and solve problems in different ways."

What do you do to motivate your colleagues?

"Internal recruitment is very important in a country like Russia where new companies are fighting for staff and people change jobs the minute a different company offers them a bit more money. I want to raise awareness that people who start working at H&M will have exciting opportunities in an interesting industry."



NAME Michael Feldman **JOB** Sales Advisor
CITY New York

You work in a store. Describe a day at work.

"I work in a city store where the pace is fast. My job is to give customers the best possible service, help them to find the right garments and show them how to mix and match clothes and accessories to suit their personal style. During the day I do everything from unpacking products to manning the fitting rooms, working at the cash desk and making sure the store and clothes look attractive. I also train new colleagues on how to help customers find the size, style or colour of garments that are right for them."

How did you come into contact with H&M?

"I was working in a store for another company in Manhattan when I came into contact with H&M. It felt exciting to get the chance to work with fashion. I had heard a little about H&M, and soon realised it's a company that is open to your ideas and initiatives."

It is common to change roles within H&M – can you see yourself going further in the company?

"Absolutely! It would be really exciting to get the chance to work at the Head Office in Stockholm."





NAME Halide Alagoz **JOB** Production Office Manager
and Global Product Manager **CITY** Shanghai

What do you do at the production office in Shanghai?

“We coordinate production in the region including China, Indonesia, Vietnam and Cambodia. It’s our responsibility to make sure that H&M products are made in the best way. H&M does not produce anything itself, but instead works with a large number of independent suppliers.”

“EVERYONE CONTRIBUTES WITH THEIR DIFFERENT EXPERIENCE, AND WE NEED THAT BECAUSE THE CHALLENGES WE FACE ARE MANY AND VARIED.”

Halide Alagoz

Describe your path to your present job?

“I come from Turkey and I’ve worked at H&M for twelve years. My first job was in the production office in Istanbul, then I had a couple of exciting years in Bangla-

desh before moving back to Turkey to work as Production Office Manager.

I came to China two years ago and right now I have two roles: Production Office Manager and Global Product Manager.”

What is the best thing about working for H&M?

“The people everyone contributes with their different experience, and we need that because the challenges we

face are many and varied. We try to see every challenge as an opportunity to improve what we do. At the same time, we have to work at a fast pace and it’s important we have fun together too.”



NAME Daniel Herrmann **JOB** Sales Controller
CITY Hamburg

Describe your role at H&M.

“My team and I are responsible for merchandising in Central Europe and we work for both buying and selling. We plan so that the right quantities of the right products are in the right place at the right time and at the right price.”

What do you like most about your job?

“I love the competitive element and I keep a close eye on sales developments. To be able to work with my team focusing on delivering ‘fashion and quality at the best price’ in the best way possible for our customers and then see the results in the form of increased sales that inspires me.”

What is the biggest challenge?

“We’re growing rapidly and that puts pressure on us to remain flexible. We have to make sure that everything we do continues to serve the customer in the best way.”



SUSTAINABILITY IS GOOD FOR EVERYONE

SUSTAINABILITY WILL PLAY AN IMPORTANT ROLE IN H&M'S FUTURE GROWTH AND PROFITABILITY. *Consideration for people and the environment is key in every aspect of the business.*

At H&M sustainability goes hand in hand with the company's business concept: to offer fashion and quality at the best price. Quality is not just about products meeting or exceeding customer expectations. It is also about them being made under good working conditions and with limited impact on the environment. In this way H&M can offer customers even more value for money.

"It should feel better for people to buy and wear clothes from H&M, thanks to our sustainability work, and it should make

them want to come back," says Björn Magnusson, who is responsible for H&M's business development.

Proximity to the product means sustainability plays a strategically important role in H&M's future growth and continued profitability. It also means that all functions within the group must take on their own responsibility for how people and the environment are affected by the business.

That is why H&M introduced a new sustainability strategy in 2009. The strategy, initiated the year before, is based on shifting the responsibility for environmental and social issues to each and everyone

of the company's functions and away from the central Corporate Social Responsibility (CSR) department, which in turn will become a support function.

Head of CSR, Ingrid Schullström has been working with sustainability for H&M since 1997. She describes the transfer of the responsibility for sustainability as "a mental journey":

"It's about new ways of thinking about making sustainability part of our everyday decision-making process, rather than a new plan of action. All functions should feel that they own the issue and that the ideas are their own."

In its social responsibility People H&M prioritises working conditions and human rights, the environment and safety at work as well as for customers, and ethics. On the environmental side Planet issues concerning water, waste and the climate are prioritised, together with the sustainable use of natural resources. Profit refers to the fact that H&M must be cost-conscious at every stage.

H&M strives to expand its sustainability work by exerting influence further down the value chain, i.e. through the product's complete life cycle from production of raw materials to customers taking care of





Knitted hat
€ 4.95

“But there’s still a lot left to do. We want to help and motivate our suppliers to take over the responsibility for respecting human rights and offering good working conditions themselves. Achieving long-term improvements is a challenge we are humbled by.”

H&M STRIVES FOR constant improvement on all levels. Sometimes it is not enough for sustainability thinking to be part of each function’s decision-making processes. Some larger initiatives can influence several functions. Such issues can be resolved in the Green Room. Just like in the White Room of H&M’s design department and the Red Room of the marketing department, discussions in the Green Room are ultimately about fashion and quality at the best price. One difference, however, is that it is not possible to actually visit the Green Room since it is not a room in the normal sense. In reality it is a decision-making forum where the CEO, Head of CSR and those responsible for the functions involved make decisions in line with H&M objectives. H&M’s goal is to run a business that is sustainable in the long term.

“By making sustainability a natural part of daily work for all employees, the profitability of sustainability work increases for customers, H&M, the environment and for the societies we work in,” says Björn Magnusson. ■

NEW TARGETS FOR CARBON DIOXIDE EMISSIONS

The earth’s climate is changing, which affects us all. Efforts to cut carbon dioxide emissions are an important part of H&M’s environmental work. In the fight against global warming, the next few years are critical, which is why in December 2009 H&M set new targets for cutting the company’s carbon dioxide emissions by 2012. Emissions are to be reduced by 5 percent per year in three years relative to sales, which compares to the earlier target of 2 percent per year, or a total of 10 percent, in the five-year period from 2005 to 2009. The results will be published in April 2010 in the H&M Sustainability Report 2009 at www.hm.com/csr.

H&M works for increased energy efficiency and aims to reduce energy consumption in stores by at least 20 percent per square metre by 2020 compared to 2007. The company is also striving to use “green” electricity with the aim of ensuring that 20 percent of all energy bought comes from renewable sources by 2020.

As H&M grows, so does the importance of climate-smart transport. Air freight is sometimes the only option, but as it has the greatest impact on the environment H&M is trying to find other alternatives or combine it with sea freight. The preferred method of land-based transport is by train.

“IT’S ABOUT NEW WAYS OF THINKING – ABOUT MAKING SUSTAINABILITY PART OF OUR EVERYDAY DECISION-MAKING PROCESS.”

Ingrid Schullström, Head of CSR

their purchase to finally disposing of it. Traditionally, H&M’s CSR focus has been on the value chain’s most central links: production, transport and sales, which is natural for a fashion company with stores in 35 markets, 16 production offices and around 700 independent suppliers.

H&M’s sustainability work has come furthest on the production side. H&M does not own any factories but has for many years had its own auditors to check that suppliers comply with the company’s Code of Conduct and environmental standards. (Read more about quality work in the manufacturing of H&M’s products in the “From Idea to Store” article, page 26.) Ingrid Schullström says a large number of improvements have been made by suppliers since 1997 when H&M introduced the code.





Madelene Ericsson, environmental coordinator

ENVIRONMENTALLY FRIENDLY MATERIALS

BAGS MADE FROM RECYCLED PLASTIC *mean lower energy consumption, reduced emissions and greater cost efficiency.*

Madelene Ericsson is an environmental coordinator at H&M, supporting colleagues who work on developing products surrounding H&M's sales.

Why did H&M decide on plastic bags? Wouldn't paper be more environmentally friendly?

"From the perspective of an entire life cycle, our research showed that recycled plastic has less of a negative effect on the environment than paper and materials such as starch-based plastic. But the best thing a consumer can do from an environmental perspective is to re-use the bag several times and then finish by using it for refuse."

How great are the environmental benefits?

"For every kilo of plastic that is recycled, around one litre of oil and two kilos of carbon dioxide are saved."

What are you doing to make other packaging more environmentally friendly?

"Measures have included replacing our three-pack bags for men's underpants with packaging in recyclable plastic. The packaging as a whole weighs a third of what it did previously and each component – bag, hook and tuck-in label – is easy for customers to take apart and recycle. The price is also lower. It's often the case that if you save resources, you save both the environment and money."

Is plastic the only material H&M is looking at, or are there similar initiatives for other materials?

"We have just completed a major review of all the paper we use in the sale of H&M products. We are documenting our paper consumption so that we can see what we need to do in order to use it as sustainably as possible."

STORES IN SWEDEN and the new markets South Korea and Israel were the first countries to start using H&M's new recycled plastic bags in February and March 2010. The bags made from 50 percent waste plastic and 50 percent remnants from the manufacture of plastic products – will gradually replace the old bags, and be introduced country by country.

H&M's business will be run in a manner that is financially, socially and environmentally sustainable. This includes the sustainable use of natural resources. By switching to bags made from recycled plastic, H&M is contributing to reducing the use of fossil fuels as well as lowering energy consumption and therefore reduced carbon dioxide emissions. At the same time it is using waste as a resource. ■

H&M AND ALL FOR CHILDREN

COTTON IS USED TO MAKE MANY OF H&M'S GARMENTS, *and most of the world's cotton is grown in developing countries.*

Although H&M is not a cotton buyer, the company is working to ensure that rights are respected and working conditions improved, not just at H&M's suppliers, but also further back in the value chain.

H&M does not accept the use of child labour by any of its suppliers, and works to help prevent child labour within the cotton growing industry too. That is why H&M set up All for Children together

with UNICEF in 2009. The collaboration aims to protect children's rights in the cotton-producing areas of India and includes a \$4.5 million donation from H&M over five years. The initiative is H&M's most extensive project with UNICEF to date, and aims to give children the opportunity to go to school as well as improve their access to healthcare.

H&M customers can contribute by buying a specially designed organic cotton bag in store, with 30 percent of the proceeds going to All for Children.

H&M has worked with UNICEF on various issues since 2004. In the same year, H&M also started working through the Better Cotton Initiative (BCI) to reduce the negative social and environmental impact of conventional cotton growing.

A small but increasing ratio of H&M garments are made from organically grown cotton and labelled "Organic Cotton". Demanding more organic cotton is one way in which H&M can help to reduce the environmental impact of cotton growing and integrate sustainability further back in the value chain. ■

OUR SUSTAINABILITY POLICY

✳ H&M's business concept is to offer fashion and quality at the best price. Quality also means that the products have to be manufactured in a way that is environmentally and socially sustainable. Like all H&M's activity, our CSR work is based on a drive for continuous improvement.

✳ We have a responsibility towards everyone who contributes to our success, including those who are not employees of H&M. That is why we work closely with our suppliers to develop a long-term, sustainable social and environmental standard in the factories that manufacture H&M's products.

✳ We have to ensure that our employees' human rights are not violated, and the same applies to employees of our suppliers and other cooperation partners, and to our customers.

✳ We apply the precautionary principle in our environmental work and have adopted a preventative approach with the substitution of hazardous chemicals.

✳ We strive to use resources as efficiently as possible and to minimise waste. By adopting new technologies and methods, we can work preventatively to minimise our environmental footprint through improved production processes and our choice of materials. We must continuously review the company's goals and strategies to reduce the company's climate impact.

✳ Our decisions are based on careful consideration, where shorter or longer-term environmental benefits are weighed up in order to ensure that we choose solutions which are sustainable in the long term.

✳ We want to be a good global citizen and act responsibly in our business relations. We take a clear stand against all forms of corruption. We engage in dialogue with all our various stakeholders to build trust in our operations within the environment we rely on for our long-term success.

OUR CODE OF CONDUCT

H&M has updated its Code of Conduct. Like its 1997 predecessor, the new code, which came into force on 1 January 2010, is based on the UN Convention on the Rights of the Child and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

The code has been updated to reflect experiences over the last twelve years, and the new standards that are required. Above all there have been developments on environmental issues, the concept of suppliers has broadened, and the way we do business with suppliers has changed into more of a dialogue. Read more on www.hm.com/csr

SUSTAINABILITY REPORT 2009

H&M's Sustainability Report is available on www.hm.com/csr. It gives a detailed review of the most important aspects of H&M's sustainability work during 2009, including information on carbon dioxide emissions, and on the progress made in water consumption and treatment. The report also outlines the audits of suppliers' factories carried out by H&M over the year.



UNICEF is working to give all children the opportunity to go to school.

PRODUCT POLICY

- All products are labelled with their country of origin.
- Prints on H&M products shall not give racist, sexist, political or religious offence.
- H&M's children's clothing should be comfortable and practical. To guarantee the highest level of safety H&M's children's items undergo careful testing.
- H&M tries to avoid selling children's clothing that might be perceived as provocative.

ANGORA

- H&M only accepts products made in wool from angora rabbits from breeders with good animal husbandry.

DOWN AND FEATHERS

- H&M does not accept down that has been plucked from live birds. H&M only accepts down, feathers and decorative feathers taken from slaughtered birds that have been bred for meat production.

FUR

- H&M does not sell products made of real fur.

LEATHER

- H&M only accepts products made of leather from cows, buffalo, sheep, goats and pigs that have been bred for meat production.
- H&M does not sell real exotic animal skins from for example snakes, alligators, crocodiles, lizards and ostriches.
- H&M does not allow leather originating from India because of the occurrence of poor transportation conditions for animals.

MERINO WOOL

- H&M does not accept mulesing.

SHELLS

- H&M does not allow products made from shells from endangered species.

SILK

- H&M does not allow silk originating from India, because of the poor working conditions in the Indian silk industry.

WOOD

- H&M does not allow products made in wood from endangered species. For products made from wood sourced in countries with tropical rainforest, H&M requires a certificate from the Forest Stewardship Council (FSC).

The above points are an extract from H&M's product policy, which you can read in its entirety on hm.com



WELL-DEVELOPED SYSTEM FOR PRODUCT RECALL

Despite having a well-developed system for product safety, occasionally products that fall short of H&M's standards reach stores. There is a special recall procedure to ensure that these products can be rapidly recalled. In 2009 no products were recalled.

WHAT HAPPENS WHEN A PRODUCT IS RECALLED?

An unsafe product is identified. The quality department and production managers decide on a global recall.

Sales are stopped immediately in all markets, and the relevant authorities are informed. Immediate information is sent internally to colleagues and customers, through channels such as newspaper adverts, the internet and signs in store.

The quality department analyses what has happened in order to prevent it from happening again.

H&M PRIORITISES WATER

CLEAN WATER IS A COMMODITY THAT IS IN SHORT SUPPLY *for many people and a priority area in H&M's sustainability strategy.*

For this reason H&M has signed the CEO Water Mandate, a voluntary initiative that requires H&M to improve and openly report how efficiently both H&M and its suppliers use water and treat wastewater.

To tackle the increasing shortage of clean water – caused by factors such as the inefficient use of water, pollution and climate change – H&M places demands on suppliers. H&M requires suppliers whose processes involve dyeing and washing to work actively to minimise their water consumption and ensure that they have proper water treatment methods in place.

Every year H&M designs a special swimwear collection where 10 percent of the sales price is donated to the charity WaterAid, which runs projects aimed at finding long-term solutions to improve the lives of some of the poorest people in the world. In 2009 the collection was expanded to include swimwear for men and children too.

During 2009, H&M customers contributed by buying swimwear from the WaterAid collection so that H&M was able to donate £400,000, equivalent to around SEK 4.6 m, to water and sanitation projects in Asia. ■



RUDY HEMMINGSEN/ SCANPIX

Knitted beret
€4.95



H&M IN 35 MARKETS

H&M expanded considerably in 2009 with a net addition of 250 new stores. By the end of the financial year H&M was present in 35 markets. Two new markets – Russia and Lebanon – were added during the year, the latter on a franchise basis. H&M also opened its first stores in Beijing and continued to grow in Tokyo and other big cities around the world. At the end of the financial year, the H&M Group had a total of 1,988 stores including 36 franchise stores, 23 COS stores, 35 Monki stores, 10 Weekday stores and one Cheap Monday store.

THE GROUP'S TOTAL SALES increased by 14 percent to SEK 118.7 billion including VAT. In local currencies sales increased by 4 percent, while sales in comparable units – i.e. the stores and internet and catalogue sales countries that have been in operation at least one financial year (1 December – 30 November) – fell by 5 percent. Sales were negatively affected by the recession due to consumer restraint and discount-driven markets.

Internet and catalogue sales, currently offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and

Austria, developed well during the year and will be expanded into the UK where internet sales will begin in autumn 2010. H&M Home – fashion for the home – which was launched in February 2009 will also become available to customers in the UK market in autumn 2010.

In 2009 H&M expanded in almost all markets, but the main expansion was in Germany, the UK, France, the US and Italy. In Russia, a new market for H&M, four stores were opened in Moscow and one in St. Petersburg. More store openings in Russia are planned for 2010.

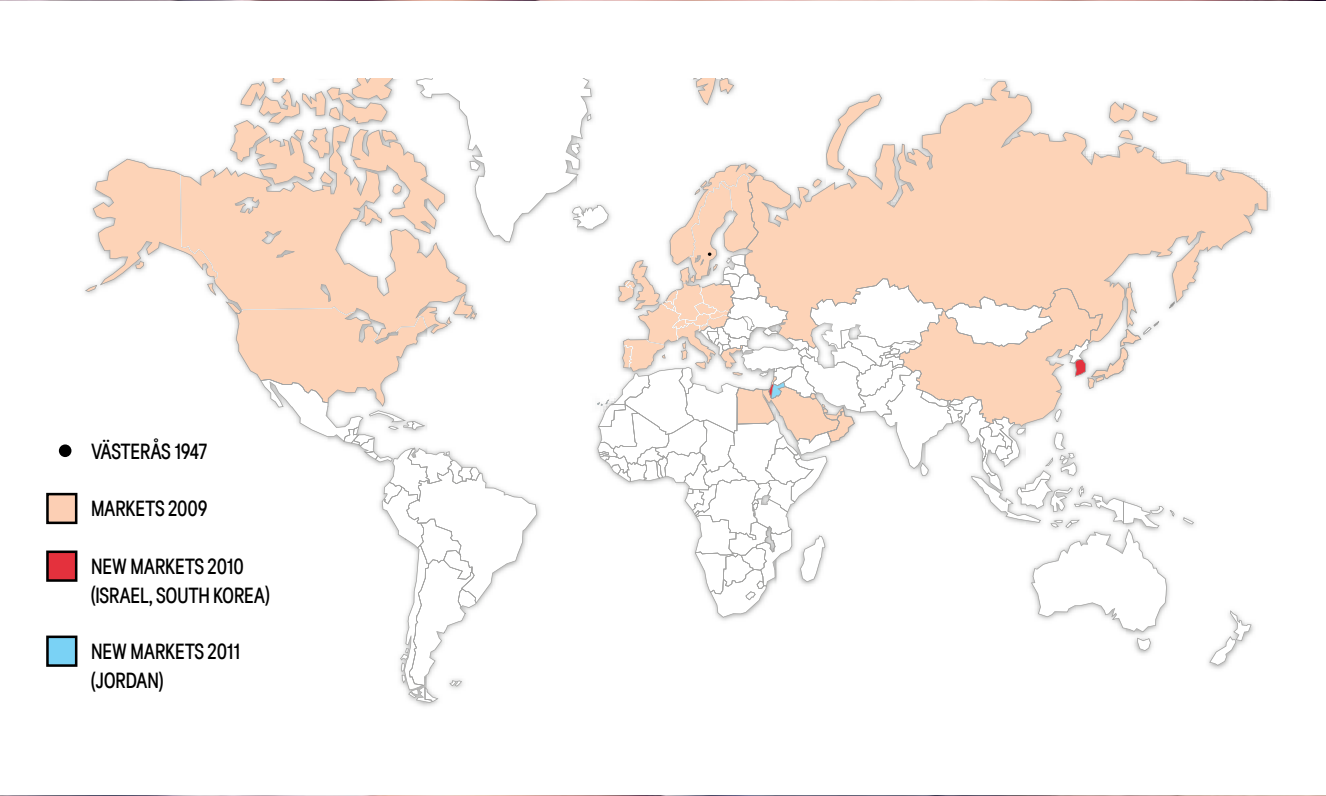
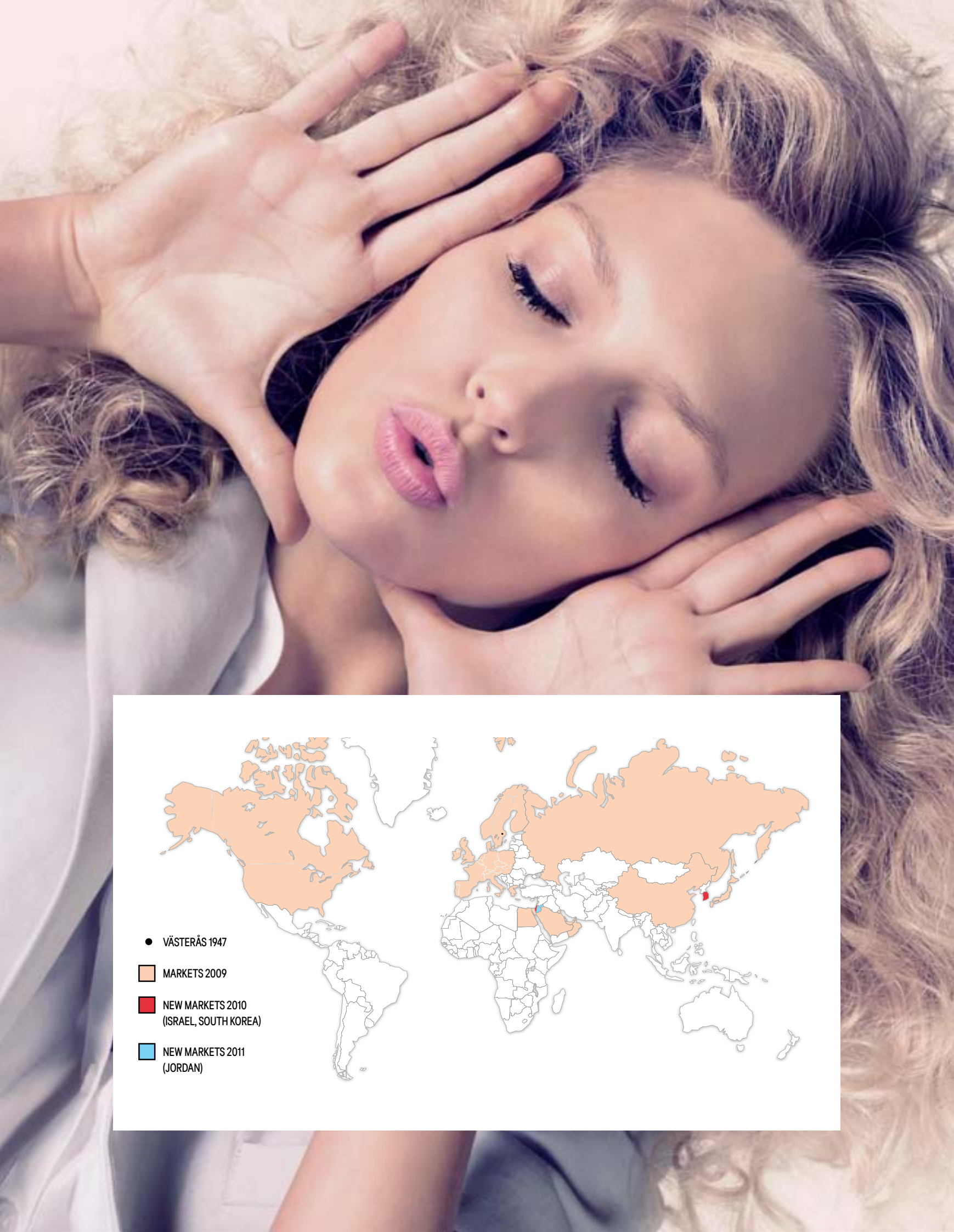
H&M is optimistic about future expansion and business opportunities. New markets in 2010 are South Korea with the first store opening in Seoul on 27 February and another planned for the autumn, and Israel which will be a new franchise market with store launches in Tel Aviv, Jerusalem and Haifa in the spring. A net addition of 240 stores is planned for 2010, including 12 COS and 25 Monki and Weekday stores. H&M plans to expand in all of its markets with an emphasis on the US, the UK, China, France, Germany and Italy. ■

MARKET OVERVIEW

SALES INCLUDING VAT PER COUNTRY AND NUMBER OF STORES, FINANCIAL YEAR 1 DECEMBER - 30 NOVEMBER

MARKET	YEAR ESTABLISHED	NO. OF STORES 30 NOV 2009	NEW STORES DURING THE YEAR	CLOSED STORES DURING THE YEAR	SALES 2009 INCLUDING VAT (SEK m)	SALES 2008 INCLUDING VAT (SEK m)
Sweden	1947	161	15	4	7,881	7,444
Norway	1964	92	8	1	5,598	5,290
Denmark	1967	77	12	4	4,254	3,867
UK	1976	167	24	3	7,564	7,337
Switzerland	1978	73	7		6,042	4,879
Germany	1980	362	31	8	30,069	25,487
Netherlands	1989	103	7		7,402	6,793
Belgium	1992	61	7	1	3,502	3,122
Austria	1994	63	5	2	5,503	5,020
Luxembourg	1996	9			411	351
Finland	1997	38	2		2,543	2,450
France	1998	135	21		8,455	7,988
USA	2000	189	20		7,487	6,513
Spain	2000	114	15		6,285	5,778
Poland	2003	65	12		2,466	2,508
Czech Republic	2003	19	4	1	667	670
Portugal	2003	20	3		928	764
Italy	2003	64	19	1	3,616	2,675
Canada	2004	52	9		2,190	1,812
Slovenia	2004	10	1		615	594
Ireland	2005	11	2		557	488
Hungary	2005	10	2		306	304
Slovakia	2007	4	1		187	137
Greece	2007	15	7		480	301
China	2007	27	14		1,614	881
Japan	2008	6	4		1,111	198
Russia	2009	5	5		373	
Franchise ¹⁾	2006	36	18		591 ²⁾	390
Total		1,988	275	25	118,697	104,041

1) United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Egypt, Bahrain, Oman and Lebanon. 2) Excluding VAT.



H&M 2009 IN FIGURES

SUMMARY

At the end of the financial year the H&M Group had a total of 1,988 stores of which: 23 COS stores, 35 Monki stores, 10 Weekday stores and one Cheap Monday store. 36 H&M stores are operated as franchises in the Middle East.

H&M offers fashion in stores, on the internet and through catalogues. There are H&M stores in 35 markets. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria.

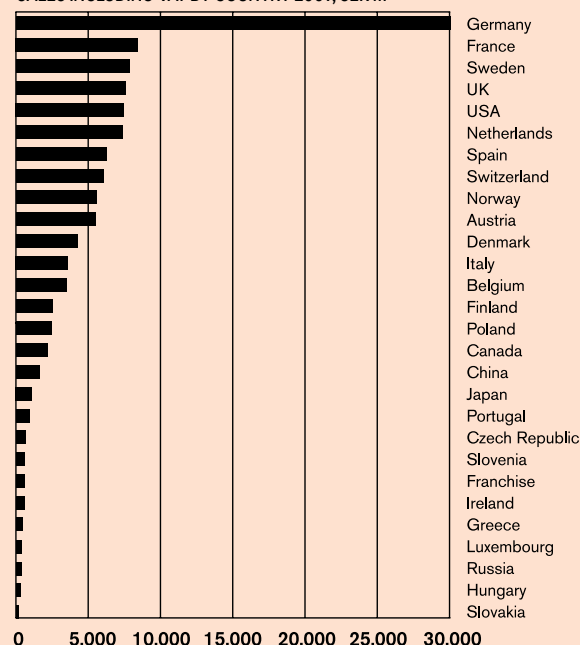
In 2009, 275 stores were opened and 25 were closed. This makes a net addition of 250 stores.

New markets in 2009 were Russia and Lebanon.

H&M buys products from around 700 independent suppliers through 16 production offices in Asia and Europe.

Since 2003, sales including VAT have increased by 110 percent and profit after tax by 157 percent.

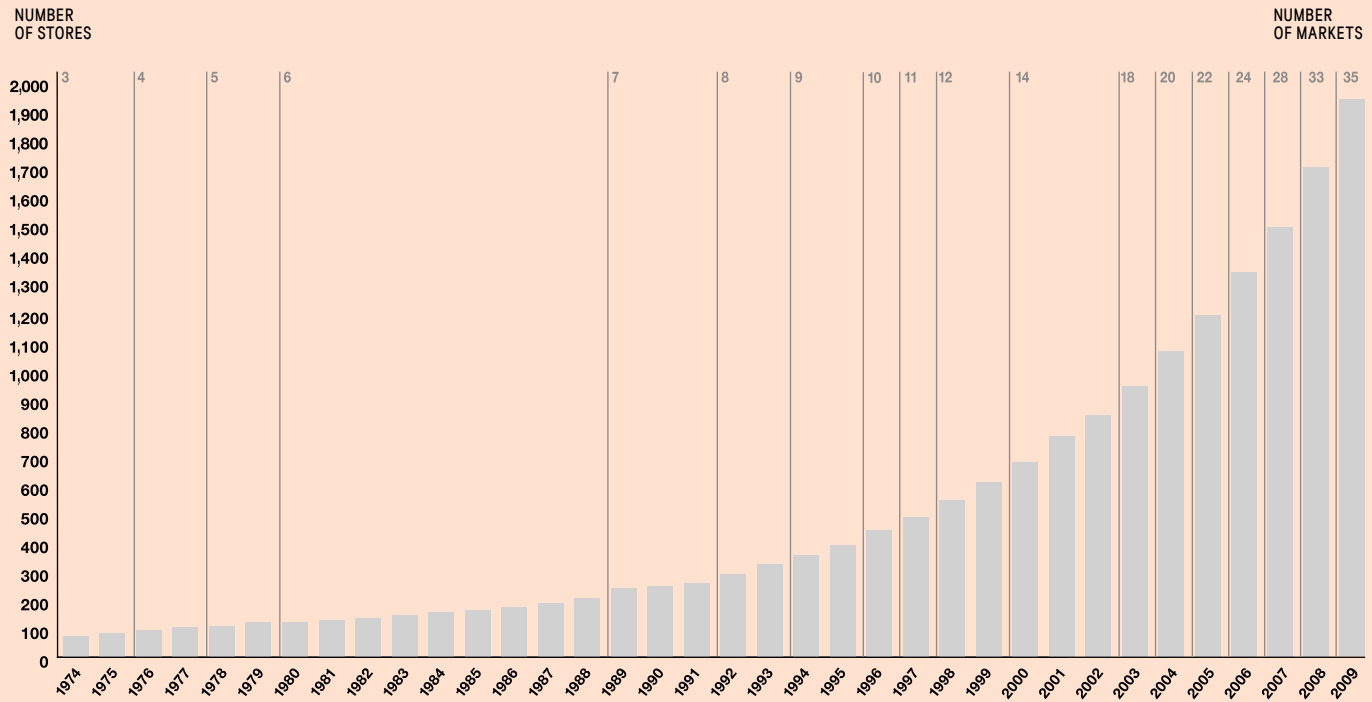
SALES INCLUDING VAT BY COUNTRY 2009, SEK m



KEY RATIOS

	2009	2008
Sales including VAT, SEK m	118,697	104,041
Sales excluding VAT, SEK m	101,393	88,532
Change, %	+15	+13
Operating margin, %	21.3	22.7
Profit after financial items, SEK m	22,103	21,190
Profit for the year, SEK m	16,384	15,294
Earnings per share, SEK (before and after dilution)	19.80	18.48
Change, %	+7	+13
Return on equity, %	42.2	44.3
Return on capital employed, %	56.7	61.1
Share of risk-bearing capital, %	78.5	75.7
Equity/assets ratio, %	74.7	72.1
Total number of stores	1,988	1,738
Average number of employees	53,476	53,430

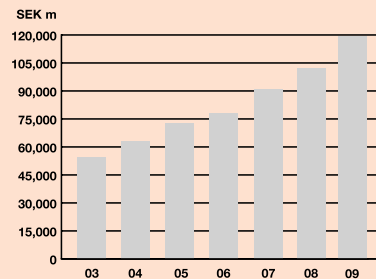
EXPANSION 1974*- 2009



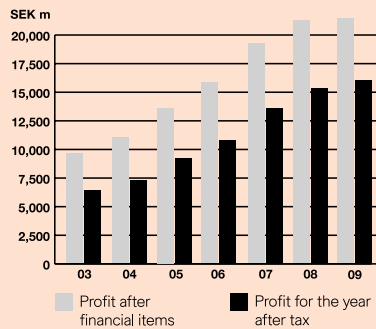
* Since IPO 1974.

SALES, PROFIT, DIVIDENDS

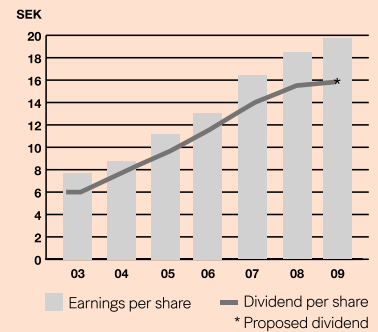
SALES DEVELOPMENT INCLUDING VAT



PROFIT AFTER FINANCIAL ITEMS/
PROFIT FOR THE YEAR AFTER TAX



EARNINGS PER SHARE/
DIVIDEND PER SHARE



H&M's HISTORY

IN 1947 HENNES WOMEN'S CLOTHING STORE OPENED IN VÄSTERÅS, SWEDEN.
H & M HENNES & MAURITZ AB IS AN INTERNATIONAL FASHION COMPANY WITH
AROUND 2,000 STORES ON FOUR CONTINENTS.

1947

The first store opens in Västerås, Sweden, selling women's clothing. The store is called Hennes.

1952

Hennes opens in Stockholm.

1964

The first store outside Sweden opens in Norway.

1968

Founder Erling Persson buys the hunting and fishing equipment store, Mauritz Widforss. Sales of men's and children's clothing begin. The name is changed to Hennes & Mauritz.

1974

H&M is listed on the Stockholm Stock Exchange.

1976

The first store outside Scandinavia opens in London, the UK.

1977

Impuls stores are launched. Sales of cosmetics begin.

1980s

Stores open in Germany and the Netherlands. H&M acquires the mail order company, Rowells.

1990s

Progress continues in Europe. Adverts in newspapers and magazines are complemented by billboards using famous models. In 1998 internet sales begin.

2000

The first store to open in the US is on Fifth Avenue in New York. In the same year stores open in Spain. In subsequent years, H&M opens in many new European markets.

2004

H&M initiates designer collaborations starting with Karl Lagerfeld. Further collaborations include Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo and Sonia Rykiel.

2006

A major expansion of internet and catalogue sales begins with the Netherlands as the first market outside Scandinavia. The first franchise stores are opened.

2007

The first Asian stores open in Hong Kong and Shanghai. In the same year, the new store concept, COS Collection of Style, is launched. Internet and catalogue sales expand with the addition of Germany and Austria.

2008

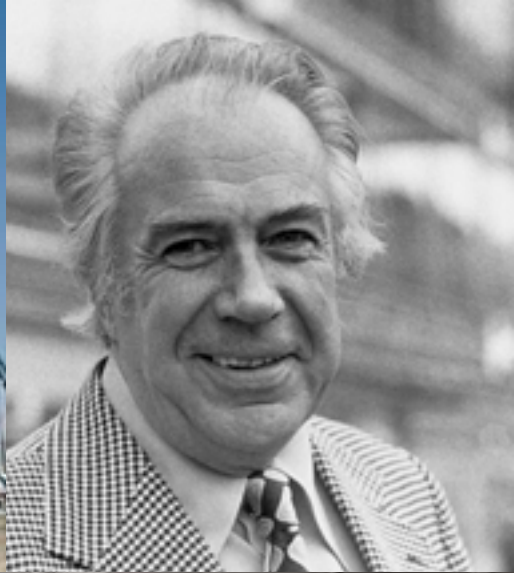
H&M opens in Tokyo, Japan. H&M acquires the fashion firm FaBric Scandinavien AB with Weekday, Monki and Cheap Monday.

2009

The first store opens in Russia. H&M opens in Beijing and Lebanon gets its first franchise stores. H&M Home is launched. Weekday and Monki open their first stores in Germany. Karl-Johan Persson takes over as CEO.

2010

The first store opens in South Korea. Israel becomes a new franchise country. Internet and catalogue sales expand further with the launch of internet sales in the UK.



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PRODUCTION Karl Gunnar Fagerlin
CORPORATE SOCIAL RESPONSIBILITY Ingrid Schullström
EXPANSION Stefan Larsson
BUSINESS DEVELOPMENT Björn Magnusson
BRAND AND NEW BUSINESS Jörgen Andersson
MARKETING Anna Tillberg Pantzar
COMMUNICATIONS Kristina Stenvinkel
INVESTOR RELATIONS Nils Vinge
HUMAN RESOURCES Sanna Lindberg
IT Kjell-Olof Nilsson
LOGISTICS Danny Feltmann

DISTRIBUTION POLICY

The H&M Annual Report 2009 comes in two parts: Part 1: H&M in words and pictures 2009, and Part 2: H&M in figures 2009 including the Annual Report and Consolidated Accounts.

H&M sends out the printed version of Parts 1 and 2 to shareholders who have specifically expressed an interest in receiving the printed version. The Annual Report is also available to read and download at www.hm.com

COVER

PHOTOGRAPHY Camilla Åkrans
MODEL Natasha Poly
GARMENT Dress, H&M Garden Collection





Scarf €4.95



ANNUAL REPORT PART 2
H&M in figures 2009

Dress €19.95





Ring €4.95

PART 2 H&M IN FIGURES 2009

including the Annual Accounts and Consolidated Accounts

THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

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The annual report on H&M's operations in 2009 is in two parts: Part 1 is H&M in words and pictures 2009 and Part 2 is H&M in figures 2009 including the Annual Accounts and Consolidated Accounts.

ADMINISTRATION REPORT

The Board of Directors and the Managing Director of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, herewith submit their annual report and consolidated accounts for the financial year 1 December 2008 – 30 November 2009.

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. According to H&M's expansion principle, every store is to have the best commercial location. The business is operated from leased store premises, through internet and catalogue sales and on a franchise basis. At the end of the financial year, H&M was present in 35 markets and the operations in eight of these are on a franchise basis. The total number of stores at the end of the financial year was 1,988, of which 36 are franchise stores, 23 are COS stores, 35 are Monki stores, ten are Weekday stores and one is a Cheap Monday store. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria. The new home textile range, H&M Home, is sold via internet and catalogue and at a showroom in Stockholm.

Focusing on the customer, H&M's own designers work with pattern designers and buyers to create a broad and varied range for the fashion conscious. H&M's own design and buying department creates the collections centrally. To ease the flow of goods, H&M is increasingly using the concept of regional grouping. This means that products are purchased and distributed to a group (region) of sales countries. The products are then allocated to the sales countries in the region according to demand in each market.

To facilitate this regional grouping and support the considerable ongoing expansion, the Group structure went through a review and restructuring process in 2007. Among other things, this process involved transferring the central design, buying, logistics and stock-keeping functions to a separate company, H & M Hennes & Mauritz GBC AB, as of 1 June 2007. This company owns the products until they are delivered to the stores. At the same time, the production unit in Hong Kong was reinforced and made into a central procurement department for the Group. This resulted in a new internal pricing model within the Group, the full effect of which was realised in 2008.

H&M does not own any factories but instead outsources product manufacturing to around 700 independent suppliers through H&M's 16 local production offices in Asia and Europe. To guarantee the quality of the products and that manufacturing takes place under good working conditions, H&M works in close cooperation with the suppliers. The production offices are responsible for ensuring that orders are placed with the correct supplier; that the products are manufactured at the right price and are of good quality, and that they are delivered at the right time. The production offices also check that manufacturing takes place under good working conditions. H&M's own auditors check that the suppliers live up to H&M's environmental requirements

and high standards with respect to the employment terms of the suppliers' employees. H&M applies the company's Code of Conduct for long-term improvements for employees of the suppliers who manufacture the company's products.

Tests, such as chemical and laundry tests, are carried out on a continuous basis at the production offices and at external laboratories. The goods are subsequently transported by sea, rail, road or air to various distribution centres. From there the goods are distributed directly to the stores and/or to central regional replenishment centres.

The best price is achieved by having few middlemen, buying in large volumes, buying the right product from the right market, being cost-conscious in every part of the organisation and having efficient distribution processes.

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

H&M acts in many markets as both a buyer and a seller. This requires H&M to act responsibly and in a sustainable way with respect to the environment and social responsibility. The head of environment and corporate social responsibility issues has been a member of the executive management team for around ten years.

One area of focus is to develop sustainable materials and production methods, such as using organic cotton. H&M's sustainability strategy involves incorporating sustainability work into day-to-day routines in all areas of the company's operations.

The company publishes a sustainability report every year. The report is available at www.hm.com/csr.

EMPLOYEES

H&M's business is characterised by a fundamental respect for the individual. This applies to everything from fair pay, reasonable work 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 since the days of H&M's founder, Erling Persson, are based, among other things, on the ability of the employees to use their common sense to take responsibility and use their own initiative.

H&M has grown significantly since its beginnings in 1947 and at the end of the financial year had around 76,000 employees. The average number of employees in the Group, converted to full-time positions, was 53,476 (53,430), of which 4,874 (4,924) are employed in Sweden.

Around 79 percent of the employees were women and 21 percent were men. Women held 77 percent of the positions of responsibility within the company, such as store managers and country managers.

SIGNIFICANT EVENTS

The Group opened 275 (234*) stores and closed 25 (18) stores during the financial year. Of the new stores, 18 (8) were opened on a franchise basis. The rate of expansion has been high; there was a net addition of 250 (216) stores during the financial year;

* including 13 Monki stores and 7 Weekday stores which were added through H&M's acquisition of FaBric Scandinavien AB.

which is 25 more than originally planned. The increase in the number of stores added compared to what was originally planned is largely due to the economic downturn which provided opportunities for new store projects, and to the fact that a number of store contracts scheduled for the first quarter of 2010 were completed earlier than planned, allowing these stores to be opened in the fourth quarter of 2009.

Russia and Lebanon became new H&M markets during the year. The first stores in Moscow opened in the spring, while the first franchise stores in Beirut opened during the autumn and were very well received. The opening of H&M's first stores in Beijing was another example of successful establishments during the year.

The proportion of refurbished stores remained at the same high level as the previous year. The investments and costs associated with new and refurbished stores calculated per unit were lower than the previous year.

H&M works continually on developing its offering to the customer. In 2009 H&M continued to develop internet and catalogue sales and concepts such as COS, Monki, Weekday and H&M Home.

Internet and catalogue sales developed well during the year. H&M Home – fashion for the home – which was launched in February 2009 via internet and catalogue sales channels was well received. In 2009 H&M Home's offering was complemented by a showroom on Drottninggatan in Stockholm where customers can purchase products directly.

During the year, the store chains Weekday and Monki opened their first stores outside Scandinavia, in Germany. During the year 19 Monki stores were opened and one was closed. Two Weekday stores were opened and the first Cheap Monday store was opened in Copenhagen in the autumn.

The COS – Collection of Style – brand offers a collection for women, men and children in a higher price segment. Ten stores were opened in 2009 and at the end of the financial year, there were 23 COS stores in total in the UK, Germany, the Netherlands, Belgium, Denmark, France and Spain.

SALES AND PROFITS

Sales excluding VAT increased during the financial year by 15 percent compared to the previous year and amounted to SEK 101,393 m (88,532). The H&M Group's sales including VAT amounted to SEK 118,697 m (104,041), an increase of 14 percent. In local currencies the increase was 4 percent and in comparable units sales decreased by 5 percent.

The gross profit for the financial year amounted to SEK 62,474 m (54,468), equivalent to 61.6 percent (61.5) of sales.

After deducting selling and administrative expenses, the operating profit amounted to SEK 21,644 m (20,138). This represents an operating margin of 21.3 percent (22.7).

The operating profit for the financial year has been charged with depreciation of SEK 2,830 m (2,202). The Group's net financial income amounted to SEK 459 m (1,052).

Profit after financial items was SEK 22,103 m (21,190), an increase of 4 percent compared to the previous year.

The Group's profit for the financial year after applying a tax rate of 25.9 percent (27.8) was SEK 16,384 m (15,294), which represents earnings per share of SEK 19.80 (18.48) and an increase of 7 percent.

The profit for the year represents a return on shareholders' equity of 42.2 percent (44.3) and a return on capital employed of 56.7 percent (61.1).

COMMENTS ON PROFITS

The sales increase during the year was weak, which is deemed to be due to several factors; mainly the recession and restrained consumption and the fact that the market has been discount-driven.

In a time of significant exchange rate fluctuation, H&M's policy* of hedging the mark-up on internal sales of goods to the subsidiaries had a major impact – both negative and positive on the gross margin in the year's different quarters. There was a total negative effect of approximately SEK 370 m on gross profit during the financial year, which is equivalent to a negative effect of 0.4 percentage units on the gross margin. Despite this, the company achieved a gross margin of 61.6 percent (61.5) mainly due to greater surplus capacity among suppliers and more efficient buying processes.

Cost control within the Group was successful throughout the financial year. Selling and administrative expenses increased by 18.9 percent. In local currencies the increase was 9 percent, which is entirely related to the company's expansion. Selling and administrative expenses in relation to sales excluding VAT increased to 40.3 percent (38.8), which is mainly explained by weak sales during the year. Costs in comparable stores, which were adjusted effectively for the recession, were lower than the previous year.

The 20 percent increase in stock-in-trade compared to the same period the previous year is largely explained by the company's expansion and the fact that sales in the fourth quarter were lower than planned. As sales were weak during the fourth quarter, the stock-in-trade as of 30 November 2009, contains a larger proportion of mainly weather-dependent garments compared to the same period the previous year. This will lead to larger markdowns during the first quarter of 2009/2010 and thereby affect the gross margin negatively compared to the same quarter the previous year.

* For information about the amended currency hedging policy, see page 6.

TAXES

The tax rate for the 2008/2009 financial year was 25.9 percent (27.8). On 1 January 2009 the Swedish corporate tax rate was reduced to 26.3 percent from its previous level of 28 percent. In autumn 2009 it was made clear that the new, lower Swedish corporate tax rate would begin to affect the Group already in the 2008/2009 financial year. The tax expense for the year was thus SEK 225 m lower than originally estimated.

For the full year 2009/2010 the tax rate is expected to be 26 percent.

PARENT COMPANY

The parent company had no external sales (136) during the financial year. Profit after financial items amounted to SEK 15,267 m (15,395). Investments in fixed assets amounted to SEK -94 m (-185).

FINANCIAL POSITION AND CASH FLOW

The Group's total assets had increased as of 30 November 2009 by 6 percent, amounting to SEK 54,363 m (51,243).

The Group's cash flow for the financial year amounted to SEK -3,607 m (5,292). Current operations generated a positive cash flow of SEK 17,973 m (17,966). The cash flow was affected by, among other things, dividends of SEK -12,825 m (-11,584), investments in fixed assets of SEK -5,686 m (-5,193), and short-term financial investments with a term of four to twelve months amounting to SEK -3,001 m (4,900). Liquid funds and short-term investments amounted to SEK 22,025 m (22,726).

Stock-in-trade increased by 20 percent compared to the same date the previous year and amounted to SEK 10,240 m (8,500). This represents 10.1 percent (9.6) of sales excluding VAT. Stock-in-trade accounted for 18.8 percent (16.6) of the total assets.

The Group's equity/assets ratio was 74.7 percent (72.1) and the percentage of risk-bearing capital was 78.5 percent (75.7).

Shareholders' equity shared between the outstanding 827,536,000 shares as of 30 November 2009 equalled SEK 49.08 (44.65).

LIQUIDITY MANAGEMENT

In 2009 the longest investment period was 12 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.

EVENTS AFTER THE CLOSING DAY

EXPANSION AND FUTURE DEVELOPMENT

H&M's growth target is to increase the number of stores by 10–15 percent per year while maintaining high profitability and at the same time increase the sales within comparable units. H&M remains positive towards the future expansion and the company's business opportunities. For the 2009/2010 financial year a net addition of around 240 stores is planned, 25 of which will be Monki and Weekday stores and 12 will be COS stores. Most of the new stores will be in the US, the UK, China, France, Germany and Italy. The refurbishment of existing stores is expected to remain at the same high level as in 2008/2009.

As previously communicated, the following store openings are planned for 2010:

The first store in Seoul, South Korea will be launched in the spring and the second in the autumn of 2010.

Israel will be a new franchise market in 2010 and the first three stores are planned to open in the spring in Tel Aviv, Jerusalem and Haifa.

H&M is planning to start internet sales in the UK in autumn 2010.

CHANGED CURRENCY HEDGING POLICY

H & M Hennes & Mauritz AB changed its internal transfer pricing model within the Group in the second half of 2007. This involved, among other things, the introduction of currency hedging for the mark-up on the internal sales of goods to the subsidiaries in order to secure part of the Group's gross earnings in Swedish kronor.

During a time of significant exchange rate fluctuation in the autumn of 2008 and spring of 2009, the currency hedging for the mark-up of internal sales of goods to the subsidiaries had a major impact, both negative and positive, on the gross margin in different quarters of the year. To avoid such effects in the future, the company has decided to end the hedging of the internal mark-up with effect from 1 December 2009 and thereby return to the previous practice of applying currency hedging for the Group's flow of goods only. Although the currency hedging for the internal mark-up to the subsidiaries ended as of 1 December 2009, there are outstanding forward contracts that were entered into before 1 December 2009 and that will mature in the first half-year 2009/2010. This means that the majority of the internal mark-up for the first quarter is currency-hedged, which is expected to have a positive impact on the gross margin based on current exchange rates. For the second quarter, a somewhat smaller proportion of the internal mark-up is currency-hedged and is therefore estimated, at current currency rates, to have a more limited effect on the gross margin than in the first quarter of 2009/2010.

During the year the part of the Group's flow of goods (around 10 percent) that was not currency-hedged had an impact on the gross margin that varied substantially in the various quarters due to rapid and significant exchange rate fluctuation. In order to decrease such effects in the future the company has therefore also, with effect from 1 December 2009, decided to apply currency hedging for 100 percent of the Group's flow of goods instead of 90 percent as previously.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

At the Annual General Meeting on 4 May 2009 a resolution for guidelines for remuneration of senior executives within H&M in accordance with the Swedish Companies Act was approved. The guidelines below are effective until the 2010 Annual General Meeting.

The term "senior executives" covers the Managing Director, other members of the executive management team, country managers and certain key individuals. The number of individuals covered by the term senior executives is currently around 40.

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 has a presence in more than 30 countries and therefore levels of compensation may vary between countries. Senior executives receive a fixed salary, pension benefits and other benefits such as car benefits. The largest portion of the remuneration consists of a fixed salary. For information on the variable portion, see the section below.

In addition to the ITP plan, the executive management team and certain key individuals are covered either by a defined benefit or a defined premium pension plan. The retirement age for these individuals is between 60 and 65 years of age. Members of executive management and country managers employed by a subsidiary abroad are covered by local pension arrangements as well as a defined benefit pension plan. The retirement age for these is in accordance with local retirement age rules. The cost of these commitments is partly covered by separate insurance policies.

The period of notice for senior executives varies between three and twelve months. No severance pay agreements exist within H&M other than for the Managing Director.

PENSION TERMS ETC. FOR MANAGING DIRECTOR ROLF ERIKSEN

The retirement age for Managing Director Rolf Eriksen is 65, which he reaches in autumn 2009. During the first three years of his retirement, Rolf Eriksen will receive a pension equivalent to 65 percent of his fixed salary followed by a lifetime pension equivalent to 50 percent of the same salary.

VARIABLE REMUNERATION

Managing Director Rolf Eriksen, country managers, certain senior executives and certain key individuals are included in a bonus scheme. 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. Net after tax means that income tax and social fees are not included in the calculation. In the case of the Head of Sales, the bonus is based on 0.2 percent of the dividend increase, with a maximum of SEK 0.6 m net after tax. For Managing Director Rolf Eriksen, the bonus is 0.3 percent of the dividend increase up to a maximum of SEK 0.9 m net after tax. The bonuses that are paid out must be invested entirely in shares in the company which must be held for at least five years. Since H&M is present in markets with varying personal income tax rates, the net model has been chosen because it is considered fair that the recipients in the different countries should be able to purchase the same number of H&M shares for the amounts that are paid out. The future Managing Director may be covered by the bonus scheme according to the principles and within the parameters outlined above.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the Managing Director and the Chairman of the Board, receive one-off payments up to a maximum of 30 percent of their fixed yearly salary.

MISCELLANEOUS

The Board of Directors may deviate from these guidelines in individual cases where there is a particular reason for doing so.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES FOR ADOPTION AT THE 2010 AGM

See below for the Board's proposals to the 2010 AGM.

The term "senior executives" covers the Managing Director, other members of executive management, country managers and other key individuals. The number of individuals covered by the term senior executives is currently around 40.

Compensation for senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at what are considered by the company to be competitive market rates.

H&M is present in more than 30 countries and the levels of compensation may therefore vary from country to country. Senior executives receive a fixed salary, pension benefits and other benefits such as car benefits. The largest portion of the remuneration consists of the fixed salary. For information on variable components, see the section below.

In addition to the ITP plan, executive management and certain key individuals are covered by either a defined benefit or defined contribution pension plan. The retirement age for these individuals varies between 60 and 65 years. Members of executive management and country managers who are employed by a subsidiary abroad are covered by local pension arrangements and a defined contribution plan. The retirement age for these is in accordance with local retirement age rules. The cost of these commitments is partly covered by separate insurance policies.

The period of notice 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. The Managing Director is covered by the ITP plan and a defined contribution plan. The total pension cost shall not exceed a total of 30 percent of the Managing Director's fixed salary. The Managing Director is entitled to 12 months' notice. In the event the company cancels the employment contract, the Managing Director will receive severance pay of an additional year's salary.

VARIABLE REMUNERATION

The Managing Director, country managers, certain senior executives and certain key individuals are included in a bonus scheme. 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. Net after tax means that income tax and social fees are not included in the calculation. In the case of the Head of Sales, the bonus is based on 0.2 percent of the dividend increase, with a maximum of SEK 0.6 m net after tax. For 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 bonuses that are paid out must be invested entirely in shares in the company, which must be held for at least five years. Since H&M is present in markets with varying personal income tax rates, the net model has been chosen because it is considered fair that the recipients in the different countries should be able to purchase the same number of H&M shares for the amounts that are paid out.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the Managing Director and the Chairman of the Board, receive one-off payments up to a maximum of 30 percent of their fixed yearly salary.

MISCELLANEOUS

The Board of Directors may deviate from these guidelines in individual cases where there is a particular reason for doing so.

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 class B shares (one vote per share). Class A shares are not listed. Ramsbury Invest AB, of which the principal owner is Stefan Persson, holds all 97,200,000 class A shares which represent 57.1 percent of the votes, and 3,200,000 class B shares which represent 0.2 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, in total, Stefan Persson personally or through companies holds 68.2 percent of the votes and 34.6 percent of the total number of shares.

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 some are influenced more by external factors. There are risks and uncertainties related to fashion, weather conditions, climate change, trade interventions and foreign currencies, but also in connection with expansion into new markets, launching new concepts, changes in consumer behaviour or how the brand is managed.

FASHION

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

The purchasing patterns are relatively similar in the various markets, although differences do exist. The start of a season and the duration of a season may, for example, vary from country to country. Delivery dates and product volumes for the various countries are therefore adjusted accordingly.

THE WEATHER

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

CHANGES IN PURCHASING BEHAVIOUR

There is also a risk that changes in the global economy may change consumer purchasing behaviour. It is therefore important to be aware of such changes and to have a flexible buying model that can be adjusted to different market conditions.

CLIMATE CHANGE

There is a risk that H&M's business may be affected by future regulation and increased costs, e.g. in the form of emissions trading and carbon taxes in H&M's various sales markets. These can essentially be regarded as competition-neutral. The risks that may arise as a result of climate change and natural disasters primarily in production countries can be considered as very limited bearing in mind H&M's flexible business model which can be adapted quickly to changed circumstances.

TRADE INTERVENTION

Buying costs may be affected by decisions at the national level on export/import subsidies, customs duties, textile quotas, embargos etc. The effects primarily impact customers and companies in individual markets. Global companies with operations in many countries are affected to a lesser extent and among global corporations trade interventions may be regarded as largely competition-neutral.

FOREIGN CURRENCIES

The most significant currencies in which the Group's purchasing takes place are the US dollar and the euro. Fluctuation in the US dollar/euro exchange rate is the single largest transaction exposure for the Group. To hedge flow of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuation, 90 percent of the Group's flow of goods are hedged under forward contracts on an ongoing basis throughout the year.

Starting on 1 December 2009, 100 percent of the Group's flow of goods (compared to 90 percent in the past) are being hedged and at the same time hedging of the mark-up of internal goods flows to the subsidiaries is being discontinued. For more information see the text under the heading "Changed currency hedging policy."

In addition to the effects of transaction exposure, translation effects also impact the Group's results due to changes in exchange rates between the local currencies of the various foreign subsidiaries against the Swedish krona compared to the same period 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 the 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 exchange rate hedging, so-called equity hedging, is carried out for this risk. See also Note 2, Financial risks.

For more information on currency hedging and financial risks, see Note 2, Financial risks.

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 company's expansion is able to proceed as in the past with continued high degree of financial strength and continued freedom of action.

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

The Board of Directors has decided to propose to the 2010 Annual General Meeting a dividend of SEK 16.00 per share (15.50), which is equivalent to 81 percent (84) of the Group's profit after tax.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the Annual General Meeting	SEK 15,298,171,245
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The Board of Directors and the Managing Director propose a dividend of SEK 16.00 per share	SEK 13,240,576,000
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To be carried forward as retained earnings	SEK 2,057,595,245
	SEK 15,298,171,245

The Board of Directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position and future freedom of action 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 INCOME STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2009	2008
Sales including VAT	118,697	104,041
Sales excluding VAT, Note 3, 4	101,393	88,532
Cost of goods sold, Note 6, 8	-38,919	-34,064
GROSS PROFIT	62,474	54,468
Selling expenses, Note 6, 8	-38,224	-32,185
Administrative expenses, Note 6, 8, 9	-2,606	-2,145
OPERATING PROFIT	21,644	20,138
Interest income	467	1,060
Interest expense	-8	-8
PROFIT AFTER FINANCIAL ITEMS	22,103	21,190
Tax, Note 10	-5,719	-5,896
PROFIT FOR THE YEAR	16,384	15,294
All profit is assignable to the parent company H & M Hennes & Mauritz AB's shareholders.		
Earnings per share, SEK*	19.80	18.48
Number of shares	827,536,000	827,536,000

* Before and after dilution.

GROUP BALANCE SHEET

SEK M

30 NOVEMBER	2009	2008
ASSETS		
FIXED ASSETS		
Intangible fixed assets		
Brands, Note 11	396	443
Customer relations, Note 11	110	123
Leasehold rights, Note 11	744	659
Goodwill, Note 11	424	431
	1,674	1,656
Tangible fixed assets		
Buildings and land, Note 12	492	480
Equipment, tools, fixtures and fittings, Note 12	14,319	11,961
	14,811	12,441
Long-term receivables	551	476
Deferred tax receivables, Note 10	1,246	1,299
TOTAL FIXED ASSETS	18,282	15,872
CURRENT ASSETS		
Stock-in-trade	10,240	8,500
Current receivables		
Accounts receivable	1,990	1,991
Other receivables	889	1,206
Prepaid expenses, Note 13	937	948
	3,816	4,145
Short-term investments, Note 14	3,001	
Liquid funds, Note 15	19,024	22,726
TOTAL CURRENT ASSETS	36,081	35,371
TOTAL ASSETS	54,363	51,243

30 NOVEMBER	2009	2008
EQUITY AND LIABILITIES		
EQUITY		
Share capital, Note 17	207	207
Reserves	1,514	1,410
Retained earnings	22,508	20,039
Profit for the year	16,384	15,294
TOTAL EQUITY	40,613	36,950
Long-term liabilities*		
Provisions for pensions, Note 18	254	228
Deferred tax liabilities, Note 10	2,038	1,818
Other provisions, Note 19	368	368
	2,660	2,414
Current liabilities**		
Accounts payable	3,667	3,658
Tax liabilities	439	1,279
Other liabilities	2,531	3,255
Accrued expenses and prepaid income, Note 21	4,453	3,687
	11,090	11,879
TOTAL LIABILITIES	13,750	14,293
TOTAL EQUITY AND LIABILITIES	54,363	51,243
Pledged assets and contingent liabilities		

* Only provisions for pensions are interest-bearing.
 ** No current liabilities are interest-bearing.

GROUP CHANGES IN EQUITY

SEK M

All shareholders' equity is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB since there are no minority interests. See also Note 19.

	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Shareholders' equity, 1 December 2008	207	1,942	-532	35,333	36,950
Translation effects, hedging reserves		-386	680		294
Deferred tax			-190		-190
Income and expenses posted directly to equity		-386	490		104
Profit for the year				16,384	16,384
Total income and expenses		-386	490	16,384	16,488
Dividend				-12,825	-12,825
Shareholders' equity, 30 November 2009	207	1,556	-42	38,892	40,613

	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Shareholders' equity, 1 December 2007	207	263		31,623	32,093
Translation effects, hedging reserves		1,679	-739		940
Deferred tax			207		207
Income and expenses posted directly to equity		1,679	-532		1,147
Profit for the year				15,294	15,294
Total income and expenses		1,679	-532	15,294	16,441
Dividend				-11,584	-11,584
Shareholders' equity, 30 November 2008	207	1,942	-532	35,333	36,950

The Group's managed capital consists of shareholders' equity. The Group's goal with respect to managing capital is to enable good growth to continue and to be prepared to exploit business opportunities. It is essential that the expansion, as in the past, proceeds with continued high degree of financial strength and continued freedom of action. Based on this policy, the Board of Directors has established a dividend policy whereby the dividend should equal around half of the profit for the year after tax. In addition, the Board may propose that surplus liquidity may also be distributed. H&M meets the capital requirements set out in the Swedish Companies Act. No other external capital requirements exist.

GROUP CASH FLOW STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2009	2008
Profit after financial items*	22,103	21,190
Provision for pensions	26	72
Depreciation	2,830	2,202
Tax paid	-6,468	-5,940
Cash flow from current operations before changes in working capital	18,491	17,524
Cash flow from changes in working capital		
Current receivables	-71	-1,343
Stock-in-trade	-1,740	-183
Current liabilities	1,293	1,968
CASH FLOW FROM CURRENT OPERATIONS	17,973	17,966
Investment activities		
Investments in leasehold rights	-180	-446
Investments in/sale of buildings and land	-25	-23
Investments in fixed assets	-5,481	-4,724
Adjustment of consideration/acquisition of subsidiaries	7	-555
Change in short-term investments, 4 12 months	-3,001	4,900
Other investments	-75	-242
CASH FLOW FROM INVESTMENT ACTIVITIES	-8,755	-1,090
Financing activities		
Dividend	-12,825	-11,584
CASH FLOW FROM FINANCING ACTIVITIES	-12,825	-11,584
CASH FLOW FOR THE YEAR	-3,607	5,292
Liquid funds at beginning of financial year	22,726	16,064
Cash flow for the year	-3,607	5,292
Exchange rate effect	-95	1,370
Liquid funds at end of financial year**	19,024	22,726

* Interest paid for the Group amounts to SEK 8 m (8). Received interest for the Group amounts to SEK 466 m (1,070).

** Liquid funds and short-term investments at the end of the financial year amounted to SEK 22,025 m (22,726).

PARENT COMPANY INCOME STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2009	2008
Sales including VAT		136
Sales excluding VAT		136
Internal sales excluding VAT, Note 5	5,521	5,175
Cost of goods sold, Note 8		-32
GROSS PROFIT	5,521	5,279
Selling expenses, Note 6, 8	-1,898	-1,773
Administrative expenses, Note 6, 8, 9	-1,561	-1,388
OPERATING PROFIT	2,062	2,118
Dividend from subsidiaries	13,092	12,839
Interest income	113	438
Interest expense	0	0
PROFIT AFTER FINANCIAL ITEMS	15,267	15,395
Year-end appropriations, Note 23	-41	-663
Tax, Note 10	-608	-534
PROFIT FOR THE YEAR	14,618	14,198

PARENT COMPANY BALANCE SHEET

SEK M

30 NOVEMBER	2009	2008	30 NOVEMBER	2009	2008
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Tangible fixed assets			Restricted equity		
Buildings and land, Note 12	51	58	Share capital, Note 17	207	207
Equipment, tools, fixtures and fittings, Note 12	363	356	Restricted reserves	88	88
	414	414		295	295
Financial fixed assets			Non-restricted equity		
Shares and participation rights, Note 24	572	583	Retained earnings	681	783
Receivables from subsidiaries	705	345	Profit for the year	14,618	14,198
Long-term receivables	30	13		15,299	14,981
Deferred tax receivables, Note 10	56	51			
	1,363	992	TOTAL EQUITY	15,594	15,276
TOTAL FIXED ASSETS	1,777	1,406	UNTAXED RESERVES, NOTE 25	825	782
CURRENT ASSETS			Long-term liabilities		
Current receivables			Provisions for pensions, Note 18	211	193
Receivables from subsidiaries	8,072	8,579	Current liabilities*		
Tax receivables	627	143	Accounts payable	133	98
Other receivables	13	46	Other liabilities	245	219
Prepaid expenses, Note 13	14	12	Accrued expenses and prepaid income, Note 21	140	143
	8,726	8,780		518	460
Short-term investments, Note 14	3,001		TOTAL LIABILITIES	729	653
Liquid funds, Note 15	3,644	6,525	TOTAL EQUITY AND LIABILITIES	17,148	16,711
TOTAL CURRENT ASSETS	15,371	15,305	Pledged assets		
TOTAL ASSETS	17,148	16,711	Contingent liabilities, Note 26	11,292	11,751

* No current liabilities are interest-bearing.

PARENT COMPANY CHANGES IN EQUITY

SEK M

	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Shareholders' equity, 1 December 2008	207	88	14,981	15,276
Group contributions provided			-2,044	-2,044
Tax effect of group contributions provided			572	572
Result of merger			-3	-3
Dividend			-12,825	-12,825
Profit for the year			14,618	14,618
Shareholders' equity, 30 November 2009	207	88	15,299	15,594

	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Shareholders' equity, 1 December 2007	207	88	12,367	12,662
Dividend			-11,584	-11,584
Profit for the year			14,198	14,198
Shareholders' equity 30 November 2008	207	88	14,981	15,276

PARENT COMPANY CASH FLOW STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2009	2008
Profit after financial items*	15,267	15,395
Provision for pensions	18	80
Depreciation	94	88
Tax paid	-525	-701
Cash flow from current operations before changes in working capital	14,854	14,862
Cash flow from changes in working capital		
Current receivables	-1,503	-2,261
Stock-in-trade		407
Current liabilities	58	-117
CASH FLOW FROM CURRENT OPERATIONS	13,409	12,891
Investment activities		
Investments in/sale of buildings and land	4	-2
Investments in equipment	-98	-183
Adjustment of consideration/Acquisition of subsidiaries	7	-566
Change in short-term investments, 4 - 12 months	-3,001	4,900
Other investments	-377	-348
CASH FLOW FROM INVESTMENT ACTIVITIES	-3,465	3,801
Financing activities		
Dividend	-12,825	-11,584
CASH FLOW FROM FINANCING ACTIVITIES	-12,825	-11,584
CASH FLOW FOR THE YEAR	-2,881	5,108
Liquid funds at beginning of financial year	6,525	1,417
Cash flow for the year	-2,881	5,108
Liquid funds at end of financial year	3,644	6,525

* Interest paid for the parent company amounts to SEK 0 m (0).
Received interest for the parent company amounts to SEK 113 m (436).

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 company's share is listed on the Stockholm stock exchange, NASDAQ OMX Stockholm AB. 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 27 January 2010 and will be submitted to the Annual General Meeting for approval on 29 April 2010.

The holding of Ramsbury Invest AB (formerly Stefan Persson Placering AB) of shares in H & M Hennes & Mauritz AB represents 12.1 percent of all shares and around 57.3 percent of the total voting power. Ramsbury Invest AB (556423-5769) is thus formally 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 the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard 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 in accordance with the Swedish Financial Reporting Board's recommendation RFR 1.2, Supplementary Accounting Rules for Groups.

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

The parent company's functional currency 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

In the preparation of its financial statements, the parent company has applied the Swedish Financial Reporting Board's recommendation RFR 2.2, Accounting for Legal Entities. The Swedish Accounts Act has also been applied. The main deviation 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 and disclosure requirements applied for 2008/2009 are the same as those applied in the previous year with the exception of the following:

IFRIC 13 Customer Loyalty Programmes (effective from 2008/2009) requires that rewards from customer loyalty programmes be accounted for as a separate component in 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 periods when the obligation is fulfilled. The application of this requirement has not involved any change in the reported profit or financial position.

FUTURE ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

A number of new standards, changes and interpretations of existing standards have been published but have not yet entered into force. The standards, amendments and interpretations below, which are deemed 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:

IFRS 3 Business Combinations (revisions) and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective from 2009/2010) affect the accounting of possible future acquisitions and disposals and transactions with minority shareholders.

IFRS 7, Financial Instruments: Disclosures, revision (effective from 2009/2010) involves greater disclosure with respect to financial instruments.

IFRS 8 Operating Segments (effective from 2009/2010) contains disclosure requirements with respect to the Group's operating segments and requires that financial statements be based on the internal segments determined by the executive management and the accounting principles applied. H&M does not believe that the new standard will require any change to segment reporting.

Revised IAS 1 Presentation of Financial Statements (effective from 2009/2010) the revision requires, among other things, that items previously reported in the shareholders' equity calculation but that are not shareholder transactions be presented in an expanded income statement or in a separate report attached to the income statement. The Group will present a separate report.

ESTIMATES AND ASSESSMENTS

The preparation of the Annual Report and consolidated accounts requires estimates and assumptions to be made as well as judgments 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 for the future. The actual outcome may therefore deviate from the estimates and assumptions made. It is the company's assessment that the estimates and assumptions made in the financial statements up to 30 November 2009 will not significantly affect the results and position for the forthcoming financial year.

CONSOLIDATED ACCOUNTS

General

The consolidated accounts cover 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. The acquisition method is used in the preparation of the consolidated accounts. The net assets of acquired subsidiaries are determined based on a valuation of the fair value 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 identifiable 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 identifiable 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.

Minority interests

In 2008 H&M acquired 60 percent of the shares in FaBric Scandinavien AB. The parties have reached an agreement whereby H&M has the opportunity/obligation to acquire the remaining shares within three to seven years. The calculated value of the put options allocated to minority shareholders in connection with the acquisition is reported as a provision for an additional contingent consideration. Therefore no minority interest is reported. Any change in fair value of the put options/consideration will be reported as an adjustment of goodwill.

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 financial year. The translation difference arising from this, and also as a result of the fact that the 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.

FOREIGN CURRENCY

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.

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 connection with sale/delivery to the customer. Franchise sales have 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. The Group's income exhibits seasonal variations. The first quarter of the financial year is normally the weakest and the last quarter the strongest. Interest income is reported as it is earned.

MARKETING

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

INTANGIBLE FIXED ASSETS

Intangible fixed assets with a finite useful life are reported at cost less accumulated amortisation and any accumulated write-downs. Amortisation is distributed linearly over the assets' expected useful life. See also Note 8 and Note 11.

Goodwill is the amount by which the acquisition cost exceeds the fair value of the Group's share in the acquired subsidiary's identifiable net assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. Intangible assets with an indefinite useful life including goodwill are tested annually for impairment. If the book value of the asset exceeds the recoverable amount (the highest of the net realisable value and the value in use) the necessary amount is written down. Any write-down is recognised in profit/loss.

TANGIBLE FIXED ASSETS

Costs relating to intangible 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. Tangible fixed assets are reported at cost less accumulated depreciation and any accumulated write-downs. Depreciation is distributed linearly over the asset's expected useful life. No depreciation is applied to land. See also Note 8 and Note 12. The book value of tangible fixed assets is tested for impairment. If the asset's book value exceeds the recoverable amount (the highest of the net realisable value and the value in use) the required amount is written down. Any write-down is recognised in profit/loss.

LEASING

Leasing agreements in which a substantial portion of the risks and benefits of ownership are retained by the lessor are classified as operational leases. Financial leases exist when the financial risks and benefits associated with the ownership of an object are essentially transferred from the lessor to the lessee, regardless

of whether the legal ownership belongs to the lessor or the lessee. Assets held under financial leasing agreements are reported as fixed assets and future payment commitments are reported as liabilities in the balance sheet. As of the closing day the Group had no leasing agreement reported according to the rules for financial leases. Minimal leasing agreements relating to operational leases are recognised in the income statement as an expense and distributed linearly over the term of the agreement. The Group's main leasing agreements are rental agreements for premises. Variable (sales-based) rents are recognised in the same period as the corresponding sales.

FINANCIAL INSTRUMENTS

Financial instruments are assessed and recognised in accordance with the rules in 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 payables and derivatives. Financial instruments are recognised 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 recognised. Assets and liabilities in this category are assessed continually at fair value, with changes in value recognised in profit/loss.

Loans receivable and accounts receivable

This category primarily covers cash and bank balances as well as accounts receivable. Cash and bank balances are valued at the accrued acquisition cost. Accounts receivable have a short expected term and are recognised at the original invoiced amount without discount, with deductions for doubtful receivables.

Financial assets held to maturity

Financial assets held to maturity are 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. As of the closing date, all of the Group's short-term investments fell 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 their 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 revaluation of derivatives used for hedging is reported as described in the section Derivatives and Hedge Accounting.

LIQUID FUNDS

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

DERIVATIVES AND HEDGE ACCOUNTING

The Group's policy is for derivatives to be held for hedging purposes only. Derivative instruments comprise forward currency contracts used to hedge the risk of exchange rate fluctuation for internal and external flow of goods.

H&M applies 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 hedge 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. As of 30 November 2008 and 2009 all of the Group's derivatives were in the cash flow hedging category. How these hedging transactions are reported is described below.

Hedging of forecast currency flows – cash flow hedging

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

When a hedging instrument is used to hedge fair value, the hedges are reported at fair value in the balance sheet and, correspondingly, the contracted flow is also reported at fair value with regard to the currency risk being hedged. Changes in the value of a derivative are reported in the income statement together with changes in the value of the hedged item. Cash flow hedging may also be used for contracted flow of goods.

STOCK-IN-TRADE

Stock-in-trade is valued at the lower of the acquisition cost and the net realisable value. From the moment the goods are transferred from the supplier to the transport service provider appointed by H&M, the goods are owned according to civil law by H&M and become part of H&M's reported stock-in-trade. Goods that have not yet arrived at a store are valued at their actual acquisition cost including the cost of customs duties and freight.

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 estimated market value less the calculated selling expenses.

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 in which 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 the previous and current periods. The defined benefit obligations less the fair value of managed assets are reported under the heading "Provisions 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 as well as 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 an insurance policy with Alecta. According to the statements issued by the Swedish Financial Reporting Board (UFR 3), 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 the information allowing this plan to be reported according to the rules for defined benefit plans.

Alecta's surplus may be allocated to the insured employer and/or the insured employees. As of 30 September 2009, Alecta's consolidation ratio was 136 percent (126). The consolidation ratio is calculated as 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. See Note 18 for further information.

OTHER PROVISIONS

Provisions are reported in the balance sheet when there is an undertaking as a result of an event occurring and it is likely that an outflow of resources will be required for the undertaking and when the amount can be reliably estimated. Other provisions include additional contingent consideration relating to put options allocated to minority shareholders.

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 income tax rate in force in each country is applied. For more information see Note 10.

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 deducted or the liabilities are settled, based on the tax rates (and the tax legislation) in force on the closing date. Deferred tax receivables are recognised for all temporary differences unless they relate to goodwill or an asset or a liability in a transaction that is not a company acquisition and that, at the time of acquisition, affects neither the reported nor taxable profit or loss for the period. Also, temporary differences relating to investments in subsidiaries and associated companies are taken into account only to the extent it is likely that the temporary difference will be reversed in the foreseeable future. Deferred tax receivables for temporary differences and loss carry-forwards are recognised only to the extent it is likely that these will be able to be utilised. As of the closing date, the Group had no loss carry-forwards that were not matched by reported deferred tax receivables.

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 STATEMENT

The cash flow statement 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 order to clearly present the information for different segments, the operations are divided into three geographical areas: the Nordic region, Euro Zone countries excluding Finland, and the Rest of the World. The risks and opportunities are similar in each segment. The parent company and subsidiaries with no external sales are reported in a separate Group-wide segment. There is no internal division into different business segments and thus reporting in secondary segments is not relevant. Transactions between segments take place on normal commercial terms.

2 FINANCIAL RISKS

The Group's financing and management of financial risk is done centrally within the Group's finance department and is done according to a financial policy established by the 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.

In the course of doing 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 executes transactions involving currency derivatives for the purpose of managing currency risk that arises in the course of the Group's business.

The risks relating 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.

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 and short-term investments. The original term of the investments as of the closing date is a maximum of twelve months by the closing date. The financial policy permits investments of up to two years. The Group's liquid funds and short-term investments as of the closing date amounted to SEK 22,025 m. An interest rate increase of 0.5 percentage units on this amount would increase interest income by SEK 110 m. A corresponding decrease in the interest rate would reduce the interest income by the same amount.

CURRENCY RISK

Currency risk is, among other things, the risk that the value of financial instruments or future cash flows will vary due to changes in exchange rates.

Currency exposure associated with financial instruments

H&M's currency risk associated with financial instruments is mainly related to financial investments, accounts payable and derivatives. To reduce currency risk associated with financial investments, any surplus liquidity is invested in local currencies in the respective country. Most of the surplus liquidity is in Sweden and is invested in SEK. The Group's accounts payable in foreign currencies are mainly handled in Sweden and are to a large extent hedged through forward contracts. Based on this, a change in the value of the Swedish krona of 2 percent in relation to other currencies would result in an insignificant momentary effect on profit related to the financial instrument holdings as of the closing date. A strengthening of the Swedish krona would have a positive effect on the hedge reserve in equity in the amount of around SEK 250 m before taking into account the tax effect.

The Group's exposure to outstanding derivative instruments is reported in Note 16.

The Group's operating profit for the year was affected by exchange rate differences relating to flow of goods in the amount of SEK -170 m (31).

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. To manage 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 the central level. Most 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 US dollar/euro exchange rates is the single largest transaction exposure within the Group. To hedge the flow of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuation, the majority of the Group's flow of goods (90 percent) were hedged under forward contracts on an ongoing basis throughout the 2008/2009 financial year. Since the sole purpose of this currency management is to reduce risk, only exposure to the flow of goods is hedged.

In 2009 a review was conducted of the Group's currency flows and as a result, two changes were made:

Starting on 1 December 2009, 100 percent of the Group's product buying will be currency-hedged, compared to 90 percent previously, for the purpose of reducing the volatility caused by exchange rate fluctuation.

Starting on 1 December 2009 the company will discontinue the hedging of the internal mark-up for the internal flow of goods to the subsidiaries.

For more information see under the heading "Changed currency hedging policy" in the Administration Report.

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 against the Swedish krona, compared to the same period 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 SEK if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. Translation effects affect the Group's net assets on consolidation of the foreign companies' balance sheets (translation exposure in the balance sheet). No exchange rate hedging (equity hedging) is carried out for this risk.

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 exposure arises when liquid funds including short-term investments are invested, but also arises in the form of 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-/A- (Standard & Poor) and P2/A3 (Moody's). Maximum credit exposure as of 30 November 2009 is equivalent to the book value of liquid assets of SEK 19,024 m, short-term investments SEK 3,001 m, accounts receivables SEK 1,990 m and other SEK 811 m, totalling SEK 24,826 m. The accounts

receivables are shared between a large number of customers with low amounts per customer. The average debt was around SEK 2,000 (2,000). The loss on accounts receivables was insignificant.

3 SEGMENT REPORTING

	2009	2008
Nordic region		
External net sales	16,302	15,323
Operating profit	692	1,154
Operating margin, %	4.2	7.5
Assets, excluding tax receivables	5,037	4,059
Liabilities, excluding tax liabilities	1,639	1,168
Investments	375	268
Depreciation	259	198
Euro Zone excluding Finland		
External net sales	57,229	49,961
Operating profit	2,545	2,938
Operating margin, %	4.4	5.9
Assets, excluding tax receivables	16,601	14,190
Liabilities, excluding tax liabilities	3,307	2,911
Investments	2,789	2,439
Depreciation	1,374	1,051
Rest of the world		
External net sales	27,862	23,248
Operating profit	1,298	1,196
Operating margin, %	4.7	5.1
Assets, excluding tax receivables	10,711	9,234
Liabilities, excluding tax liabilities	1,875	1,601
Investments	2,135	1,827
Depreciation	1,015	823
Group functions		
Net sales to other segments	57,510	51,558
Operating profit	17,109	14,850
Operating margin, %	29.7	28.8
Assets, excluding tax receivables	20,768	22,461
Liabilities, excluding tax liabilities	4,452	5,516
Investments	387	659
Depreciation	182	130
Eliminations		
Net sales to other segments	-57,510	-51,558
Total		
External net sales	101,393	88,532
Operating profit	21,644	20,138
Operating margin, %	21.3	22.7
Assets, excluding tax receivables	53,117	49,944
Liabilities, excluding tax liabilities	11,273	11,196
Investments	5,686	5,193
Depreciation	2,830	2,202

4 NET SALES BY COUNTRY

	2009	2008
Sweden	6,323	5,973
Norway	4,482	4,235
Denmark	3,411	3,102
UK	6,723	6,401
Switzerland	5,615	4,534
Germany	25,289	21,434
Netherlands	6,220	5,710
Belgium	2,894	2,581
Austria	4,598	4,195
Luxembourg	371	316
Finland	2,086	2,013
France	7,070	6,686
USA	7,173	6,264
Spain	5,448	5,006
Poland	2,033	2,081
Czech Republic	561	564
Portugal	773	634
Italy	3,013	2,229
Canada	1,972	1,629
Slovenia	517	500
Ireland	476	418
Hungary	251	254
Slovakia	157	115
Greece	403	253
China	1,513	827
Japan	1,111	188
Russia	319	
Franchise	591	390
Total	101,393	88,532

5 ROYALTIES FROM GROUP COMPANIES

The parent company's internal sales include royalties from Group companies of SEK 5,521 m (5,145).

6 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

2009	Board, MD, executive management salary	Salary other employees	Payroll overheads total	of which pens. total	of which pens. Board, MD exec. mgmt
Sweden, parent company	54	408	240	81	28
Subsidiaries	61	13,015	2,862	140	6
Group total	115	13,423	3,102	221	34

2008	Board, MD, executive management salary	Salary other employees	Payroll overheads total	of which pens. total	of which pens. Board, MD exec. mgmt
Sweden, parent company	49	372	263	128	85
Subsidiaries	52	11,324	2,434	90	4
Group total	101	11,696	2,697	218	89

BOARD FEES

Board fees for the year as approved by the 2008 AGM amounted to SEK 4.25 m (4.25). Board fees were paid as follows:

	SEK
Stefan Persson, Chairman	1,350,000
Fred Andersson	375,000
Mia Brunell Livfors	375,000
Lottie Knutson	375,000
Sussi Kvart	450,000
Bo Lundquist	450,000
Stig Nordfelt	500,000
Karl-Johan Persson*	
Melker Schörling	375,000

* Karl-Johan Persson received no Board fees as he is employed by the company.

As of the AGM on 4 May 2009 the Board consists of seven ordinary members elected by the AGM. There are also two employee representatives with two deputies for these positions. Seven members of the Board are women, four are men and four of the eleven are employed by the company.

REMUNERATION TO SENIOR EXECUTIVES

Based on a resolution regarding guidelines passed by the 2009 AGM. See the Administration Report page 6.

REMUNERATION TO THE MANAGING DIRECTOR

Rolf Eriksen was the Managing Director until 30 June 2009. On 1 July 2009 Karl-Johan Persson took over as Managing Director.

Remuneration to the former Managing Director

Remuneration to the former Managing Director for the 2009 financial year in the form of salary, fees and benefits amounted to SEK 15.8 m (16.8) which included a bonus of SEK 2.1 m (2.1). The pension expenses for the former Managing Director during the year amounted to SEK 16.0 m (60.2). The change in the year's pension commitments entered as liabilities for the former Managing Director include actuarial gains of SEK 3.8 m (actuarial losses of 38). The total pension commitments entered as liabilities, which are based on the fact that the former Managing Director will receive a pension for the first three years of his retirement equivalent to 65 percent of his fixed salary followed by a lifelong pension equivalent to 50 percent of the same salary, amount to SEK 152.2 m (136.7). The former Managing Director retired on 1 September 2009.

Remuneration to the current Managing Director

Remuneration to the current Managing Director for the period from 1 July 2009 to 30 November 2009 in the form of salary and benefits amounted to SEK 4.6 m. No bonus was paid out in 2009. Pension benefits for the current Managing Director is covered by a defined contribution plan and by the ITP plan. The total pension cost shall not exceed a total of 30 percent of

the Managing Director's fixed salary. The pension expenses for the current Managing Director amounted to SEK 1.4 m.

The Managing Director is entitled to a 12-month period of notice. In the event the company cancels his employment contract, the Managing Director will also receive severance pay of an extra year's salary. The Managing Director's terms of employment are determined by the Board of Directors.

REMUNERATION TO OTHER MEMBERS OF EXECUTIVE MANAGEMENT

Remuneration to other members of the executive management team in the form of salary and benefits were paid in the amount of SEK 42.9 m (38.5) which included bonuses of SEK 2.7 m (2.6). Pension expenses relating to other members of executive management during the year amounted to SEK 11.8 m (24.9). The other members of executive management are 12 (12) individuals, five of whom are women.

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

In addition, bonuses amounting to SEK 5.6 m (8.0) 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 executive management are determined by the Managing Director and the Chairman of the Board.

7 AVERAGE NUMBER OF EMPLOYEES

	2009 Total	Male %	2008 Total	Male %
Sweden	4,874	21	4,924	21
Norway	1,546	10	1,575	7
Denmark	1,419	6	1,335	6
UK	4,562	23	4,275	24
Switzerland	1,813	13	1,599	12
Germany	11,114	19	10,746	19
Netherlands	2,196	17	2,395	19
Belgium	1,480	21	1,332	15
Austria	1,881	10	1,986	10
Luxembourg	134	12	134	11
Finland	782	8	840	10
France	3,498	27	3,396	25
USA	4,253	31	6,820	31
Spain	4,009	18	4,528	20
Poland	2,452	19	1,956	21
Czech Republic	263	11	281	6
Portugal	646	20	606	25
Italy	1,632	29	1,052	30
Canada	1,096	23	1,011	22
Slovenia	139	14	129	15
Ireland	236	20	220	15
Hungary	135	15	135	12
Slovakia	69	19	65	38

	2009 Total	Male %	2008 Total	Male %
Greece	262	19	247	20
China	1,521	30	1,109	26
Japan	442	42	203	33
Russia	374	31	26	23
South Korea	44	32		
Other countries	604	51	505	48
Group total	53,476	21	53,430	21

SICKNESS ABSENCE WITHIN THE PARENT COMPANY

	Sickness absence as % of reg. working hours		% of sickness absence lasting over 60 days	
	2009	2008	2009	2008
Female employees	2.8	2.6	24.8	35.4
Male employees	2.1	1.7	17.5	5.9
Employees in age group < 30 years	2.6	1.9	15.9	
Employees in age group 30 - 49 years	2.5	2.3	21.3	29.2
Employees in age group ≥ 50 years	1.9	1.3	38.7	
Total	2.5	2.2	21.9	24.7

8 DEPRECIATION

Depreciation has been calculated at 12 percent of the acquisition cost of equipment and leasehold rights, and 20 percent for computer equipment and vehicles, based on their estimated useful life. Depreciation on brands and customer relations relating to FaBric Scandinavien AB is assessed at 10 percent of the acquisition cost. Buildings are depreciated at 3 percent of their acquisition cost. No depreciation is applied to land values. Depreciation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Cost of goods sold	310	245		11
Selling expenses	2,350	1,825		73
Administrative expenses	170	132	94	4
Total	2,830	2,202	94	88

9 AUDIT FEES

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Ernst & Young				
Audit assignments	16.7	14.5	2.2	2.2
Other assignments	15.2	14.0	0.1	0.6
Other auditors				
Audit assignments	3.2	2.9		
Other assignments	1.8	1.1		
Total	36.9	32.5	2.3	2.8

10 TAX

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
<i>Tax expense (-)</i>				
<i>/tax receivable (+):</i>				
Current tax				
Tax expense for the period	-5,630	-5,034	-40	-556
Tax effect of group contributions provided			-572	
Adjusted tax expense for previous years		-1	-1	3
Total	-5,630	-5,035	-613	-553
Deferred tax receivable (+) / tax expense (-) in respect of temporary differences in stock-in-trade	130	32		
loss carry-forward		1		
pension provisions	7	20	5	19
tax allocation reserve	-79	-1,017		
intangible fixed assets	18	10		
other temporary differences	-165	93		
Total	-89	-861	5	19
Total	-5,719	-5,896	-608	-534
<i>Reconciliation between current tax rate and effective tax rate:</i>				
Expected tax expense according to the Swedish tax rate of 28%	-6,189	-5,933	-4,263	-4,126
Effect of changed tax rate in Sweden	225			
Difference in foreign tax rates	261	279		
Non-deductible/non-taxable	-128	-153	-15	-8
Other	112	-88		
Tax for previous years		-1	-2	3
Tax-free dividend subsidiaries			3,666	3,597
Total	-5,719	-5,896	-614	-534
Reported deferred tax receivable relates to:				
Pensions	84	56	56	51
Loss carry-forward in subsidiaries	0	3		
Temporary differences in stock-in-trade	978	819		
Hedge reserve	21	207		
Other temporary differences	163	214		
Total	1,246	1,299	56	51

	GROUP	
	2009	2008
Reported deferred tax expense relates to		
Intangible fixed assets	142	159
Tangible fixed assets	456	432
Stock-in-trade	291	210
Tax allocation reserve	1,073	1,017
Other temporary differences	76	
Total	2,038	1,818

11 INTANGIBLE FIXED ASSETS

	GROUP	
	2009	2008
Brand*		
Opening acquisition cost	470	
Acquisitions during the year		470
Closing acquisition cost	470	470
Opening amortisation	-27	
Amortisation for the year	-47	-27
Closing accumulated amortisation	-74	-27
Closing book value	396	443
Customer relations*		
Opening acquisition cost	131	
Acquisitions during the year		131
Closing acquisition cost	131	131
Opening amortisation	-8	
Amortisation for the year	-13	-8
Closing accumulated amortisation	-21	-8
Closing book value	110	123
Leasehold rights		
Opening acquisition cost	890	476
Acquisitions during the year	180	446
Sales/disposals	7	-77
Translation effects	9	45
Closing acquisition cost	1,086	890
Opening amortisation	-231	-210
Sales/disposals	12	77
Amortisation for the year	-122	-74
Translation effects	-1	-24
Closing accumulated amortisation	-342	-231
Closing book value	744	659
Goodwill*		
Opening acquisition cost	431	
Acquisitions during the year		431
Adjusted consideration FaBric Scandinavien AB	-7	
Closing acquisition	424	431

* Brand, customer relations and goodwill assets have been added through the acquisition in 2008 of the company FaBric Scandinavien AB, which was a cash-generating unit. A goodwill impairment test was carried out at the end of 2009. The impairment test is based on a calculation of value in use. The value in use has been assessed based on discounted cash flows according to the forecasts for the next ten years and with an annual growth rate of 2 percent in subsequent years. A discount rate of 12 percent before tax was used. The cash flows are based on H&M's business plan. The growth rate of 2 percent

is based on H&M's assessment of the opportunities and risks associated with the business. The discount rate is based on an average weighted capital cost that is estimated to be on a par with the external requirements that the market imposes for similar companies. No impairment was identified and H&M is of the opinion that reasonable possible changes in the variables above would not have such a significant impact that the recovery value would be reduced to a lower amount than the booked value. An adjustment of the consideration for FaBric Scandinavien AB of SEK 7 m was made and this reduced the reported goodwill value.

12 BUILDINGS, LAND & EQUIPMENT

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Buildings				
Opening acquisition cost	596	564	109	107
Acquisitions during the year	29	23		2
Sales/disposals	-4	-35	-4	
Translation effects	8	44		
Closing acquisition cost	629	596	105	109
Opening depreciation	-184	-158	-54	-51
Sales/disposals		4		
Depreciation for the year	-18	-16	-3	-3
Translation effects	-5	-14		
Closing accumulated depreciation	-207	-184	-57	-54
Closing book value	422	412	48	55
Land				
Opening acquisition cost	68	60	3	3
Acquisitions during the year		0		
Sales/disposals				
Translation effects	2	8		
Closing book value	70	68	3	3
The tax assessment values for the Swedish properties amount to SEK 73 m (71). The book value of these amounts to SEK 51 m (58).				
	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Equipment				
Opening acquisition cost	21,020	16,173	769	736
Acquisitions during the year	5,481	4,724	98	183
Sales/disposals	-2,266	-1,346	-131	-150
Translation effects	-659	1,469		
Closing acquisition cost	23,576	21,020	736	769
Opening depreciation	-9,059	-7,352	-413	-478
Sales/disposals	2,115	1,203	131	150
Depreciation for the year	-2,630	-2,077	-91	-85
Translation effects	317	-833		
Closing accumulated depreciation	-9,257	-9,059	-373	-413
Closing book value	14,319	11,961	363	356

The Group has no significant leasing agreements other than the rental agreements for rented premises entered into at normal market rates. Rental costs for the 2009 financial year amounted to SEK 12,249 m (9,776), of which sales-based rent amounted to SEK 888 m (740).

Rent according to the Group's rental agreements (basic rent including any sales-based rent) amounts to SEK m:

Rental commitment 2010	9,383
Rental commitment 2011-2014	26,416
Rental commitment 2015 and thereafter	18,546

13 PREPAID COSTS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Prepaid rent	697	642	5	4
Other items	240	306	9	8
Total	937	948	14	12

14 SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Short-term investments				
4-12 months	3,001		3,001	
Total	3,001		3,001	

The balance sheet item includes interest-bearing investments, i.e. investments in securities issued by banks or in short-term bank deposits.

15 LIQUID FUNDS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Cash and bank balances	6,629	3,028	143	8
Short-term investments				
0-3 months	12,395	19,698	3,501	6,517
Total	19,024	22,726	3,644	6,525

Investment are made on market terms and interest rates are between 0.16 and 5.5 percent. The difference in interest rates depends on the currency in which the funds are invested.

16 FORWARD CONTRACTS

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

Currency pair	Book value and fair value		Nominal amount		Average remaining term in months	
	2009	2008	2009	2008	2009	2008
SELL/BUY						
NOK/SEK	-24	-1	762	830	4	4
GBP/SEK	31	-27	1,308	1,210	4	4
DKK/SEK	-7	-46	667	637	4	4
CHF/SEK	-16	-90	1,432	1,209	4	4
EUR/SEK	-82	-820	11,862	11,950	4	4
PLN/SEK	-18	9	472	633	4	4
USD/SEK	38	-216	1,053	1,380	4	4
CAD/SEK	2		449		4	
JPY/SEK	-20		509		4	
SEK/USD	2	550	5,082	5,338	3	3
SEK/EUR	19	66	1,040	1,423	2	2
Total	-75	-575	24,636	24,610		

Forward contracts with a positive market value amount to SEK 260 m (660), which is reported under Other current receivables. Forward contracts with a negative market value amount to SEK 335 m (1,234), which is reported under Other current liabilities.

Of the outstanding forward contracts, losses of SEK 16 m were recorded in the income statement with changes in value of the underlying hedged item. Residual fair value of SEK 60 m was recorded in the hedge reserve in equity.

The fair value was established based on listed prices.

17 SHARE CAPITAL

The share capital is divided between 97,200,000 class A shares (ten votes per share) and 730,336,000 class B shares (one vote per share). There are no other differences between the rights associated with the shares. The total number of shares is 827,536,000.

18 PROVISIONS FOR PENSIONS

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Capitalised value of defined benefit obligations	335	299	238	219
Fair value of managed assets	-81	-71	-27	-26
Provisions for pension obligations recorded in the balance sheet	254	228	211	193
Opening balance, 1 December	228	156	193	113
Reported pension expenses, net	38	82	23	84
Premiums paid	-5	-4	-2	-2
Pensions paid out	-7	-6	-3	-2
Recorded amount of defined benefit obligations, 30 November	254	228	211	193

The amounts recorded as pension expenses include the following items:

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Expenses for service during the current year	34	23	23	18
Interest expense	11	10	7	7
Expected return on managed assets	-3	-3	-1	-1
Actuarial gains (-) and losses (+)	-4	51	-6	59
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	0	1		1
Reported pension expenses, net	38	82	23	84

The cost of defined contribution pension plans amounts to SEK 193 m (135).

Significant actuarial assumptions on the balance sheet date (weighted average amounts)

Discount rate	3.61 %	3.30 %	3.50 %	3.00 %
Expected return on managed assets	3.57 %	3.76 %	3.25 %	3.25 %
Future salary increases	4.63 %	4.67 %	5.00 %	5.00 %
Future pension increases (inflation)	3.00 %	2.06 %	2.00 %	2.00 %

19 OTHER PROVISIONS

	GROUP	
	2009	2008
Provision for additional consideration for FaBric Scandinavien AB	368	368
Total	368	368

H&M acquired 60 percent of the shares in the fashion company FaBric Scandinavien AB in 2008. At the time of the acquisition the parties signed an agreement giving H&M the opportunity/obligation to acquire the remaining shares within three to seven years. The assessed value of the put options allocated to minority shareholders in connection with the acquisition is reported as a provision for an additional contingent consideration. Therefore no minority interest is reported. At the time of the acquisition the provision was SEK 368 m. Any change in fair value of the put options/additional consideration will be recorded as an adjustment of goodwill.

20 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2009	Loan receivables and accounts receivable	Financial assets held to maturity	Deriv. for hedging recog. at fair value in equity	Other financial liabilities	Total booked value
Other long-term receivables		551			551
Accounts receivable	1,990				1,990
Other receivables			260		260
Short-term investments		3,001			3,001
Liquid funds	12,395	6,629			19,024
Total financial assets	14,385	10,181	260		24,826
Accounts payable				3,667	3,667
Other liabilities			335		335
Total financial liabilities			335	3,667	4,002

2008	Loan receivables and accounts receivable	Financial assets held to maturity	Deriv. for hedging recog. at fair value in equity	Other financial liabilities	Total booked value
Other long-term receivables		476			476
Accounts receivable	1,991				1,991
Other receivables			660		660
Short-term investments					0
Liquid funds	3,028	19,698			22,726
Total financial assets	5,019	20,174	660		25,853
Accounts payable				3,658	3,658
Other liabilities			1,234		1,234
Total financial liabilities			1,234	3,658	4,892

The fair value of all assets and liabilities corresponds to the book value since the assets and liabilities that are recognised at the accrued acquisition cost have short remaining terms.

21 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2009	2008	2009	2008
Holiday pay liability	569	524	42	35
Payroll overheads	383	425	48	52
Payroll liability	489	512	10	3
Costs relating to premises	1,476	1,032	4	1
Other accrued overheads	1,536	1,194	36	52
Total	4,453	3,687	140	143

22 RELATED PARTY DISCLOSURES

Ramsbury Invest 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, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen and Oxford Circus in London, and since January 2008 premises for H&M's head office in Stockholm. Rent is paid at market rates and totalled SEK 193 m (156) for the financial year.

Karl-Johan Persson has received remuneration in the form of a salary and benefits amounting to SEK 5.1 m (0.7) for work carried out during the financial year as Head of H&M's expansion until 30 June 2009 and from 1 July 2009 as Managing Director for H & M Hennes & Mauritz AB. More information regarding salaries and other remuneration to related parties is provided in Note 6.

23 APPROPRIATIONS

	PARENT COMPANY	
	2009	2008
Provision for tax allocation reserve	-43	-662
Depreciation in excess of plan	2	-1
Total	-41	-663

24 PARTICIPATIONS IN GROUP COMPANIES

All Group companies are wholly-owned except FaBric Scandinavien AB which is owned to 60 percent. The parties have also signed an agreement under which H&M has the opportunity/obligation to acquire the remaining shares within three to seven years.

2009	Corporate ID number	No. of shares	Book value	Domicile
Parent company shareholding				
Bekå AB	556024-2488	450	1.3	Stockholm
H & M Hennes & Mauritz Sverige AB	556151-2376	1,250	0.1	Stockholm
H & M Rowells AB	556023-1663	1,150	0.6	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	11.7	Japan
FaBric Scandinavien AB	556663-8522	828	552.9	Tranås
H & M Hennes & Mauritz International AB	556782-4890	1,000	0.1	Stockholm
Total			572.3	

2009	Corporate ID number	Domicile
Subsidiaries' holdings		
H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz UK Ltd		UK
H & M Hennes & Mauritz SA		Switzerland
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		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 sp. z 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
Monki AB	556686-8609	Tranås
Weekday AB	556427-8926	Stockholm
Weekday Brands AB	556675-8438	Tranås
Weekday A/S		Denmark
H & M Hennes & Mauritz LLP Russia		Russia
H & M Hennes & Mauritz TR Tekstil Ltd sirketi		Turkey
H & M Hennes & Mauritz Ltd		South Korea
FaBric Sales Norway AS		Norway
FaBric Sales AB & Co. KG		Germany

During the year the following subsidiaries merged into H & M Hennes & Mauritz AB. The merger of wholly-owned limited companies took place through absorption. The effective date for all of the mergers was 28 October 2009. The companies being absorbed were not active during the 2009 financial year. According to the Swedish Accounting Standards Board's recommendation BFNAR 1999:1 item 24, the amounts of the merged assets and liabilities are not stated in the published version of the annual accounts as the amounts are insignificant.

556005-5047	Big is Beautiful, BiB AB
556027-7351	Carl Axel Petterssons AB
556030-1052	K.E. Persson AB
556056-0889	AB Hennes
556099-0706	Carl-Axel Herrmode AB
556125-1421	Mauritz AB

25 UNTAXED RESERVES

	PARENT COMPANY	
	2009	2008
Tax allocation reserve tax 09	662	662
Tax allocation reserve tax 10	43	
Depreciation in excess of plan	120	120
Total	825	782

26 CONTINGENT LIABILITIES

	PARENT COMPANY	
	2009	2008
Parent company's lease guarantees	11,292	11,751
Total	11,292	11,751

27 KEY RATIO DEFINITIONS

Return on equity:

Profit for the year in relation to average shareholders' equity.

Return on capital employed:

Profit after financial items plus interest expense in relation to average shareholders' equity plus average interest-bearing liabilities.

Share of risk-bearing capital:

Shareholders' equity plus deferred tax liability in relation to the balance sheet total.

Equity/assets ratio:

Shareholders' equity in relation to the balance sheet total.

Equity per share:

Shareholders' equity divided by number of shares.

P/E ratio:

Price per share divided by earnings per share.

Comparable units:

Comparable units refers to the stores and the internet and catalogue sales countries that have been in operation for at least one financial year. H&M's financial year is from 1 December to 30 November.

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, 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, 27 January 2010

STEFAN PERSSON
Chairman of the Board

MIA BRUNELL LIVFORS
Board member

LOTTIE KNUTSON
Board member

SUSSI KVART
Board member

BO LUNDQUIST
Board member

STIG NORDFELT
Board member

MARIANNE BROMAN
Board member

MELKER SCHÖRLING
Board member

MARGARETA WELINDER
Board member

KARL-JOHAN PERSSON
Managing Director

Our audit report was submitted on 28 January 2010

Ernst & Young AB

Erik Åström
Authorised Public Accountant

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 2008 to 30 November 2009. The company's annual accounts and consolidated accounts are included in this document on pages 4–31. 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, 28 January 2010

Ernst & Young AB

Erik Åström
Authorised Public Accountant

FIVE YEAR SUMMARY

1 DECEMBER - 30 NOVEMBER

FINANCIAL YEAR	2009	2008	2007	2006	2005
Sales including VAT, SEK m	118,697	104,041	92,123	80,081	71,886
Sales excluding VAT, SEK m	101,393	88,532	78,346	68,400	61,262
Change from previous year, %	+15	+13	+15	+12	+14
Operating profit, SEK m	21,644	20,138	18,382	15,298	13,173
Operating margin, %	21.3	22.7	23.5	22.4	21.5
Depreciation for the year, SEK m	2,830	2,202	1,814	1,624	1,452
Profit after financial items, SEK m	22,103	21,190	19,170	15,808	13,553
Profit after tax, SEK m	16,384	15,294	13,588	10,797	9,247
Liquid funds and short-term investments, SEK m	22,025	22,726	20,964	18,625	16,846
Stock-in-trade, SEK m	10,240	8,500	7,969	7,220	6,841
Equity, SEK m	40,613	36,950	32,093	27,779	25,924
Number of shares, thousands*	827,536	827,536	827,536	827,536	827,536
Earnings per share, SEK*	19.80	18.48	16.42	13.05	11.17
Equity per share, SEK*	49.08	44.65	38.78	33.57	31.33
Cash flow from current operations per share, SEK*	20.92	21.71	18.59	14.57	12.25
Dividend per share, SEK	16.00**	15.50	14.00	11.50	9.50
Return on shareholders' equity, %	42.2	44.3	45.4	40.2	38.4
Return on capital employed, %	56.7	61.1	63.7	58.7	56.3
Share of risk-bearing capital, %	78.5	75.7	78.5	80.0	80.2
Equity/assets ratio, %	74.7	72.1	76.9	78.1	78.1
Total number of stores	1,988	1,738	1,522	1,345	1,193
Average number of employees	53,476	53,430	47,029	40,855	34,614

* Before and after dilution.

** Proposed by the Board of Directors.

Definitions of key figures, see Note 27.

The International Financial Reporting Standards (IFRS) are applied from 2005/2006. The restatement of the 2004/2005 figures according to IFRS has not involved any adjustment.

Dress €29.95



CORPORATE GOVERNANCE REPORT 2009

H & M HENNES & MAURITZ AB

Corporate governance is basically about how companies are to be run in order to safeguard the interests of the shareholders.

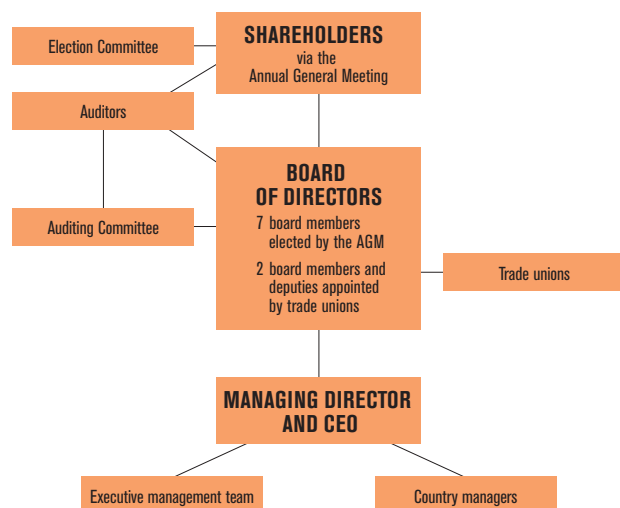
H&M applies the Swedish Code of Corporate Governance and has therefore prepared this corporate governance report in accordance with the Code. This corporate governance report for 2009 describes H&M's corporate governance, management and administration as well as internal control of financial reporting. The report 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 "comply or explain," which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation, describe the chosen alternative and provide the reasons for the deviation.

Deviation from the Code:

The Chairman of the Board is the chairman of the Election Committee. The reason for this is described in the section on the Election Committee.

H&M's CORPORATE GOVERNANCE STRUCTURE 2009



H&M's corporate governance is regulated by both external regulations and internal control documents.

Examples of external regulations:

the Swedish Companies Act
accounting legislation including the Swedish Bookkeeping Act and Annual Accounts Act
NASDAQ OMX Stockholm AB Rules for issuers
Swedish Code of Corporate Governance

Examples of internal control documents:

Articles of Association
instructions and work plan for the Board of Directors and the Managing Director
Code of Ethics
policies and guidelines

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The general meeting 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 shareholders registered directly in the register of shareholders and who have given notice of their attendance on time are entitled to participate in the meeting and vote for the total number of shares they hold. The shareholders who cannot be present in person may be represented by proxy.

The general meeting is convened once a year in order to carry out tasks such as adopting the annual accounts and consolidated accounts, discharging the members of the Board of Directors and the Managing Director from liability and deciding how the profit for the past financial year is to be allocated. The meeting is called the Annual General Meeting (AGM) and elects the Board of Directors and, when necessary, auditors for the forthcoming period of office. Extraordinary general meetings may be convened where there is a particular need to do so. At the end of the financial year H&M had 172,057 shareholders. H&M's share is listed on NASDAQ OMX Stockholm AB. Information materials from H&M's most recent Annual General Meetings are published under Investor Relations/Corporate Governance/Annual General Meeting at www.hm.com. Here there is also information about the right of shareholders to raise matters at the meeting and when such requests must be received by H&M so that the matter is certain to be included in the agenda in the notice to attend. The e-mail address is indicated for those shareholders who wish to submit their questions in advance to H&M.

ANNUAL GENERAL MEETING 2009

H&M's Annual General Meeting was held on 4 May 2009 in Victoriahallen at the Stockholm International Fairs. 1,404 shareholders participated in the meeting, representing 81.3 percent of the votes and 61.5 percent of the capital. H&M's Board of Directors, executive management and Election Committee as well as the company's two auditors attended the meeting.

The main resolutions passed were the following:

Lawyer Sven Unger was elected as chairman of the meeting. The balance sheets and income statements for the parent company and the Group were adopted. A dividend to shareholders of SEK 15.50 per share was approved. The Board members and the Managing Director were discharged from liability for the 2007/2008 financial year. The number of Board members elected by the meeting to serve until the next AGM was set at seven with no deputies elected by the meeting.

Mia Brunell Livfors, Lottie Knutson, Sussi Kvarf, Bo Lundquist, Stig Nordfelt, Stefan Persson and Melker Schörling were re-elected as ordinary members by the AGM. Fred Andersson had declined re-election and Karl-Johan Persson, who took over as the new Managing Director and CEO of H&M on 1 July 2009, resigned his position on the Board at the AGM. Stefan Persson was re-elected as Chairman of the Board. The fees paid to the Board members until the next AGM were set at SEK 3,875,000 in total, to be distributed as follows: Chairman of the Board, SEK 1,350,000; Board members, SEK 375,000; members of the Auditing Committee an extra SEK 75,000; and the chairman of the Auditing Committee, an extra SEK 125,000.

The accounting firm Ernst & Young AB was elected as auditor for the company for a four-year period, i.e. until the end of the 2013 AGM.

The proposed principles for the Election Committee were approved.

The proposed guidelines for remuneration for senior executives were approved.

The minutes from the Annual General Meeting were posted on the website within two weeks of the meeting. Materials from the meeting, such as the notice to attend the meeting, the Board's statement concerning allocation of profits and the Managing Director's address and presentation and the minutes etc. were translated into English and published on the website.

Votes and capital represented at H&M's Annual General Meetings

YEAR	% OF VOTES	% OF CAPITAL
2007	80.9	60.7
2008	80.9	60.7
2009	81.3	61.5

ANNUAL GENERAL MEETING 2010

H&M's Annual General Meeting 2010 will be held on Thursday, 29 April in Victoriahallen at the Stockholm International Fairs. To register to attend the 2010 AGM, see H&M in Figures 2009 page 47 or www.hm.com under Investor Relations/Corporate Governance/Annual General Meeting 2010.

ELECTION COMMITTEE

The Election Committee is the general meeting's body that prepares the necessary information as a basis for decisions at the general meeting as regards election of the Board of Directors, Chairman of the Board, auditors and the chairman of the Annual General Meeting, as well as fees to the Board and auditors, and principles for the Election Committee. An account of the work of the Election Committee ahead of each AGM is available in a separate document on the website. Starting from the 2008 Annual General Meeting, the members of H&M's Election Committee are elected by the general meeting.

COMPOSITION OF THE ELECTION COMMITTEE AND WORK

The members of the Election Committee were elected by the 2009 AGM. The Election Committee was elected on the basis of its principles, which, in brief, state that the Election Committee shall be made up of the Chairman of the Board and four other members, each representing one of the four biggest shareholders as of 28 February 2009, apart from the shareholder that the Chairman of the Board represents. The principles include a procedure for replacing any member who leaves the Election Committee before the Committee's work is complete. To read the principles in full, see the document "Account of the work of H&M's Election Committee 2009" under Investor Relations/Corporate Governance/Election Committee at www.hm.com.

The composition of the Election Committee following election at the 2009 AGM was:

Stefan Persson, Chairman of the Board
Lottie Tham, representing Lottie Tham
Staffan Grefbäck, representing Alecia
Jan Andersson, representing Swedbank Robur Fonder
Peter Lindell, representing AMF Pension

The composition of the Election Committee meets the Code's requirement with respect to independent members.

H&M deviated from Code rule 2.4 which states, among other things, that the Chairman of the Board shall not be the chairman of the Election Committee. The Election Committee appointed Chairman of the Board Stefan Persson as chairman of the Election Committee during the year on the grounds that this is deemed an obvious choice in view of the ownership structure of H&M.

Since the 2009 AGM the Election Committee has held two meetings at which minutes were taken and the Committee was also in contact between these meetings. At the Election Committee's first meeting Stefan Persson gave a verbal account of the work of the Board during the year. The conclusion was that the Board had worked effectively over the course of the year.

The Board's work is presented so that the Election Committee can make the best possible assessment of the Board's competence and experience. The Election Committee also discussed the size of the Board, its composition and fees for Board members.

No special fees were paid to the Election Committee's chairman or to any of the other members of the Election Committee.

The Election Committee's work in preparation for the next AGM is not yet complete and more information will be presented before the 2010 AGM.

Shareholders wishing to submit proposals to the Election Committee can do so either to individual members of the Election Committee or by letter to:

H & M Hennes & Mauritz AB
Election Committee
106 38 Stockholm
Sweden

valberedningen@hm.com

THE BOARD OF DIRECTORS

The task of the Board of Directors is to manage the company's affairs on behalf of the shareholders. The Board members are elected by the shareholders at the Annual General Meeting for the period until the next AGM. Under Swedish law, trade unions have the right to appoint employee representatives with deputies to the company's Board.

In addition to laws and recommendations, H&M's Board work is regulated by the Board's work plan which contains rules on the distribution of work between the Board and the Managing Director, financial reporting, investments and financing. The work plan, which also contains a work plan for the Auditing Committee, is established once a year.

According to the Articles of Association, H&M's Board is to consist of at least three but no more than twelve members elected by the AGM and no more than the same number of deputies.

The Annual General Meeting determines the exact number of Board members. Since the 2009 AGM the Board has consisted of seven ordinary members and no deputies. There are also two employee representatives and two deputies for these positions. The Board is comprised of seven women and four men and four out of eleven are employed by the company. For facts on H&M's Board members, see page 42. The Board members are to devote the time and attention that their assignment for H&M requires. New Board members receive introductory instruction which, among other things, includes meetings with the heads of various functions.

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 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 team, 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 OF THE BOARD IN 2009

H&M's Board held six Board meetings and one statutory meeting during the financial year. One of the meetings is usually an extended meeting and in 2009 it took place in Copenhagen in Denmark and included a visit to a number of stores.

The attendance of the Board members is reported in the table entitled "Composition of the Board of Directors and Attendance in 2009." The former Managing Director Rolf Eriksen attended all of the Board meetings until 30 June 2009. Karl-Johan Persson, in his role as Managing Director, has attended all Board meetings from 1 July 2009.

The Board meetings begin with a discussion of the company's financial situation, with sales, costs and results as the main focus. The Board takes decisions on the interim reports and the Annual Report. Accounting and auditing matters are dealt with within the Auditing Committee and reported back to the Board.

Matters dealt with at the Board meetings in 2009 included the company's main aims for the year, sales development, the focus on costs, currency hedging, the rate of expansion and the results of expansion into for example Russia, Beijing and Lebanon. The Board also reviewed the executive management team's updated risk assessment. In addition, the Managing Director reported on the status of concepts such as COS and H&M Home, the integration of FaBric Scandinavien AB as well as developments in the buying process and internet and catalogue sales, future marketing campaigns, the refurbishment of stores, development of IT support, preparations for expansion into South Korea and the franchise countries, Israel and Jordan etc. The Board has kept itself informed of the company's CSR and environmental work. Decisions taken by the Board in 2009 included among other things the following: the launch of internet sales in the UK in 2010, investments for the total number of stores and the level of the investments.

A committee within the Board consisting of Stefan Persson, Melker Schörling and Bo Lundquist handled the managing director issue as Rolf Eriksen had announced that he would retire in 2009. The Board appointed Karl-Johan Persson, formerly Head of H&M's expansion, Business development, Brand and new business as the new Managing Director and CEO for H&M Hennes & Mauritz AB, taking up the position on 1 July 2009. The Board believes that Karl-Johan Persson has the background, competence and experience needed to lead H&M into the future. Karl-Johan Persson knows the company well and understands its culture. He also has excellent leadership skills.

During the year the Board discussed strategic matters such as competition and development opportunities, and also revised its financial policy. In connection with the Board's review of the proposed Annual Report for 2009, auditor Erik Åström gave an account of the year's audit work.

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2009

NAME	YEAR	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES ³⁾ (SEK)	BOARD MEETINGS	AUDITING COMMITTEE	SHARE-HOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson, Chairman	1979	No	No	1,350,000	7/7		186,274,400	97,200,000 ⁴⁾ 3,200,000 ⁵⁾
Fred Andersson ⁶⁾	1990	Yes	Yes	375,000	3/4		800	
Mia Brunell Livfors	2008	Yes	Yes	375,000	7/7			300 ⁷⁾
Lottie Knutson	2006	Yes	Yes	375,000	7/7		600	
Sussi Kvart	1998	Yes	Yes	450,000	7/7	4/4	2,200	850
Bo Lundquist	1995	Yes	Yes	450,000	7/7	4/4		20,000 ⁸⁾
Stig Nordfelt	1987	Yes	Yes	500,000	7/7	4/4	4,000	
Karl-Johan Persson ⁶⁾	2006	No	No		3/4		6,066,000	
Melker Schörling	1998	Yes	No	375,000	6/7		114,000 ⁹⁾	
Marianne Broman, employee rep.	1995	No	No		7/7		70	145
Margareta Welinder, employee rep.	2007	No	No		5/7			
Tina Jäderberg, deputy employee rep.	2007	No	No		7/7			
Agneta Ramberg, deputy employee rep.	1997	No	No		6/7			

1) Independent of the company and company management in accordance with the Swedish Code of Corporate Governance.

2) Independent of major shareholders in the company in accordance with the Swedish Code of Corporate Governance.

3) Fees as resolved at the 2008 Annual General Meeting. The fees relate to the period until the next AGM is held and have been paid out during 2009.

4) Class A shares owned through Ramsbury Invest AB.

5) Class B shares owned through Ramsbury Invest AB.

6) Fred Andersson and Karl-Johan Persson resigned from the Board at the 2009 AGM.

7) Shares held together with related parties

8) Shares owned through Bo Lundquist's company Smideseken AB.

9) Shares owned through Melker Schörling AB.

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

INDEPENDENCE OF BOARD MEMBERS

The composition of H&M's Board meets the independence requirements set by NASDAQ OMX Stockholm AB and the Code. This means that the majority of the Board members elected by the general meeting are independent of the company and company management. At least two of these are also independent of the company's major shareholders.

FINANCIAL REPORTING

H&M's financial reporting is carried out in compliance with the laws, statutes, agreements and recommendations that apply to companies listed on NASDAQ OMX 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 of financial reporting.

H&M's AUDITING COMMITTEE

The Board's Auditing Committee is responsible for making preparations for the Board's work on quality assurance of the company's financial reporting and internal control. The Committee is also the main channel of communication between the Board and the company's auditors. This work involves handling auditing issues and financial reports published by the company.

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, which consists of chairman Stig Nordfelt and members Sussi Kvart and Bo Lundquist, has held four meetings at which minutes were taken in 2009. The Auditing Committee's composition meets the Code's requirements with respect to independent members.

Authorised Public Accountant Erik Åström attended the Auditing Committee meetings and reported on the auditing assignments. The meetings were also attended by Jyrki Tervonen, CFO and Anders Jonasson, Chief Accountant, among others. The Committee's meetings are minuted and the minutes are then distributed to the Board members.

During the year the Committee addressed issues concerning the company's financial reporting including interim reports and the Annual Report. The Auditing Committee checks that the company effectively carries out its internal control and risk management processes. During the year the Auditing Committee discussed the company's currency hedging policy and the monitoring of the internal pricing model, and gathered information on the scope and focus of auditing assignments, as well as on integration of FaBric Scandinavien and IT development within the Group.

AUDITORS

The auditors are appointed by the shareholders at the Annual General Meeting every four years. The Auditors scrutinise the company's annual financial statements, consolidated statements and accounts, and the management of the company by the Board and Managing Director.

At the 2009 AGM the registered accounting firm Ernst & Young AB was elected as auditor for H&M for a four-year period, i.e. until the end of the 2013 Annual General Meeting. Authorised Public Accountant Erik Åström from Ernst & Young holds the main responsibility for auditing assignments.

As previously, the 2009 AGM resolved that the auditors' fees should be paid based on the invoices submitted.

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 rules, 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.

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

The fees invoiced by the auditors over the past three financial years are as follows:

AUDIT FEES (SEK M)

	GROUP			PARENT COMPANY		
	2009	2008	2007	2009	2008	2007
Ernst & Young						
Audit assignments	16.7	14.5	12.8	2.2	2.2	2.4
Other assignments	15.2	14.0	18.4	0.1	0.6	11.5
Other auditors						
Audit assignments	3.2	2.9	2.5			
Other assignments	1.8	1.1	1.3			
Total	36.9	32.5	35.0	2.3	2.8	13.9

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. This means that the Managing Director must place particular importance on recruiting senior executives, buying and logistics matters, pricing strategy and sales, marketing, expansion, development of the stores, internet and catalogue sales and IT development. The Managing Director reports to the Board on H&M's development and makes the necessary preparations for taking decisions on investments, expansion, etc. The role of Managing Director includes contact with the financial markets, the media and the authorities.

Rolf Eriksen, who retired in 2009, was Managing Director of H&M until 30 June 2009. Karl-Johan Persson took over as Managing Director on 1 July 2009.

INFORMATION ABOUT THE MANAGING DIRECTOR

Karl-Johan Persson, born in 1975, has been the Managing Director and Chief Executive Officer of H & M Hennes & Mauritz AB since 1 July 2009.

Before taking over as Managing Director, Karl-Johan Persson held an operational role within H&M from 2005, including working as Head of expansion, Business development and Brand and new business. Karl-Johan Persson has since 2000 been a member of the boards of H&M's subsidiaries in Denmark, Germany, the US and the UK. Between the years 2006 and 2009 he was also a member of the Board of H&M's parent company.

Between 2001 and 2004 Karl-Johan Persson was CEO of European Network. Karl-Johan holds a BA in Business Administration from the European Business School in London.

His current external board assignments are the Swedish Chamber of Commerce in the UK and the GoodCause foundation. Karl-Johan Persson's H&M shareholding amounts to 6,066,000 shares.

EXECUTIVE MANAGEMENT TEAM AND COUNTRY MANAGERS

H&M has a matrix organisation in which country managers and the 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.

In addition to the Managing Director, the executive management team comprises twelve people, five of whom are women. These are responsible for the following functions: Finance, Buying, Production, Sales, Expansion, Accounting, Human Resources, Marketing, Communications, IR, Security and Corporate Social Responsibility.

GUIDELINES FOR REMUNERATION PAID TO SENIOR EXECUTIVES

In accordance with the Swedish Companies Act the 2009 Annual General Meeting adopted guidelines for remuneration of senior executives within H&M. To view the full guidelines, please refer to the Administration Report on page 6 of H&M in figures 2009.

H&M has no remuneration committee since the Board of Directors deems it more appropriate for the entire Board to carry out the tasks of a remuneration committee. The Board prepares proposals for guidelines for remuneration to senior executives and these proposals are presented at the Annual General Meetings. The Board decides on the Managing Director's salary according to the guidelines adopted at the 2009 AGM. The terms of employment for 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.

H&M's BOARD OF DIRECTORS



LOTTIE KNUTSON
Board member

MARGARETA WELINDER
Employee representative

STIG NORDFELT
*Board member and
Chairman of the
Auditing Committee*

BO LUNDQUIST
*Board member and
member of the
Auditing Committee*

TINA JÄDERBERG
*Deputy employee
representative*



STEFAN PERSSON
Chairman of the Board

AGNETA RAMBERG
*Deputy employee
representative*

MIA BRUNELL LIVFORS
Board member

MELKER SCHÖRLING
Board member

MARIANNE BROMAN
*Employee
representative*

SUSSI KVART
*Board member and
member of the
Auditing Committee*

FACTS ON BOARD MEMBERS

STEFAN PERSSON

Chairman of the Board. Born 1947.

PRIMARY OCCUPATION

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

Studies at the Stockholm University and Lund University, 1969–1973.

WORK EXPERIENCE

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.

MIA BRUNELL LIVFORS

Board member. Born 1965.

PRIMARY OCCUPATION

Managing Director and Chief Executive Officer of Investment AB Kinnevik.

OTHER SIGNIFICANT BOARD ASSIGNMENTS

Member of the boards of Efva Attling Stockholm AB, Metro International S.A., Tele2 AB, Transcom WorldWide S.A., Korsnäs AB and Mellersta Sveriges Lantbruks AB since 2006, and Millicom International Cellular S.A. and Modern Times Group MTG AB since 2007.

EDUCATION

Economics, Stockholm University.

WORK EXPERIENCE

1989–1992 Consensus AB.

1992–2006 Various managerial positions within Modern Times Group MTG AB and Chief Financial Officer 2001–2006.

2006 Managing Director and CEO, Investment AB Kinnevik.

LOTTIE KNUTSON

Board member. Born 1964.

PRIMARY OCCUPATION

Marketing Director at Fritidsresor Group Nordic with responsibility for marketing, 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 Marketing Director at Fritidsresor Group Nordic.

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 law firm (now Linklaters), 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) and Teknikmagasinet 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 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 and industry organisations, including as 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 board of Capinordic Asset Management 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.

MELKER SCHÖRLING

Board member. Born 1947.

PRIMARY OCCUPATION

Founder and owner of MSAB.

OTHER SIGNIFICANT BOARD ASSIGNMENTS

Chairman of MSAB, AarhusKarlshamn AB, Hexagon AB, Hexpol AB and Securitas 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 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.

INTERNAL CONTROL

This description of H&M's internal control and risk management has been prepared in accordance with sections 10.5 and 10.6 of the Swedish Code of Corporate Governance. The description is not part of the formal Annual Report.

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. Internal control and risk management are part of the Board's and the management's control and follow-up responsibilities the purpose of which is to ensure that the business is managed in the most appropriate and effective manner possible.

H&M uses the COSO framework as a basis for internal control with respect to financial reporting. 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 as well as 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.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide the employees with solid 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 the employees should act within the company and in business transactions with suppliers.

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 financial policy, the information policy, the communications policy and the store instructions are examples of important overall policies.

Awareness among the employees of the maintenance of effective control over financial reporting.

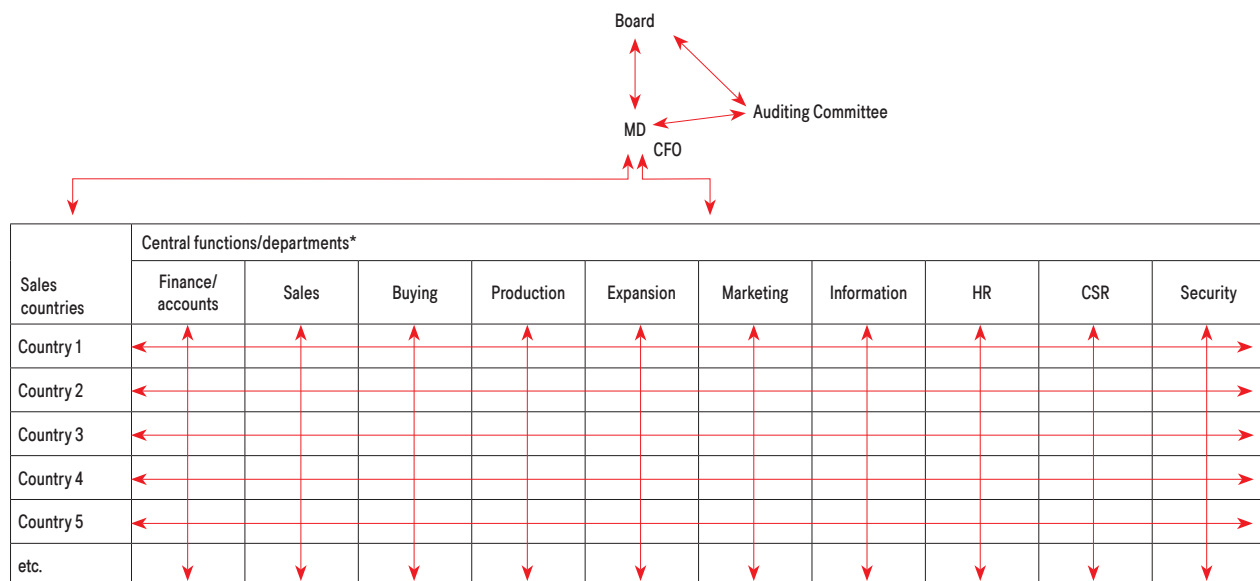
Control activities, checks and balances, analysis, reporting.

H&M has a matrix organisation, which means that those on the executive management team are responsible for performance 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 operations (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 facilitates internal control and comparisons between the various 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



* Executive management team

and then communicated to the respective department in the country offices. Each central department regularly reviews its guidelines and manuals to see which ones need updating and whether new guidelines need to be developed.

RISK ASSESSMENT

H&M carries out regular risk analysis to review the risks of errors within its financial reporting. At the end of each financial year the main risks within financial reporting are updated in a group-wide document. The same is done for operational risk. These documents are reviewed by the Auditing Committee and then sent on to the Board of Directors.

Operational risks are also documented on an ongoing basis. During the year the overall risk analysis was updated in order to obtain a general idea of the main risks within each function as well as the systems and methods that are in place to minimise any impact of a risk.

Where financial reporting is concerned, H&M has identified certain areas with a higher intrinsic risk of errors, including stock-in-trade shrinkage, cash-desk manipulation, misappropriation of merchandise and the impact of exchange rate fluctuation and taxes.

For a more detailed description of H&M's risks, see the Administration Report, page 8 and Note 2 Financial risks, page 21 in H&M in Figures 2009.

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

CONTROL ACTIVITIES

There are a number of control activities built into every process to ensure that the business is run effectively and that financial reporting on every reporting occasion provides a fair and true picture. The control activities, which aim to prevent, find and correct inaccuracies and non-compliance, are at all levels and in all parts of the organisation. Within H&M the control activities include effective control and analysis of sales statistics, account reconciliation, and monthly accounts as well as analysis of these. H&M's financial statements are analysed and both manual controls and feasibility assessments are made.

IT systems are scrutinised regularly during the year to ensure the validity of H&M's IT systems with respect to financial reporting. In 2009 IT controls in certain business processes were scrutinised by an external party with those responsible for systems and system areas within H&M.

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

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.

Financial information is provided via:

H&M's Annual Report

Interim reports, the full year report and monthly sales reports

Press releases on events that may significantly impact the share price

H&M's website www.hm.com

MONITORING

As part of the company's 2009 internal control work, the central departments carried out assessments of the respective functions in the sales countries using the COSO model based partly on general issues and partly on department-specific issues. This work resulted in a plan of action for each central department containing the areas that should be improved to further strengthen internal control.

At the stores, annual controls are performed by internal shop controllers with the aim of determining the strengths and weaknesses of the stores and how any shortcomings can be corrected. Follow-up and feedback with respect to any deviations found during the assessment of internal control constitute a central part of internal control work.

The Board of Directors and the Auditing Committee continuously evaluate the information provided by the executive management team, including information on internal control. The Auditing Committee's task of monitoring the efficiency of internal control by the 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 and internal shop controllers as well as by external auditors. The work on internal control during the year has further increased awareness of internal control within the Group and improvements are being made on a continuous basis.

INTERNAL AUDIT

In the company's opinion, the assessment and monitoring of internal control carried out in the sales countries by all the central departments – such as Accounts, Communications, Security, Logistics and Production etc. – as well as the work carried out by internal shop controllers are well in line with the work performed in other companies by an internal audit department. H&M's Board has therefore not found it necessary to establish a specific internal audit department. The issue of a specific internal audit department will be reviewed again in 2010.

Stockholm, January 2010

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

	2009	2008	2007	2006	2005
Shareholders' equity per share, SEK	49.08	44.65	38.78	33.57	31.33
Earnings per share, SEK	19.80	18.48	16.42	13.05	11.17
Change from previous year, %	+7	+13	+26	+17	+27
Dividend per share, SEK	16.00*	15.50	14.00	11.50	9.50
Market price on 30 November, SEK	412.30	298.00	399.00	319.00	253.00
P/E ratio	21	16	24	24	23

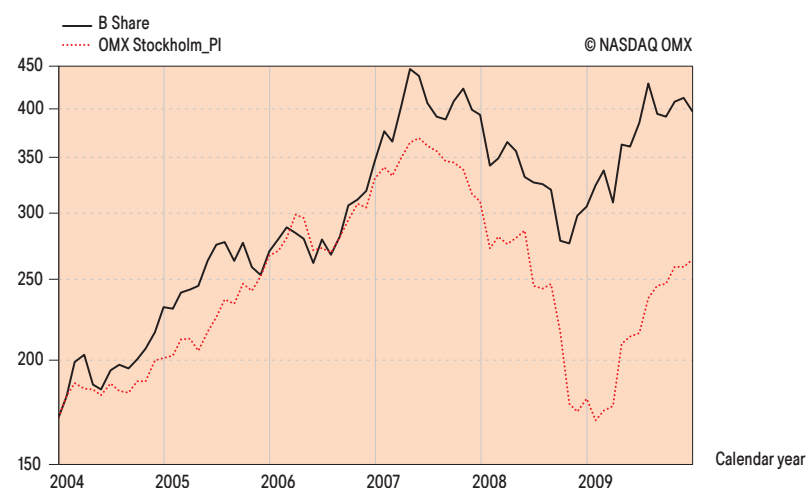
* Board's proposal.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2009

SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1 1,000	160,702	93.4	29,132,149	3.5	181
1,001 5,000	8,558	5.0	18,965,696	2.3	2,216
5,001 10,000	1,185	0.7	8,746,473	1.1	7,381
10,001 50,000	1,057	0.6	22,398,802	2.7	21,191
50,001 100,000	177	0.1	12,699,713	1.5	71,750
100,001	378	0.2	735,593,167	88.9	1,946,014
Total	172,057	100	827,536,000	100	4,810

MAJOR SHAREHOLDERS, 30 NOVEMBER 2009

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
Stefan Persson and family	304,872,400	69.3	36.8
Lottie Tham and family	44,040,200	2.6	5.3
Alecta Pensionsförsäkring	28,685,000	1.7	3.5
JP Morgan Chase Bank	27,483,130	1.6	3.3
Swedbank Robur Fonder	20,036,338	1.2	2.4
AMF Pensionsförsäkring	15,421,912	0.9	1.9
Clearstream Banking	14,604,117	0.9	1.8
Handelsbanken Fonder	13,572,452	0.8	1.6
SSB CL Omnibus AC	12,436,921	0.7	1.5
Folksam KPA Förenade Liv	8,979,005	0.5	1.1



ANNUAL GENERAL MEETING

The Annual General Meeting 2010 will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Thursday, 29 April at 3 p.m.

Shareholders who are registered in the share register print-out as of Friday 23 April 2010 and who give notice of their intention to attend the AGM no later than Friday, 23 April 2010, will be 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 name 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, well in advance of 23 April.

NOTICE

Shareholders must provide notice of their intention to participate in the Annual General Meeting by post, fax, telephone or via H&M's website to:

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

Shareholders must provide their name, civil identity number and telephone number (daytime) when providing notice of their intention to participate.

DIVIDEND

The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting a dividend for 2009 of SEK 16.00 per share. The Board of Directors has proposed 4 May 2010 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 7 May 2010. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 29 April 2010.

FINANCIAL INFORMATION

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

8 April 2010	Three month report
29 April 2010	Annual General Meeting 2010 at 3 p.m. at Victoriahallen, Stockholm International Fairs, Stockholm
24 June 2010	Half-year report
29 September 2010	Nine month report
27 January 2011	Full-year report

As previously, we plan to publish sales figures for each month on the 15th of the subsequent month. If the 15th falls on a weekend, the sales figures will be published on the following weekday. However, H&M plans to publish the sales figures for February, May, August and December in each of the subsequent Interim reports.

This information is available at www.hm.com

CONTACT DETAILS

HEAD OFFICE

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Mäster Samuelsgatan 46A
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Sweden
Tel: +46 (0)8 796 55 00

For information about H&M and addresses of the country offices, please see www.hm.com

CEO Karl-Johan Persson
FINANCE Jyrki Tervonen
ACCOUNTS Anders Jonasson
SALES Jonas Guldstrand
BUYING Madeleine Persson
DESIGN Ann-Sofie Johansson
PRODUCTION Karl Gunnar Fagerlin
CORPORATE SOCIAL RESPONSIBILITY Ingrid Schullström
EXPANSION Stefan Larsson
BUSINESS DEVELOPMENT Björn Magnusson
BRAND AND NEW BUSINESS Jörgen Andersson
MARKETING Anna Tillberg Pantzar
COMMUNICATIONS Kristina Stenvinkel
INVESTOR RELATIONS Nils Vinge
HUMAN RESOURCES Sanna Lindberg
IT Kjell-Olof Nilsson
LOGISTICS Danny Feltmann
SECURITY Angelika Giese

DISTRIBUTION POLICY

The H&M Annual Report 2009 comes in two parts: Part 1: H&M in words and pictures 2009, and Part 2: H&M in figures 2009 including the Annual Report and Consolidated Accounts.

H&M sends out the printed version of Parts 1 and 2 to shareholders who have specifically expressed an interest in receiving the printed version. The Annual Report is also available to read and download at www.hm.com

COVER

PHOTOGRAPHY Camilla Åkrans
MODEL Natasha Poly
GARMENT Dress, H&M Garden Collection

