



ANNUAL REPORT PART 1
H&M in words and pictures 2010

Dress €39.95

H&M 2010

in figures

38 *markets*

2,206 *stores*

87,000 *employees*


sales including VAT SEK 127 *billion*

profit after tax SEK 18.7 *billion*



Blouse € 9.95

Autumn 2010
Women




Dress
€19.95

*Autumn 2010
Christmas*



Jacket € 99

Autumn 2010
Men

A full-page photograph of three models walking through shallow ocean waves. The model on the left wears a bright pink bikini. The middle model wears a leopard print bikini. The model on the right wears a multi-colored striped bikini. All three are looking towards the camera. The background shows the ocean and a clear blue sky. The text 'Bikini top € 4.95' is overlaid on the left side.

Bikini top
€ 4.95




*Summer 2010
Beach*



"HONEY I'M HOME!"

Dress
€149

*Autumn 2010
Lanvin for H&M*



Hoodie jacket
€ 9.95

Autumn 2010
Divided



Shirt
€ 14.95

Spring 2011
Children

FASHION & QUALITY *at the best price*

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

H&M's in-house designers create a wide and varied range for everyone who loves fashion, whatever their age. Quality is a key concept, right through from first idea to customer. H&M aims to constantly meet or exceed customers' expectations.

H&M's growth target is to increase the number of stores by 10–15 percent per year, and at the same time increase sales in comparable units. This growth, which will be entirely self-financed, will proceed with an emphasis on quality, sustainability and continued high profitability.

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

H&M works hard on sustainability.
H&M does not own any factories but has responsibility for ensuring that all products are made under good working conditions and with the least possible impact on the environment.

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PART II

H&M IN FIGURES 2010 including the Annual Accounts and Consolidated Accounts



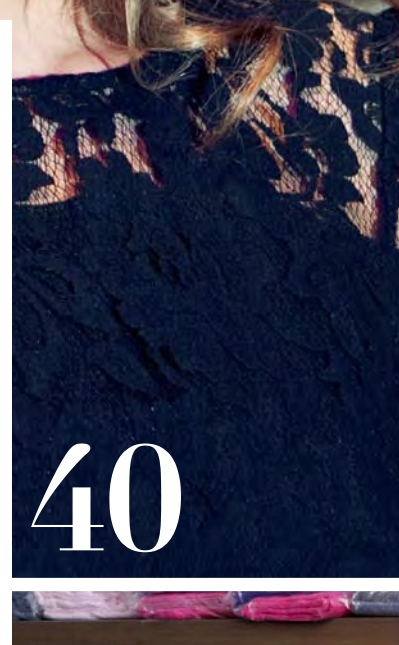
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AN EVEN BETTER CUSTOMER OFFERING

IN 2010 WE INVESTED IN GIVING OUR CUSTOMERS EVEN MORE FASHION AND QUALITY
for the money and offering a more inspiring shopping experience. We invested to strengthen H&M's position even more. The result was a further improved customer offering, as reflected in strong sales and high profitability.

With a strengthened customer offering we improved H&M's market position further in 2010. I would like to express my warm appreciation to all our employees for their very valuable contribution. We reported good growth and strong results for the financial year.

Sales increased 15 percent in local currencies and 5 percent in comparable units, that is in the stores and in the internet and catalogue sales countries that have been in operation for at least one financial year. Converted into SEK, sales increased 7 percent to SEK 127 billion. Profit after tax increased 14 percent to SEK 18.7 billion. The year saw some recovery in private consumption but the economy was still weak in several countries and the economic situation in general uncertain.

“OUR FOCUS IS ALWAYS ON THE CUSTOMERS AND WE STRIVE TO EXCEED THEIR EXPECTATIONS AT ALL TIMES.”

Like the rest of our industry we benefited from favourable external factors at the beginning of the year, such as spare capacity among suppliers and lower raw material and transportation prices. The effects on purchasing costs have been considerable, moving sharply from being positive for the first three quarters of 2010 to becoming strongly negative for the fourth quarter. Raw material prices, for example, have climbed steeply. The price of cotton, our single most important raw material, nearly doubled during 2010.

In 2010 we also stepped up our investments in H&M's business concept and were



CEO Karl-Johan Persson on Champs-Élysées in Paris.

able to offer customers even more fashion and quality for the money. Our focus is always on the customers and we strive to exceed their expectations at all times. The improvements spanned our ranges, with added design details and raised quality for some garments and more attractive prices for others. We brought a higher fashion feel and more sustainable interiors to our stores in order to create a more inspiring shopping experience.

We welcomed shoppers to a number of spectacular openings around the world, one of them was on the Champs-Élysées in Paris, where the enthusiasm from customers surpassed our high expectations. To me, the positive response at the Champs-Élysées store more than a decade after our entry to France is a good example of how customers welcome our investments, and appreciate that we strive to constantly improve and renew H&M within our business concept: fashion and quality at the best price.

THE YEAR ALSO INCLUDED two exciting designer collaborations: with world famous fashion houses Sonia Rykiel and Lanvin. Both of them attracted great attention, not least in social media, an increasingly important channel of communication for us. The collections were much appreciated by customers around the world. The year's real highlights however were our own fashion ranges. Our talented designers created several popular collections

“IN 2010 WE STEPPED UP OUR INVESTMENTS IN ORDER TO STRENGTHEN THE BRAND FURTHER AND SECURE FUTURE EXPANSION.”

such as the Garden Collection, which was made entirely from environmentally adapted materials and was very well received.

In 2010 we expanded according to our growth target: to increase the number of stores by 10–15 percent per year, increase sales in comparable units and at the same time grow with a focus on sustainability, quality and high profitability. We also opened in three new markets: South Korea, Turkey and via franchise in Israel. H&M was very well received in all the markets. In addition, we continued to expand internet and catalogue sales to yet another important market, the UK, which became our eighth online market.

We opened a total of 218 stores net in the financial year, which was slightly fewer than the 240 that we had anticipated originally.

While we noted some economic recovery last year, the situation remained weak in many countries and prohibited the completion of several shopping malls where H&M had planned to open. Long-term quality lies at the heart of every decision about where we open stores and we never compromise on the best business location. H&M had 2,206 stores in 38 markets at the end of the financial year, including franchise stores and our other brands. We increased to 100 percent our shareholding in FaBric Scandinavien, which includes Monki, Weekday and Cheap Monday, and we continued the development of COS and H&M Home.

TODAY H&M HAS A PRESENCE across four continents and with size comes responsibility. We want our customers to always feel that we do our very best to ensure that the fashion we offer is manufactured, transported and sold in a sustainable manner, with consideration for people and the environment, and that it fulfils our strict demands for quality, function and safety.

We do not own any factories, but the sustainability work we carry out at our suppliers' factories is extensive. As a global retailer we buy and sell goods in several markets. Foreign trade plays a major role in the development of countries as it is a source of economic growth. It helps lift people and nations out of poverty. H&M indirectly creates work for hundreds of thousands of people in the manufacturing countries, mainly in Asia. Through our active presence we contribute to positive development in these countries.

As we expand it is important that we continue strengthening H&M as an attractive employer globally, able to keep and attract skilled, creative and devoted people. Our employees, currently more than 87,000, are the key to our success. In order to encourage and acknowledge their long-term commitment we have as of 2011 started a long-term incentive programme. The H&M Incentive Program rewards all employees on the same basic principle regardless of position, salary level or age.

SINCE ITS START IN 1947, H&M has grown to become one of the world's strongest brands. In 2010 we stepped up our investments in order to strengthen the brand further and secure future expansion. We invested in marketing and IT development as well as in online sales, where we see great potential for future growth.

We are launching an entirely new version of our online store at the beginning of 2011 in order to offer more inspiration and interactivity as well as improved functionality. At the

same time as the new H&M Shop Online is being gradually rolled out to all our online and catalogue sales countries, all H&M markets will get a new and more inspiring website. Around the turn of 2011/2012 we also plan to open H&M Shop Online in the USA, the world's largest online retail market.

We plan to open around 250 stores net in 2011. We plan to expand in all H&M markets and China, the UK and the USA are expected to be the largest expansion markets. H&M will also open in five new markets in 2011: Romania, Croatia, Singapore and, via franchise, Morocco and Jordan.

WE HAVE RESPECT for the current economic situation and the large challenges our industry is facing, including the increased raw material prices. At the same time, we are optimistic about the opportunities for H&M: we are a company that acts long-term, and with our strong business concept we plan to strengthen our position even more. ■



**KARL-JOHAN PERSSON, CEO
H & M HENNES & MAURITZ AB
STOCKHOLM, 2011**

H&M 2010 *in brief*



ROMANTIC & sustainable

Women's fashion blossomed at H&M in spring 2010. The Garden Collection brought together classic, feminine clothes with up-to-the-minute garden romance and sustainability in the form of innovative and more eco-smart materials. Dresses in recycled polyester with details made from recycled PET bottles, and a floral jumpsuit made from Tencel® – a renewable material made with minimal impact on the environment – were among the pieces on offer in the women's department. Over in the men's department, equivalents included a slimmed-down suit and checked shirts, made entirely from environmentally adapted materials, just like the entire Garden Collection.



TURKEY – AN EXCITING *new market*

With production offices in place and several local suppliers, H&M has long had a presence in the Turkish fashion industry. And with the opening of the first H&M store in the Forum Istanbul shopping centre in autumn 2010, fashion and quality at the best price is now also available to fashion-conscious customers in Turkey. The country's second store opened in December 2010 in Istinye Park. Expansion in the large Turkish market will continue during spring 2011.

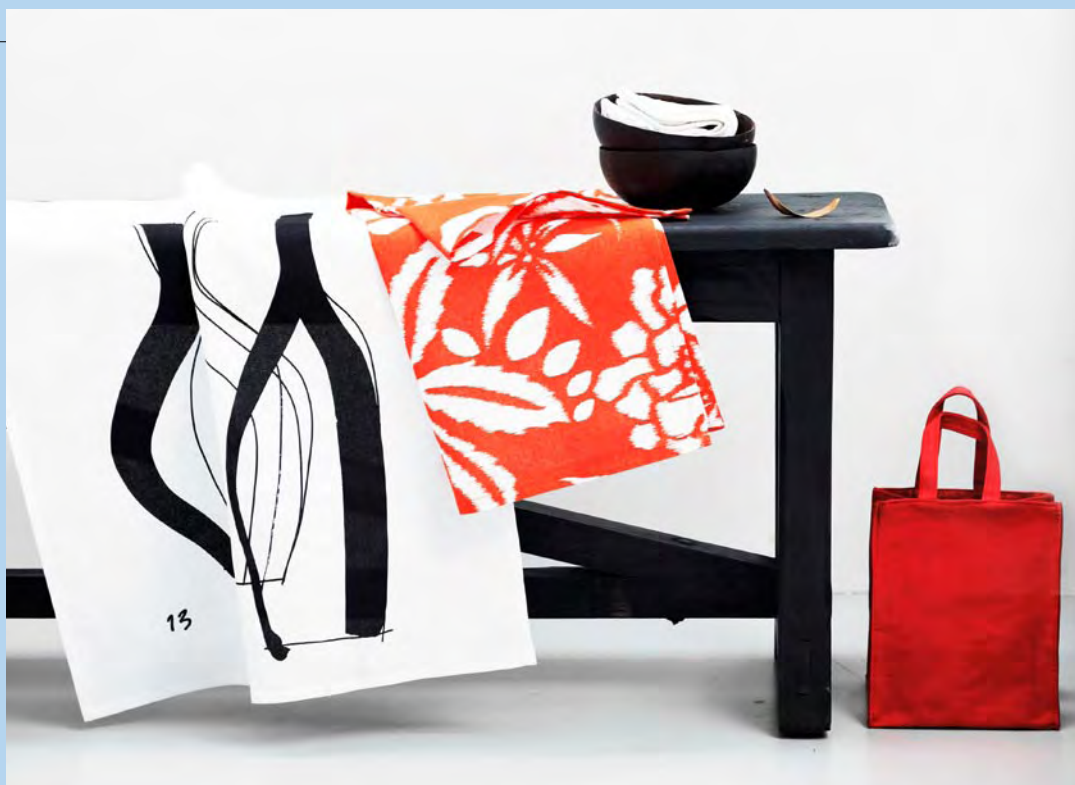


H&M Shop Online COMES TO THE UK

H&M isn't just expanding with new stores – it is also growing via H&M Shop Online and catalogues, which are now available in eight countries. The latest addition is the UK – one of H&M's biggest markets – where customers have been able to shop from H&M and H&M Home online since autumn 2010. Around the turn of 2011/2012 H&M Shop Online is planned for the USA. Other markets where H&M products can be bought via internet and catalogue sales are the Nordic countries, Germany, the Netherlands and Austria. Like H&M Shop Online, H&M's website, www.hm.com, has also been given a new look, and provides inspiration and information about fashion and trends to customers all over the world.

Welcome to H&M HOME

H&M Home offers fashion for the home in an inspiring and inviting environment. The interiors concept, which has been sold through H&M Shop Online and catalogues since 2009, has quickly become popular with customers who want to update their homes with good quality, trend-conscious textiles. In 2009, H&M opened its first H&M Home store in one of its flagship stores in Stockholm. All the products are sold using a completely new and unique magnetic shopping system. During 2010, H&M Home expanded into Europe with openings in Copenhagen and Helsinki and in a former bank at Dam Square in Amsterdam. From 2 November 2010, the upper floor of the H&M store on Oxford Street in London has also been devoted to H&M Home products.



H&M COMES *to South Korea...*

South Korea's pulsating capital city of Seoul is a hi-tech hub. It is home to around 20 million of the country's more than 40 million inhabitants, many of whom are hugely fashion-conscious and have high purchasing power. On 27 February 2010, the country's first H&M store opened its doors in the top shopping street of Myeong-dong. Thousands of people queued outside the store, which offers fashion for the whole family. Within months the city's second store opened and was also warmly welcomed by H&M's South Korean customers.



...and Monki TO HONG KONG

Monki combines exciting store design and colourful graphics with fashion for young women. In 2010, it ventured outside Europe, opening its doors on 30 September to the city of stunning views - Hong Kong. In the run-up to the opening, gigantic 3D Monki posters, issues of Monki Magazine and a street campaign appeared all around Hong Kong city. Enthusiastic customers gave Monki a warm welcome, with queues stretching outside the doors for the whole opening week. The year also saw Monki open in Finland and the Netherlands. Monki already has stores in Scandinavia and Germany.

COS OPENS *new stores*

COS combines prêt-à-porter fashion designs with a focus on quality at attractive prices. Over the year COS opened 12 new stores in Europe, including those in Glasgow, Paris, Strasbourg and Brussels, as well as in Aarhus, Denmark, and Valencia, Spain. The first COS store in Ireland also opened its doors in the shape of a shop in shop at the BT2 fashion store in Dublin. COS also teamed up with the Frieze Art Fair in London – one of the international art world's most exciting events. COS is constantly inspired by modern art, and contributed to Frieze by supporting Frame – the part of the fair that promotes young, innovative talent and galleries. In 2011 COS opens in Sweden.

The picture to the right shows the COS store in Barcelona.



BETTER COTTON – *on 2020 target*

H&M's aim for 2020 is for all of its cotton for clothing to be more sustainably sourced. There are many pathways to the goal. H&M is currently one of the world's biggest users of organic cotton. And, in order to contribute to the improvement of traditional cotton growing too, H&M is an active member of the Better Cotton Initiative alongside other organisations such as WWF. BCI is a long-term initiative in which fashion companies, NGO's and cotton growers work together to grow better cotton from a social and environmental perspective. In 2010 H&M was one of the lead financiers of BCI's training of 68,000 farmers in better growing methods.



COLOURFUL SPRING *with Sonia Rykiel*

In February 2010, H&M launched a collection in collaboration with Sonia Rykiel – one of the major icons of the fashion world. Rykiel, who founded her fashion house in 1968, is as famous for her stripes and knits as she is for her positive message: that fashion should be about playfulness and joy. Through the collaboration, a wide audience gained the opportunity to discover Rykiel's colourful designs. Their first taste came in the form of underwear in December 2009, which was sold both at H&M and in Sonia Rykiel's own boutiques. In spring 2010, knits and playful accessories for women and girls aged 18 months to 8 years were among new items added to the mix.

"A perfect way to welcome a new, colourful season," said Sonia Rykiel's President and Artistic Director, Nathalie Rykiel.



LANVIN ♥ H&M

In late November 2010, one of the biggest fashion events of the year hit around 200 H&M stores all over the world: the designer collaboration with French fashion house Lanvin. Lanvin's creative director Alber Elbaz is one of the leading creative talents of early 21st century fashion. The collection for H&M with fashion for both men and women captured Lanvin's signature style, including expert cuts, strong design and focus on details.

"This has been an exceptional experience and journey where two companies at opposite ends of the scale have been able to work to one philosophy - to spread joy and beauty to women and men around the world," said Alber Elbaz ahead of the launch.

Even before the collection - which included colourful tailored party dresses - came out, it attracted a huge buzz - not least on 2 November when it was pre-viewed for the press and H&M customers through a film premiere on www.hm.com. The collaboration was also celebrated with a couture show in New York.



INCENTIVE PROGRAMME *for all employees*

Employees are the key to H&M's success. In order to show its appreciation H&M is starting an incentive programme for all employees. The programme is being started in 2011 with a donation from the Stefan Persson Family of approximately SEK 1 billion (based on the share price on 6 September, 2010) to the Swedish foundation, Stiftelsen H&M Incentive Program. The intention is to encourage and acknowledge employees' long-term involvement and to further strengthen H&M as an attractive employer globally. In addition, H&M intends to make annual contributions to the foundation, with an amount equivalent to 10 percent of the increase in dividend in relation to the previous year's dividend, under normal circumstances. Return on the foundation's funds is to be evenly distributed to employees over time, regardless of their position or salary level. This means that employees will be able to benefit from H&M's expected growth in value in the same manner as a shareholder.



OPENINGS *in Israel*

In 2010 the first four franchise stores opened in Israel. They all attracted enthusiastic customers. The first was a full-range store in the popular Azrieli Mall - a shopping centre in Tel Aviv's most famous skyscraper. Later in the year H&M also opened in Jerusalem, Haifa and Kfar Saba. All H&M stores in Israel are run by franchise partner Match Retail.





Ann-Sofie Johansson and Anna Norling in the White Room at the H&M head office in Stockholm.

FASHION FOR EVERYONE

FROM THE LATEST FASHION TRENDS TO BROAD SOCIAL PHENOMENA, *and from new movies to the instincts and intuition of the fashion team. H&M's range is wide, and inspiration comes from many sources. Head of Design Ann-Sofie Johansson takes us behind the scenes to tell the story of the collections.*

H&M has fashion for everyone at the best price. The range is wide and designed for customers of all ages who want everything from updated basics to on-trend partywear. The clothing collections are complemented by footwear, accessories and cosmetics and – since 2009 – H&M Home, which offers interior textiles with a feel for fashion. The inspiration behind the different collections also comes from many directions. In the White Room at the H&M head office in Stockholm, the shelves are filled with magazines and books. Fashion bibles jostle for space with weighty art volumes and publications from trend institutes. It's also home to vintage fashion, fabric samples and past-season pieces from H&M collections.

H&M has more than 100 designers. They work on several seasons' collections

simultaneously, having done their homework well in advance. It's all about being one step ahead, all of the time.

"We start by taking a good look at the world around us," says Head of Design Ann-Sofie Johansson. "This can involve reading books, checking out blogs and watching films, but also going on inspiration trips to look at exhibitions, fairs and flea markets. And looking at street fashion and how people are dressing around the world is also inspiring."

In the White Room the so-called mood boards for the season are also all around, distilling the different sources of inspiration into the key trends. Montages of images, key words, and colour and fabric samples capture the feel of each individual trend.

"Every season we work with five or six main trends," says Ann-Sofie. These trends are then filtered down into actual garments and accessories, designed to suit a wide

range of customers searching for different styles. In the White Room, H&M designers can feel their way to the right colours and fabrics. Meanwhile in the studio next door new sample garments can quickly be sewn together.

IN AUTUMN 2010 two trends for womenswear were "To The Max" (chic simplicity meets relaxed elegance) and "French Fatale" (inspired by fashionable French "It-girls"). Both were well-received by customers. The mood boards feature images of rustic workwear, the actress Lauren Hutton, dark red lips and autumn's new warmer colour palette.

Small-town American culture was a key influence for spring 2010, with lots of blue, denim, and classics such as crisp white shirts and T-shirts. Towards autumn there was a move to neutrals. Camel was huge, and brighter colours took a step back. Warm clothing was layered up, with knitwear



“THEY WORK ON SEVERAL SEASONS’ COLLECTIONS SIMULTANEOUSLY, HAVING DONE THEIR HOMEWORK WELL IN ADVANCE. IT’S ALL ABOUT BEING ONE STEP AHEAD, ALL OF THE TIME.”



Detailed mood boards showing seasonal influences.



Lena Baad-Heimer and Anna Teurnell going through new textile samples.

including cardigans, dresses, scarves, and yes – even trousers.

“In time for the holidays at the end of the year came our partywear collections where red, both bright red and a deeper glossy red, was the key accent colour,” says Ann-Sofie.

The two designer collaborations of the year, with the French fashion houses of Sonia Rykiel and Lanvin, were also big news, attracting attention from bloggers, press and social media, as well as being a big hit with customers.

“Sonia Rykiel is so Parisian – an icon of chic, feminine fashion,” says H&M Creative Advisor Margareta van den Bosch of the collection, which consisted entirely of knits in signature Rykiel styles, such as her trademark stripes and bright colours.

And of Lanvin, Margareta says: “Lanvin is a byword for fantastic craftsmanship and genuine, sophisticated femininity. Through Lanvin for H&M we were able to offer the

FASHION AGAINST AIDS

For the third year running, H&M joined the fight against HIV and AIDS in 2010 by working with Fashion Against Aids and the organisation Designers Against Aids. H&M customers contributed by buying clothes from a festival-inspired collection, with 25 percent of the sales price going to projects that raise awareness of HIV/AIDS among young people. FAA raised SEK 10.7 million in 2010.

EXCITING NEWS - FASHION AT H&M IN 2011

KEY CONCEPTS Sporty, glamorous, well-dressed, romantic, bohemian, upbeat.

COLOURS A warm palette where the popular cognac shades of autumn give way to lighter browns such as sand and beige. White makes an appearance in romantic summer pieces, preppy sportswear and denim. Bright colours and splashes of neon break it all up.

MATERIALS Thin, light cotton, chiffon and linen. Romantic lace and hem-stitching. On-trend suede and innovative new materials, such as blends of cotton and silk, and Tencel®.

SILHOUETTES Long skirts and wide trouser legs, or sharper 60s styles. Belts at the waist add contrast and create shape.

STYLING Materials, colours and styles are all mixed up – think a sporty sweatshirt with a long lace skirt or minimalist cuts in bright colours.

INSPIRATION Legendary fashion designer Yves Saint Laurent is a key influence – both with bohemian, ethnic elements and dressed-up, elegant 70s style.

MEN'S TRENDS Preppy, relaxed, elegant styles majoring on chinos, stripes and soft, unlined jackets. Accessories and footwear in natural materials, such as espadrilles.

SUSTAINABLE 2011 will see the arrival of the recurring Conscious Collection – a white spring collection made in greener materials. A smaller, limited edition collection – Waste – created entirely from materials left over from the 2010 designer collaboration with Lanvin will also be launched.

dream he created to a wider public.”

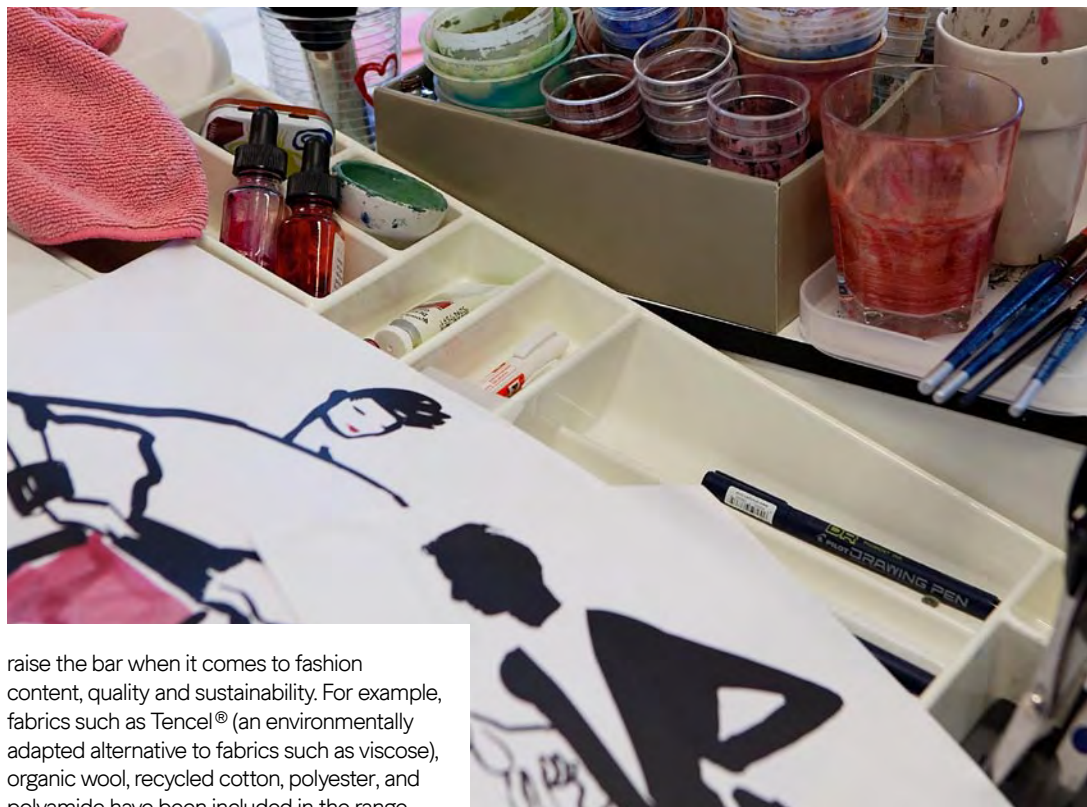
Menswear was also part of the collaboration, with a focus on design and detailing, encompassing signature Lanvin cuts.

TODAY'S FASHION CUSTOMERS take a keen interest in how the clothes they buy have been made. As well as a wide fashionable range, sustainability – taking responsibility for people and the environment – is an important part of H&M's offering. All suppliers have to abide by stringent regulations on the use of chemicals and a Code of Conduct.

As a commitment to the health and safety of workers in the apparel industry, H&M decided in 2010 to stop buying sandblasted jeans and switch to denim that is given the same worn look through alternative methods.

Today, H&M is one of the world's biggest users of organic cotton as well as being one of the founding members and driving forces behind the Better Cotton Initiative, BCI, which works to improve traditional cotton growing. For 2020 the aim is for all the cotton in all H&M collections to come from more sustainable sources. (For more on H&M's work on cotton and sustainability, see the Our Responsibility chapter.)

Alongside developing basics and the year's key trends, H&M continuously invests in finding new technology and materials that



raise the bar when it comes to fashion content, quality and sustainability. For example, fabrics such as Tencel® (an environmentally adapted alternative to fabrics such as viscose), organic wool, recycled cotton, polyester, and polyamide have been included in the range.

In 2010 one of the most talked-about new releases was the Garden Collection – a romantic, bang-on-trend spring range – made entirely from organic, recycled or renewable materials.

“We noticed that there was a huge demand from customers for this type of collection that combines high fashion with environmentally adapted materials all the way,” says Ann-Sofie.

Sustainability isn't just about the production process; it's also about durability. H&M is investing in quality and garments that can be combined in different ways. Creating updated classics – basics with a feel for fashion – is an important part of the design department's work.

“It's all about classic pieces that will last for many seasons and can be mixed and matched in lots of ways. But it's important to find the right materials. We work with quality fabrics, which means that, for example, we can offer finer jersey that is more in line with current trends, but is also hardwearing.”

So that customers can always find something new at H&M, the range on offer in store is always changing. Niche trends and new concepts are tested on a small scale. In 2011, for example, a wealth of new knitting techniques is being launched, and for the first time a collection is going to be created entirely from waste material.

“That's exactly what fashion is all about,” says Ann-Sofie. “It's about curiosity and development. About being constantly creative and keenly aware of what customers are looking for.” ■



Malin Sone and Love Bertilsson get inspiration.



Our COLLECTIONS

Wardrobe essentials, the latest trends, accessories and cosmetics – for women, men, children and teenagers.

WOMEN

From the most up-to-the-minute fashion girl to the businesswoman who prefers classic style. From comfortable everyday wear to fabulous party dresses via leisurewear and fashion-conscious maternity wear – H&M's women's department has a wide range of fashion for everyone, with a constant focus on quality and the best price.



MEN

From smart suits and shirts for work and going out, to relaxed everyday favourites and everything in between. For those looking for a varied and flexible men's wardrobe, there's always something at H&M, whether it's the latest trends, classically tailored cuts or the most comfortable leisurewear.



&DENIM

Jeans are always part of the fashion picture at H&M. The season's trends and much-loved classics come in a variety of different colours, cuts and washes. There's also an up-to-date selection of shirts, jackets, dresses, skirts and shorts – all in denim.



CHILDREN

The children's department offers everything from trendy trousers to pretty dresses for babies and children up to 14 years. Children's clothes at H&M are up-to-date, comfortable and always tested with great care to ensure that they meet our stringent safety and sustainability standards. Fabrics are soft on the skin, yet tough enough to cope with rough-and-tumble and repeated washing.

Our COLLECTIONS



DIVIDED

At H&M, fashion-conscious girls and boys can find a wide choice of the latest trends that work for every occasion. There's everything from relaxed basics with sporty influences to great partywear that really stands out from the crowd.





MONKI

Monki stands for personality, independence and creativity. It's a place where young women can find fashion, accessories and a store concept in a complete world of its own. Today there are Monki stores in the Nordic countries as well as Germany and the Netherlands. In 2010 the first Hong Kong store also opened its doors.



WEEKDAY

Weekday can now be found in Sweden, Denmark, Norway, Finland and Germany. Weekday sells ranges including its own brands Cheap Monday and MTWTFSS Weekday, as well as designer collaborations with independent fashion creators such as Carin Wester and Bless. It's all about distinctive urban fashion for girls and boys – always at the best price.



COS

Modern, urban and chic. COS offers a combination of timeless pieces and high fashion content for both women and men. Everything you need to update your wardrobe is here – clothes in high-quality fabrics for both everyday and partywear, along with selected accessories. All with a feel for fashion down to the tiniest details.



CHEAP MONDAY

Cheap Monday collections blend influences from street fashion and subcultures with catwalk style. The brand offers jeans and other garments with a high fashion content at prices accessible to all. Cheap Monday is also sold at selected independent retailers and chains in more than 35 countries as well as in its own concept store in Copenhagen.

Our
COLLECTIONS





H&M HOME

At H&M Home, customers can find items to give a fashion sense to every room in their home. Towels, sheets, curtains and other textiles in on-trend colours and patterns are sold online in all markets where H&M runs internet and catalogue sales, all naturally at the same attractive prices as the rest of H&M's range. There are also H&M Home stores in Stockholm, Helsinki, Copenhagen, London and Amsterdam.



H&M HOME

– FASHION FOR YOUR HOME

H&M Home has everything you need to give your home a quick and easy update, at the same attractive prices as the rest of H&M. The interior textiles concept was launched in 2009 with online sales and the first store in Stockholm. H&M Home quickly became popular with customers, and attracted a lot of attention from journalists and bloggers.

Shopping at H&M Home is also an exciting new experience. The stores are welcoming – just like a home – and the collections are presented in playful, inspiring displays. At the store entrance, customers pick up a metal plate in the shape of a house. Every product in the range is symbolised by a magnet, which can be attached to the metal house. The selected products are then brought to customers when they hand in their plate at the checkout.

“The idea for magnetic shopping came from the way we shop on the internet,” says Maria Lindblom, Head of H&M Home. The system has many benefits. Customers can get a feel for the products and fabrics without the need to carry them around. And the store never gets untidy.

In 2010, a soft, warmer colour palette came to interiors and design, with H&M Home's collections inspired by 1920s Paris, femininity and current fashion trends.

“The feeling of cosiness, with lots of textiles, throws and cushions in the home, continues to feel right for 2011,” says Evelina Kravaev-Söderberg, Head of Design for H&M Home. Key words such as “industrial”, “rustic” and “romantic” will be important, along with touches of bright accent colours and playfulness in prints and shapes.

“We will also see a clearer diversification of the range, with everything from updated basics, such as our towelling, to on-trend products that are new for the season. H&M Home should be a place where customers can easily find something to suit their individual home,” says Maria.

H&M Home products are available in all countries where H&M has online sales. The first H&M Home store opened in Stockholm in 2009, and in 2010 stores also opened in Helsinki, Copenhagen, London and Amsterdam. ■



UNDERWEAR

Even the clothes closest to your body are important. At H&M you will always find comfortable underwear basics in the softest cotton, as well as more fashion-conscious styles in the season's new colours and fabrics.



ACCESSORIES

H&M doesn't just have fashion for everyone – it also has accessories for every look. Customers can find everything from versatile scarves to mix and match with a relaxed outfit, to eye-catching jewellery and hats in the season's hottest colours. Not forgetting fashion-forward footwear and bags for women, children and teenagers. There are also accessories to complement all the other collections and add the perfect finishing touch.



COSMETICS

A fashionable outfit deserves up-to-the minute make-up. H&M has everything you need to create the season's latest make-up looks. Just as for the other collections, fashion and quality at the best price are key. No products sold at H&M are tested on animals and all suppliers must guarantee that the contents, packaging and branding fulfil EU and US quality and safety standards.

QUOTES ON H&M



"The great thing about COS is that beyond the thematic trends, great items in their own physical categories jump out at you as a 'great jumper', 'the perfect white shirt', 'THE leather dress.'"

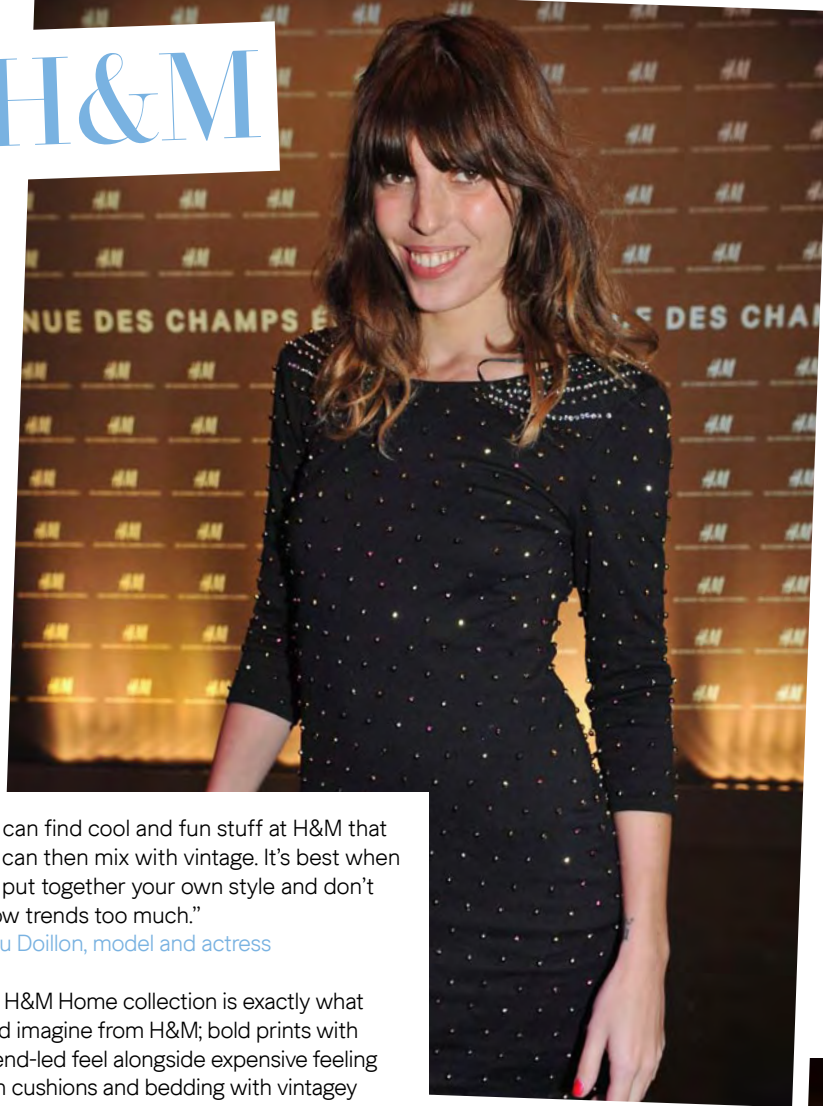
– Susie Bubble, [blogger](#)

"Can't believe H&M has been in NYC for 10 years already and I've been a fan since the beginning."

– Wendy Lam, [Nitrolicious](#)

"I think that Alber Elbaz is amazing. I love what he does for Lanvin, it's girly, playful and confident. It is great that he co-operates with H&M, it makes Lanvin available to so many young people."

– Sofia Coppola, [director](#)



"You can find cool and fun stuff at H&M that you can then mix with vintage. It's best when you put together your own style and don't follow trends too much."

– Lou Doillon, [model and actress](#)

"The H&M Home collection is exactly what you'd imagine from H&M; bold prints with a trend-led feel alongside expensive feeling linen cushions and bedding with vintagey prints. The best bit, though, is the awesome shopping process itself. Seriously; it's genius."

– Jessica Vince, [Grazia Daily](#)

"Thank you so much to H&M for making this collaboration happen. It's so wonderful to share the Lanvin dream to many people."

– Bryanboy, [blogger](#)



SUSTAINABILITY AND THE BEST PRICE

H&M SHALL OFFER FASHION AND QUALITY AT THE BEST PRICE *at the same time as running the company in a responsible manner. We are working actively on more sustainable development for the people and environment that are affected by our business.*

Our customers should always feel that we take responsibility for ensuring that the clothes we sell are made under good conditions and with the least possible impact on the environment.

We can offer attractive prices because we cut out the middleman wherever possible, we buy the right items from the right markets, we are cost-conscious at every stage and have an efficient distribution network. H&M is also an attractive customer because of its size and continual growth.

As well as offering the best price to our customers, we run a comprehensive programme to make our fashion more sustainable.

We strive to help make improvements at every stage, from the production of raw materials to the way our customers care for their garments back home.

SUSTAINABILITY IS AN IMPORTANT PART of H&M's strategy and one of the prerequisites for H&M to be able to grow while maintaining quality and high profitability in the long term. That is why, since 2009, we have made sustainability the responsibility of every department in the company. Together we have achieved a number of improvements, but we still have much to do in the future.

H&M's full sustainability report is available at www.hm.com/sustainability and gives a



“WE WANT TO ENCOURAGE SUPPLIERS WHO COMMIT TO ONGOING IMPROVEMENTS FOR PEOPLE AND THE ENVIRONMENT.”

detailed annual account of the most important aspects of our sustainability work. Here is a brief rundown of some of the work we do.

FOREIGN TRADE IS AN IMPORTANT SOURCE of economic growth the world over. As a retail company, H&M buys and sells products in many markets. In this way we help to create employment for hundreds of thousands of people in the countries where we buy products. Our presence has a positive impact on these societies.

H&M does not own or operate any factories, but instead works with around 700 suppliers, mainly in Asia and Europe.

We strive to ensure that every employee who works for our suppliers is guaranteed their legal rights at the very least and that our suppliers abide by H&M's Code of Conduct. Since the 1990s, we have been working hard to improve working conditions at our suppliers.





Even Zhao, Steven Duan, Anna Lindau and Isabel Xu at the production office in Shanghai.

ers. We maintain a presence at our suppliers' factories through 70 or so auditors whose work you can read more about on page 36–37.

We want to encourage suppliers who commit to ongoing improvements for people and the environment. We are updating our reporting system with even clearer indications about working conditions in order to facilitate decisions on upgrading and long-term order placement.

Our sustainability work also includes bags, printed matter and other store materials. That's why in autumn 2010 we also started to audit the suppliers in China who provide us with these types of products.

ONE OF THE MARKETS H&M buys clothes from is Bangladesh. In 2010 H&M together with other large clothing companies tried to persuade the government in Bangladesh to raise textile workers' minimum wages. These were raised during the year. We are continuing to take an active role in driving the issue forward.

H&M also invests in various development projects in Bangladesh and India. For example, we run a training school in Dhaka, where more than 1,120 people have learnt sewing skills and received knowledge of workers' rights. We also share our experiences with other companies, organisations or factories that want to

start their own training centres and therefore run an instructor's programme. So far, 22 people have participated in the programme.

WE DO NOT ACCEPT child labour at any of our suppliers. Further down the chain, during the production of raw materials, this problem is more difficult for us to tackle alone. That's why in 2009 we started the five-year "All for Children" project with UNICEF. Through initiatives like a donation of 4.5 million US dollars from H&M, the project aims to give children in the cotton producing areas of India the chance to go to

school, as well as improving their access to healthcare. Five months after the project began in November 2009, for example, 173 local teachers had been recruited to village schools in Salem and Dharmapuri. The response from parents in the region shows that they are pleased that their children can go to school regularly and the number of children quitting school has decreased. (For more on this, see www.hm.com/allforchildren.)

CLIMATE RESPONSIBILITY is an important element of our sustainability work. In 2005 we pledged to reduce the company's carbon di-



Hoodie jacket
€ 9.95



oxide emissions in relation to sales by a total of 10 percent in the period between 2004 and 2009. The reduction actually achieved was 32 percent and a new target was set: to cut emissions in relation to sales by at least 5 percent per year from 2010 until the end of the 2012 financial year. After that a new target will be set. As H&M grows, the importance of climate-smart transport is also increasing. We strive to transport our goods by rail and boat instead of by air, which has the greatest impact on the environment. Sometimes air freight is the only option, but we try to combine it with boat transport. Products should also travel the shortest distances possible from supplier via warehouse to store, which is better both financially and environmentally.

We have also introduced customer carrier bags made from recycled plastic to H&M stores for our standard range. Every kilo of plastic that is recycled saves around one litre of oil and two kilos of carbon dioxide. Research shows that recycled plastic has a less negative impact on the environment than, for example, paper or starch-based plastic when viewed over the whole life cycle of the material.

WE ARE CONSTANTLY STRIVING to use resources more efficiently, including reducing our waste. We are building and opening new H&M stores around the world, while regular-



Charlotte Chen, Tracy Pan and Hanna Grentzelius go through H&M Home samples in Shanghai.

ly refurbishing existing stores. In the drive for constant improvement we are trying to reduce building waste, and use interior materials that have a long lifespan and can therefore be reused. In the chapter "Come on in" you can read more about how we are working towards increased sustainability in our stores where issues such as energy efficiency are important. One of our targets is for at least 20 percent of H&M's energy consumption to come from renewable sources by 2020 at the latest. We are also running projects to help our suppliers become more energy-efficient.

"WE ARE CONSTANTLY STRIVING TO USE RESOURCES MORE EFFICIENTLY, INCLUDING REDUCING OUR WASTE."

WATER IS A PRIORITY AREA in our efforts to use natural resources responsibly. Our suppliers must meet our demands on water treatment during production. We are also running a project with a small number of denim clothing suppliers to reduce the amount of water they use during their processes.

H&M works with WaterAid, an organisation that runs water and sanitation projects in Asia. Since 2002, H&M has designed WaterAid branded swimwear every summer and donated 10 percent of the sales price to the organisation's projects. The SEK 4.6 million donated in 2009 has brought aid to the poorest, most vulnerable areas of Bangladesh,

H&M CONSCIOUS*

A shared responsibility as outlined in our sustainability strategy from 2009 means that all departments at H&M are individually responsible for integrating sustainable thinking into their business routines. The CSR department sets the overall targets and strategies and provides support to the other departments. Each department is then expected to set individual sustainability goals and initiate actions aimed at fulfilling seven commitments we set in 2010 in line with our sustainability policy. We call them H&M CONSCIOUS* ACTIONS:

1. Provide fashion for conscious customers
2. Choose and reward responsible partners
3. Be ethical
4. Be climate smart
5. Reduce, reuse, recycle
6. Use natural resources responsibly
7. Strengthen communities

Read more on www.hm.com/sustainability

* is the name of all the work we do to offer you more sustainable fashion, both today and tomorrow.

India and Pakistan. Over the year around 2,600 people gained access to clean water and 3,300 people got better sanitation. In 2010, more than SEK 3.9 million was raised and has been used on initiatives such as helping those hit hardest by the floods in Pakistan.

OUR SUSTAINABILITY WORK is becoming increasingly evident in the H&M range, and more eco-smart materials are being introduced into our collections. For example, you can read about H&M's cotton target opposite, and in "Fashion for Everyone", we reveal more sustainable fashion news at H&M. ■

BETTER COTTON

TO MAKE TRADITIONAL COTTON GROWING MORE SUSTAINABLE

for people and the environment, we are part of the Better Cotton Initiative.

H&M has been selling products made from organically grown cotton for six years, and is now one of the world's biggest users. But organic harvests today make up less than one percent of the cotton grown in the world. That's why H&M helped to found the Better Cotton Initiative – a project set up and run by several stakeholders in business life and global organisations such as WWF.

The aim is to improve conventional cotton growing and reduce its negative impact on people and the environment. The first Better Cotton harvest was ready in autumn 2010. In 2010 H&M was one of the lead financiers of the training of 68,000 farmers for better growing methods.

"Better Cotton is better in three ways," says Henrik Lampa, product manager for the H&M CSR department. "Firstly for the environment, as less water, fertilisers and pesticide chemicals are used. Secondly economically from the growers' perspective, as reduced costs for water, chemicals and fertilisers make cotton growing more profitable. And thirdly socially, as a better financial situation gives growers the opportunity to pay fair wages."

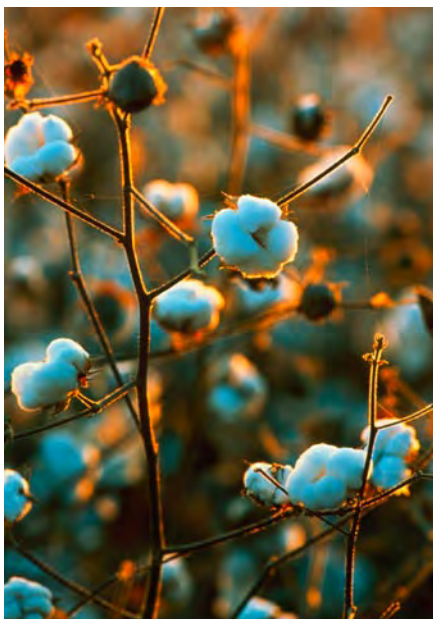
BCI ALSO HELPS SMALL-SCALE GROWERS to gain access to better loans and organise themselves so that they can club together and buy things less expensively. BCI helps growers with ongoing education too, so that they can gain the knowledge and tools that they need to

TARGET - MORE SUSTAINABLE COTTON

By 2020 at the latest, all H&M's cotton shall come from more sustainable sources.

Better Cotton is the key to this goal. But H&M also intends to increase its use of organic cotton.

The difference between organic cotton and Better Cotton is that organic cotton is grown in accordance with strict rules, without the use of any pesticides, while Better Cotton minimises the use of chemicals. Better Cotton also takes other factors, such as water consumption into account. The social aspects of cotton growing are also covered by Better Cotton, which isn't the case with organically grown cotton. Better Cotton is about improving all cotton that is not classed as organic.



continuously improve their working methods.

Lise Melvin is a working board member of the Better Cotton Initiative, and liaises between growers' organisations, industry organisations and member companies:

"By helping small-scale farmers to grow cotton in a better way, we can improve living conditions for a lot of people and reduce the negative impact on the environment considerably." ■

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 co-operation partners, and to our customers in their contact with H&M.
- * 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 continually review the company's goals and strategies to reduce the company's impact on the climate.
- * 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 that 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 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 introduced a new Code of Conduct on 1 January 2010. Like its 1997 predecessor, it 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 12 years, and is directed at everyone who has a business relationship with H&M. 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/sustainability

SUSTAINABILITY REPORT 2010

H&M's sustainability report is available at www.hm.com/sustainability. It gives a detailed review of the most important aspects of H&M's sustainability work during 2010, including strategic approach, projects and initiatives as well as targets and results.

OUR 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 products undergo careful testing.
- * H&M strives to avoid selling children's clothing that might be perceived as provocative.

JEANS

- * As a commitment to the health and safety of workers in the textile industry, H&M decided in 2010 to stop buying sandblasted jeans and switch to denim that is given the same worn look through alternative methods.

ANGORA

- * H&M only accepts products made from 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 from 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 skin 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 of 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 www.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 2010 no products were recalled.

WHAT HAPPENS WHEN A PRODUCT IS RECALLED

An unsafe product is identified. The quality department and production manager 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.



Peter Yang (right) visiting a supplier.

WORKING TOGETHER – FOR BETTER CONDITIONS

WE WORK HARD TO MAKE SURE THAT OUR SUPPLIERS PROVIDE GOOD WORKING CONDITIONS. *Wages and health and safety are the most important areas, say Peter Yang and Jonah Wigerhäll, who work as auditors in China.*

As a retailer, H&M does not own or operate any factories. But making sure our 700 suppliers provide good working conditions is a shared responsibility. H&M has around 70 auditors who work with our suppliers to achieve sustainable improvements for people and the environment during production, and to ensure that H&M's Code of Conduct is followed.

"Wages, health and safety at work are the most important areas – especially wages, as these are what's most important to individual workers," says Peter Yang. Based in Shanghai, Peter has been working as an auditor for H&M in China since 2007.

"In our daily work we can see that our company takes its responsibilities very seriously – it's not just words, it's action too. We devote a great deal of time and resources, which are essential for bringing about sustainable changes. And we've achieved that. Our work in China, for example, has helped to raise the average wage paid by our suppliers."

JONAH WIGERHÄLL, who has worked for H&M since 2008, is also based in Shanghai. Jonah and Peter are doing more and more work on capacity-raising initiatives, primarily to help suppliers strengthen their operating systems in the areas of health, safety and recruitment. Working with consultants, H&M has also



Jonah Wigerhäll in Shanghai.

helped selected suppliers to increase production capacity in their factories. Increased capacity can help facilitate higher wages and fewer overtime hours.

"It's the biggest change since I started here," says Jonah. "Back then, it was mostly about inspections. Now it's more and more about building capacity."

He cites a jeans washer as an example:

"They had problems with the unsafe handling of chemicals, which meant their factory was no longer a safe place to work. We got them to see that the faults were down to their weak operating systems, which in turn led to capacity problems, and they are now willing to do something about it. We have demanded an action plan for how they are going to improve their procedures, internal communications and skills."

H&M ALSO RUNS TRAINING COURSES. These can involve using external lawyers to teach suppliers about the relevant local labour and contract laws. "Workers' rights are one of the areas where we still face major challenges," says Jonah.

"The biggest challenge is to get suppliers to take ownership of the issues. Through training courses, we are trying to teach them the importance of listening to the views of their employees in order to be an attractive employer. We also require them to hold their own

courses for new employees on factory rules and employees' rights. When we interview factory workers as part of our auditing process, we must understand how much they know. It's a process that takes a long time."

A large part of Peter and Jonah's work still involves traditional auditing. H&M auditors carried out around 2,000 announced and unannounced audits in 2010. The inspections fulfil several functions. They are partly about assessing how much support a supplier needs, and partly about monitoring the improvements already made.

"Something I am really proud of is that we have reached an unprecedented level of transparency with our suppliers," says Jonah, and continues:

"Some problems are widespread in China, such as overtime, and it's better for suppliers to be open with us. If we find any false documentation, such as wage or time sheets, the consequences for suppliers will be far worse than if they tell us about any problems themselves so that we can work together to make improvements."

Jonah says this is precisely H&M's strength: "We always take up issues with our suppliers and, as long as they are honest with us and willing to improve, there are no consequences if we find faults. But we always require a concrete plan of action on how they are going to tackle these faults." ■



LOWER THE TEMPERATURE

H&M clothes are always marked with the highest permitted washing temperature. But most washing powders wash just as well at lower temperatures if garments are not heavily soiled. Reduce the temperature from 60°C to 40°C and you will save around half the energy.

To care for your clothes while caring for the environment you can also...

- Use just enough washing powder and one that is eco-labelled
- Only put your washing machine on when you have a full load
- Let your clothes dry naturally

And another thing: Think about what happens to your clothes when you no longer need them. Recycling clothes by giving them to charity benefits both people and the environment.

Read more at www.hm.com/care

GLOBAL EXPANSION — WITH QUALITY

THE BEST BUSINESS LOCATIONS ACROSS FOUR CONTINENTS. *In 2010 H&M continued to expand with new stores opening in exciting cities all over the world.*

H&M's expansion is global. It includes opening new stores for all H&M brands and developing online shopping, as well as updating and renovating existing stores all round the world. All to make sure customers enjoy an even better shopping experience.

"Our establishment principle is the same as it always has been since 1947," says Head of Expansion Fredrik Olsson. "We always look for the best business location combined with the most favourable market conditions – and that applies to H&M as well as our other brands."

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

"We always want to be in the best business location, and the best location may change over time. By renting premises we can move at the same pace as our markets."

H&M IS GROWING ALL OVER THE WORLD

H&M's expansion is global – in 2010 the first stores opened in South Korea and Turkey, as well as via franchise in Israel. Autumn saw the opening of the stunning H&M store, designed by architect Jean Nouvel, on the Champs-Élysées in Paris, and in December 2010 a store of more than 5,000 square metres opened in Las Vegas (read more on page 44). Finland got its first Weekday and Monki stores. Monki also opened in the Netherlands and Hong Kong, while COS opened its doors in both Ireland and Scotland. Customers in Helsinki, Copenhagen, Amsterdam and London got to try out H&M Home in store for the first time, while UK customers can now shop at H&M Shop Online.

LONG-TERM QUALITY lies at the heart of every decision about where H&M opens stores. Alongside expansion work, existing stores are renovated so that H&M is always able to offer exciting new shopping experiences. H&M is also working actively to make its stores sustainable in the long term, with moves like energy-saving initiatives and using more environmentally adapted materials.

EACH AND EVERY H&M STORE should strengthen the brand and offer local customers the best possible shopping experience, whether this means a 3,000 square metre store on the Champs-Élysées in Paris, or a small-town shopping centre.

H&M continued to expand in 2010 in line with its growth target of increasing the number of stores by 10 to 15 percent per year. H&M opened a net of 218 stores. At the end of the 2010 financial year, there were 2,206 stores in 38 markets, including franchises, COS, Monki, Weekday and Cheap Monday.

EXPANSION IS SET TO CONTINUE in 2011 across all H&M markets and China, the UK and the USA are expected to be the largest expansion markets.

Romania, Croatia and Singapore will be new markets for 2011, as well as, through franchise agreements, Morocco and Jordan. Around the turn of 2011/2012 H&M Shop Online is planned for the USA.

"We have a positive view of the future and the opportunities for continued growth look good in both existing and new markets for all our brands," says Fredrik. ■



Karl-Johan Persson in the new H&M store on Champs-Élysées.





Jean Nouvel has designed the H&M store on Champs-Élysées.

The largest H&M store is in Las Vegas.



OPENINGS AND LAUNCHES 2010



H&M in Forum Shops, Las Vegas.

"TO SEE IT ALL ON THE CATWALK TONIGHT, STYLED BY ALBER IN HIS OWN WAY, IS TOTALLY AND UTTERLY INSPIRATIONAL."

– Hilary Alexander, The Daily Telegraph



H&M customers in Harlem, New York.



Store opening in Osaka.



Elisa Sednaoui at the opening on Champs-Élysées.



**"THIS IS THE IDEA OF THE ESSENCE OF
THE FEMININITY OF PARISIAN CHIC."**

*– Nathalie Rykiel, President and Artistic Director,
Sonia Rykiel*



Party for all in Las Vegas.



Sonia Rykiel pour H&M in Amsterdam.

STORES AROUND *the world*



"H&M HAS BEEN FOCUSING ON CREATING AN EVEN BETTER EXPERIENCE IN EVERY SINGLE STORE, WHETHER ACROSS FOUR CONTINENTS OR ON WWW.HM.COM."

Forum Shops, Las Vegas



Dam, Amsterdam



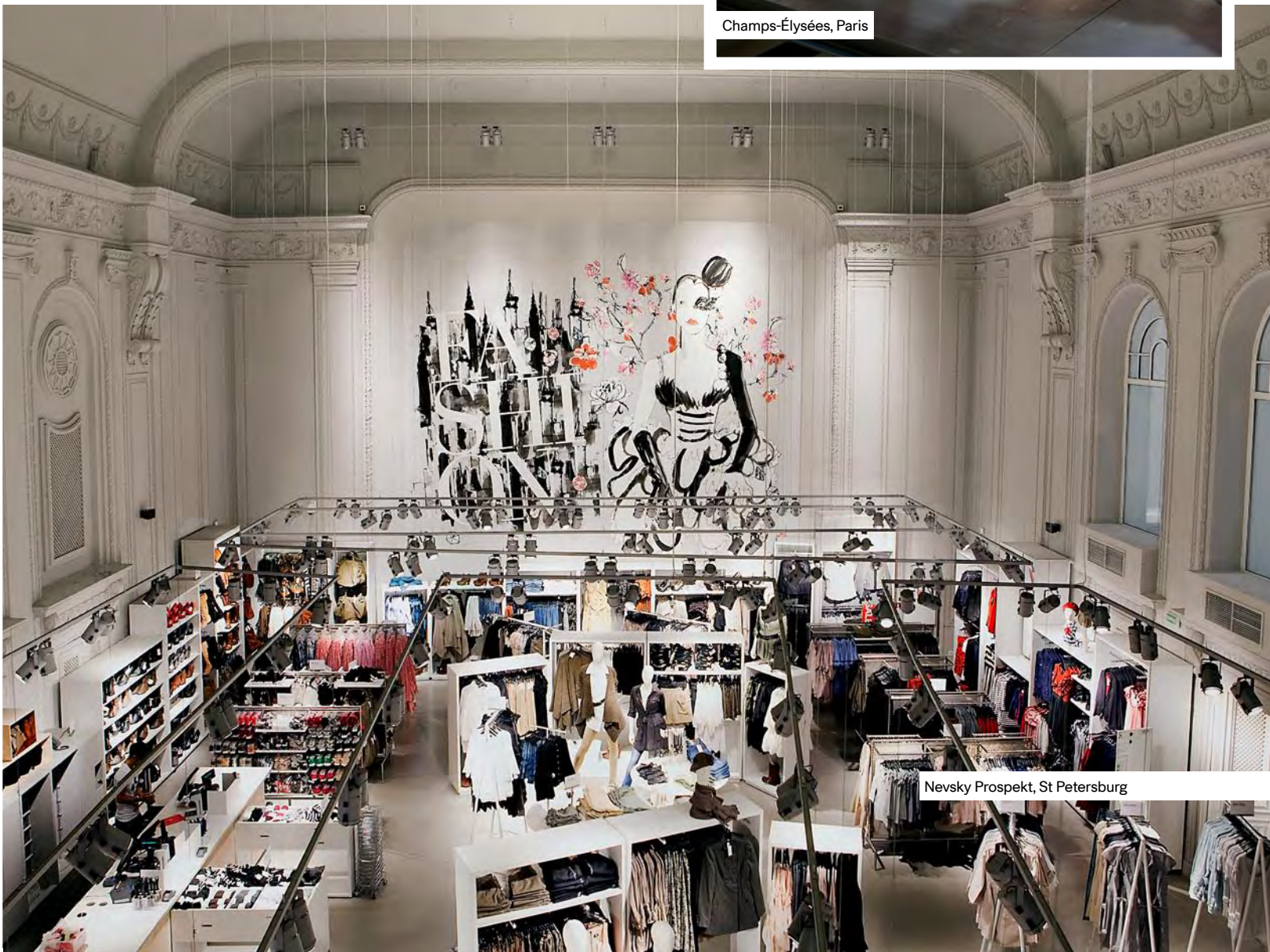
Forum Shops, Las Vegas



Nevsky Prospekt, St Petersburg



Champs-Élysées, Paris



Nevsky Prospekt, St Petersburg

AN EVEN BETTER SHOPPING EXPERIENCE

A FLAIR FOR FASHION, NEW TRENDS AND SUSTAINABILITY. *In 2010 H&M worked hard to give all customers a better shopping experience.*

It's the end of 2010, and H&M's new flagship store in the famous Forum Shops mall, Las Vegas, is surrounded by high barriers and a big red ribbon. The store sales team has been recruited, both locally and from H&M stores in other cities. The architects in the interiors department have been working long and hard on the drawings and conversion. They decided to give the 5,000-plus square metre space a sparkling party theme.

"The store feels like a party," says Annika Lindroos, an H&M store development designer. An invitation card several metres high stands by the store entrance, showing moving campaign pictures on digital screens. The first space that greets you is an atrium full of gleaming metal and colour-changing LED lighting, glitter balls suspended from the ceiling and a specially designed white interior with brass-plated details. The checkouts in the next room are shaped like a bar with integral lighting and brass framework.

EVERYONE IS INVITED. Inside the store is a hive of frenetic activity in preparation for December's opening. The new Las Vegas store is a full-range store, which means it offers fashion for everyone – women, men, children and teenagers. And H&M's price levels make this a party where everyone is invited.

Signs, styling and product presentation are all part of the visual merchandising that sets the right mood in store, giving out the message that shopping is fun and exciting.

"We should also be able to surprise our customers with something special. In Las Vegas we have developed new display solutions for clothes and styling tips, such as asymmetric niches in walls, mannequins on trapezes suspended from the ceiling and, in the atrium huge champagne glasses full of enticing products," says Camilla Henriksson, H&M's Head of Visual Merchandising.

Frances Armenta, store manager in Las Vegas who has experience from several H&M stores in the USA, knows that the right store environment can inspire both customers and employees:

"The way customers have reacted to the design of the store has been fantastic – we've had so many compliments about how beautiful it is. This great interest from customers makes us even more motivated to provide the best possible service."

INSPIRATION IN EVERY STORE. Throughout 2010, H&M has been focusing on creating an even better experience in every single store, whether across four continents or on www.hm.com. Just as the range is always changing, the stores must always feel up-to-the-minute too.

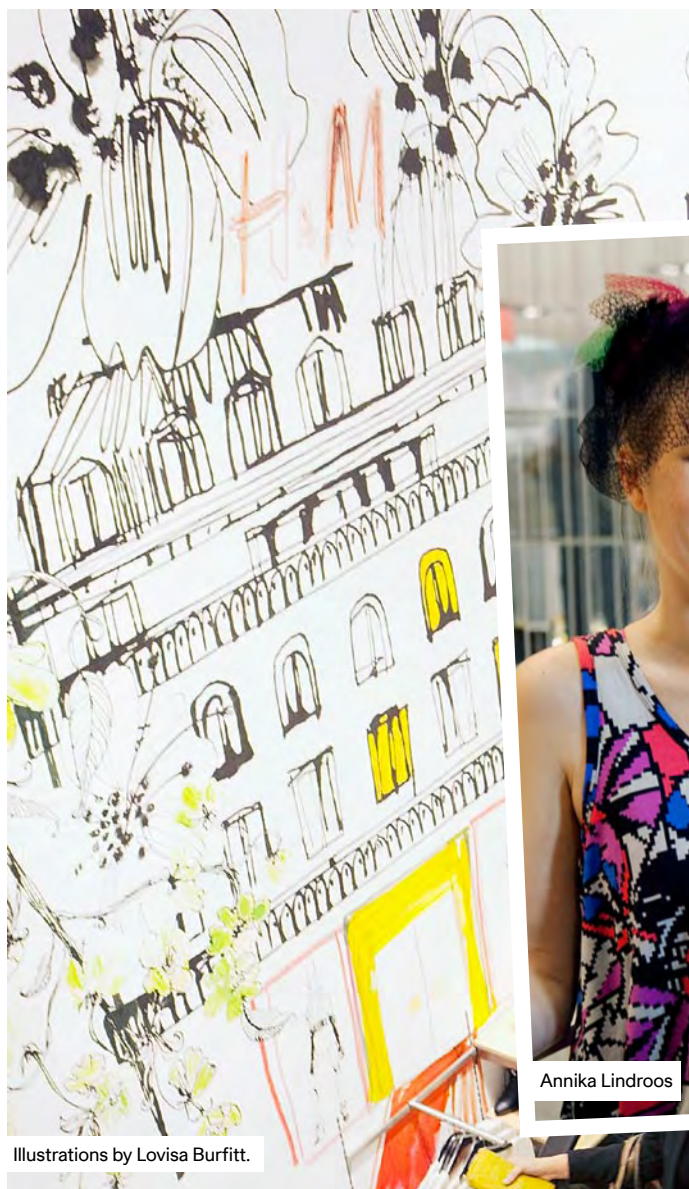
Interior of the new H&M store in Las Vegas.



"THE NEW LAS VEGAS STORE IS A FULL-RANGE STORE, WHICH MEANS IT OFFERS FASHION FOR EVERYONE – WOMEN, MEN, CHILDREN AND TEENAGERS."

Efforts to achieve this have included everything from new openings in the best business locations in exciting cities to major renovations of existing stores, as well as less spectacular, but equally important changes.

"Among other things we have developed the graphics we use in store and we're working with more modern mannequins to show how to style outfits in different ways. It's these kinds of ideas that create the right feel and help guide customers to different departments and products," says Camilla.



Illustrations by Lovisa Burfitt.



Annika Lindroos



Frances Armenta

MORE SUSTAINABLE INTERIORS. Being considerate to the environment and people is an important aspect of our interior design. H&M is striving to cut energy consumption in stores by improving lighting, heating and air conditioning. Lighting is an important issue. The LED lamps in the atrium in Las Vegas, for example, are long-life, energy-saving and give off less heat. Most H&M stores have ceramic metal halogen lamps that are both economical and efficient so that stores can maintain a desirable lighting level while using less energy. There are also environmental standards in place for lifts and escalators.

Materials used to furnish store interiors are chosen with H&M's sustainability criteria in mind. For example, no PVC is used, chrome is avoided, and strict safety regulations govern the work done. H&M tries to source materials from local suppliers wherever it can. As far as

possible, goods are transported in ways that have less impact on the environment, such as by boat. This involves careful planning and ordering the right amount of materials, leading to less impact on both the environment and the finances.

"Above all, we think long-term and use materials that last," says Annika. "In Las Vegas, for example, we have chosen materials such as brass and copper that will gain a patina over time."

One example of design and innovation that incorporates both long-term thinking and history is H&M's new flagship store on the Champs-Élysées in Paris, which opened during Paris Fashion Week in October 2010. Architect Jean Nouvel has contrasted the city's classic white limestone with dark industrial elements and large digital screens. A modern shopping experience on the French capital's most famous avenue. ■

MEETING H&M CUSTOMERS



Las Vegas

Name Byron **What did you buy today?** A shirt, a pair of braces and a blazer. **Describe your style?** Simple and all about comfort. **What's your best styling tip?** Be casual, comfortable and not too much. **What do you like doing in Las Vegas?** Go to the movies with friends.



Hong Kong

Name Kayi **What is in the bag?** A cardigan and some accessories. **How often do you shop at H&M?** About once a month. **What do you usually buy?** I buy both clothes and accessories. **Describe your style?** Today my style is casual wear, but normally I like Japanese style. Japanese style is really lovable, like lace and pink.

Stockholm

Name Jessica & Giobanelli **Have you found some real bargains at H&M?** Yes. The best bargains are usually casual basics like T-shirts. **Describe your style in three words.** Relaxed, casual, classic. **How do you find your style?** It varies but we are very much in the moment. We find our inspiration in Milan where we live and where people's style changes every day.



Amsterdam

Name Bertie **What did you buy today?** A festive party dress for my daughter. **How often do you shop at H&M?** Several times a month. **What do you like about this H&M store?** The interior is fabulous! **What do you usually buy?** Hmm, let me see, mainly trousers, tops and accessories. **What is your favourite H&M item?** That's easy! Sunglasses, I collect sunglasses and have more than 200 pairs.

St Petersburg

Name Ksenia **What did you buy today?** A dress and a sweater. **What do you like about this H&M store?** I like the building and its spaciousness. I like the way the clothes are hanging and the cool music. **Where do you find your inspirations for style?** My style depends on my mood. I check out fashion blogs but also people passing by on the street can inspire me.



SHOPPING AND INSPIRATION WITH H&M ONLINE

THROUGH WWW.HM.COM, APPS AND SOCIAL MEDIA, *H&M* is communicating with customers all over the world.

H&M fashion attracts customers all around the world – even where there aren't any H&M stores. Through social media H&M can inspire, inform and interact with customers, wherever they are.

And interest is on the up. At the beginning of 2011, H&M had more than 6 million fans on Facebook and gained an average of between 40,000 and 60,000 new fans a week. More than 130,000 people follow H&M on Twitter where they can share ideas and opinions and get answers to their questions quickly. New fashion videos and reports are uploaded onto YouTube weekly and in 2010 the films had more than 5.5 million viewings.

Through the H&M iPhone and iPad apps, customers can see the latest collections and campaigns, find out what's new at H&M and find their closest store. The apps already have more than 2.2 million downloads. At the launch in August 2010, the iPhone app was the most downloaded application in nearly all of H&M's markets.

IN 2011 THE WWW.HM.COM website is given a new look and functions. The new site is designed to provide inspiration as well as information about H&M and what's in store right now, and give customers the opportunity to shop online – all on the same site.

In the website's "dressing room" customers can find everything from styling tips to suggestions for complete outfits, and mix and match clothes and accessories from H&M's entire range.

H&M Life is the site's inspirational section where visitors can find news of the latest trends all over the world, view fashion clips and style guides, and bring together the whole H&M world.

H&M Shop Online and catalogues are

"IN 2010 H&M SHOP ONLINE OPENED IN THE UK – ONE OF H&M'S MOST IMPORTANT MARKETS."

important complements to the stores. In autumn 2010 shopping via www.hm.com was expanded to include the UK – one of H&M's biggest markets. The website offers customers the opportunity to buy not just clothes, accessories and footwear, but fashion for their homes too, from H&M Home. H&M Shop Online and catalogue sales have been available in Sweden, Norway, Denmark, Finland, Germany, the Netherlands and Austria for some time now, and sales continued to develop positively in 2010. Around the turn of 2011/2012 H&M Shop Online is planned for the USA. ■



A WORLD OF OPPORTUNITIES

H&M IS ONE OF THE WORLD'S LARGEST FASHION COMPANIES. *And it is our employees who hold the key to our success. Meet two of them – Anna Rydell and Murat Tuter, who come from different backgrounds and are enjoying exciting careers as part of H&M's global expansion.*

When Murat Tuter came to H&M as a 22-year-old student in Eindhoven, the Netherlands, he intended to work in store for a couple of months at most because he was dreaming of a long trip to Turkey. That was 13 years ago. Today, Murat manages H&M's biggest store in Utrecht, with 70 employees.

"I remember coming here for the first time. I was planning to work for a couple of months and buy a new wardrobe for my trip. But I just couldn't quit. My colleagues, all the laughs, the informal management style, and the fashion – there was so much that made me want to stay," says Murat.

So Turkey had to wait. Since his first job in the men's department, Murat has managed departments for children, teenagers and women in several H&M stores around the Netherlands. He has also tried working as a merchandiser, which included product planning, and helped to prepare for several new store openings, both at home and abroad, including Canada.

"My managers have always believed in me, taken notice of me and encouraged me," says Murat, who believes that the company has also developed over the years.

"H&M gets involved in social issues, such as Fashion Against Aids. It's important, because

young people are very aware these days. I personally couldn't imagine working anywhere else. I commute three hours a day, but I'm not complaining. Something has to give and this is what I want to do. My job has become a very important part of my life – it's my passion too."

H&M IS ONE OF THE WORLD'S largest fashion companies with more than 87,000 employees spread over four continents. The list of jobs is long and the professional roles vary. Together with more than 2,200 stores, production offices and country offices around the world, there are also jobs in design, buying, sustainability, marketing, logistics, interiors, human resources, IT and accounting, to name but a few.

Job rotation and internal recruitment are often used to give employees wider experience before they specialise. The idea is that it should be possible to change careers without having to switch employers.

Anna Rydell works as a global product manager in Hong Kong, where she lives with her husband and their two children.

"It's my job to set up a commercially strategic purchasing plan. At the same time I try to ensure that we make the right choices for our customers and find suppliers who want to work with us to contribute to long-term improvements for people and the environment."

"I'VE TENDED TO END UP IN POSTS THAT ARE NEW TO BOTH ME AND H&M. BUT THAT'S SOMETHING I LOVE – IT MAKES ME FEEL STRONG."

Anna started at H&M in 1988 as a buying assistant after studying at The Swedish School of Textiles in Borås. A passion for fabrics and new ideas has taken her from Stockholm via Florence, Istanbul and Thessaloniki to Shanghai and Hong Kong. Her roles have ranged from material developer to HR manager.

"I've tended to end up in posts that are new to both me and H&M. But that's something I love – it makes me feel strong. The company is showing that it believes in me and I know that I can make a difference and add value."

Anna's new assignments have often begun with an unexpected phone call, like before she moved to Shanghai.

"I was living in Greece at the time, managing the production office for Greece and Bulgaria. A colleague rang from Shanghai, said she needed an HR manager for the production office, and asked if I could move there and help her."



Murat Tuter, store manager in Utrecht.



Anna Rydell has worked for H&M in Stockholm, Florence, Istanbul, Thessaloniki, Shanghai and Hong Kong.





Murat started working for H&M at the age of 22.



Anna at the H&M office in Hong Kong.

Anna didn't have any formal HR training and was initially unsure about whether to take on the task. But she was soon persuaded by her proven track record in getting people to work together and achieving good results.

"So, we moved to China. I have a very flexible family and my husband takes on a lot of the responsibility for the children."

Moving the family across the world has also meant saying goodbye to friends and making new ones, she says. The most recent move was in 2008, when Anna's work took them from Shanghai to Hong Kong.

"At the same time, it is exciting, and we're very happy in Hong Kong. It's an international city, we're close to nature and the sea and the children have learnt a little Chinese. They already speak Swedish, Greek and English, and these are skills they will always have."

Anna says that she has been offered every opportunity she could ever have wished for at work.

"But I think I've worked hard, too. I've had to improvise a great deal, find my own way, and take help from colleagues. We have a fantastic team of people around the world who are willing to share their knowledge."

Murat agrees. For him, one of the benefits of working for H&M is that he has been able to share his skills with new colleagues. In 2010 it was just such a task that took him to the country he had waited so long to visit, when the first H&M store opened its doors in Turkey.

"We're expanding H&M with stores in a new country and I have been able to play a small part in that. If I visit Istanbul again in the future and see that any of the people we have just recruited have become, for example, a department manager, I will feel very proud, because I was there and shared my knowledge with them."

H&M isn't just opening stores in new countries – it is also expanding in existing markets. Despite the size of the company, there's still room for spontaneity, says Anna.

"It's one of the reasons why I still work here. There's a balance between structure and creativity and we have to take good care of that. In order for us to be able to do our absolute best while being innovative, we need an environment in which we are allowed to be spontaneous and push the boundaries." ■

H&M INCENTIVE PROGRAM

H&M is starting an incentive programme for all employees in 2011 in order to show its appreciation. The programme is being initiated with a donation from the Stefan Persson Family of approx. 4 million H&M shares at a value of approx. SEK 1 billion (based on the share price on 6 September, 2010) to the foundation, Stiftelsen H&M Incentive Program. The intention is to encourage and acknowledge long-term involvement. The purpose is also to further strengthen H&M as an attractive employer globally. In addition, H&M intends to make annual contributions to the foundation, with an amount equivalent to 10 percent of the increase in dividend in relation to the previous year's dividend, under normal circumstances. Return on the foundation's funds is to be evenly distributed to the employees over time, regardless of their position or salary level.

CAREER PATHS WITHIN H&M

At H&M there are many different careers to choose from. Together with more than 2,200 stores, production and country offices around the world, there are jobs in design, buying, sustainability, marketing, logistics, interiors, human resources, accounting and IT, etc.

You can read more about recruitment and what it is like to work at H&M all over the world at www.hm.com. On the website you will also find H&M's sustainability report with further information on H&M as an employer and the company's workplace relations.

H&M IN 38 MARKETS

H&M continued its expansion with quality and high profitability in the 2009/2010 financial year, opening 218 new stores net. H&M added three markets during the year – South Korea, Turkey and, via franchise, Israel. The first stores in these new markets were all very well received. At the end of the financial year the H&M Group had a total of 2,206 stores in 38 markets, including franchises and the brands COS, Monki, Weekday and Cheap Monday. In the autumn H&M Shop Online expanded to the UK, H&M's eighth online and catalogue sales market.

TOTAL GROUP SALES INCREASED 15 percent in local currencies including VAT. Converted into SEK, sales increased 7 percent to SEK 127 billion. In comparable units – that is, stores and internet and catalogue sales markets that have been in operation at least one financial year (1 December – 30 November) sales increased 5 percent in local currencies. Consumer demand recovered slightly in 2010 compared to 2009, but the economy was still weak in several markets. H&M's long-term investment in an improved customer offering by giving the customers even more fashion and quality for money contributed to the

strong sales development during the year.

H&M remains positive towards the future expansion and the company's business opportunities. H&M's growth target is to increase the number of stores by 10–15 percent per year with continued high profitability and at the same time increase sales in comparable units. For the 2010/2011 financial year a net addition of 250 new stores is planned. China, the UK and the USA are expected to be the largest expansion markets for H&M in 2011.

H&M SEES GREAT POTENTIAL for future growth within online and catalogue sales where the investments continue. At the turn of the year 2011/2012 H&M plans to launch internet sales in the USA, the world's largest market for online and catalogue sales. In the beginning of 2011 a new website, www.hm.com, is being launched with a new H&M Shop Online that offers an improved customer experience and better functionality, in H&M's online and catalogue sales markets. Also in the countries where customers cannot yet shop H&M online, the new website will be launched in order to offer more inspiration and increase customer traffic to H&M's stores. ■

MARKET OVERVIEW

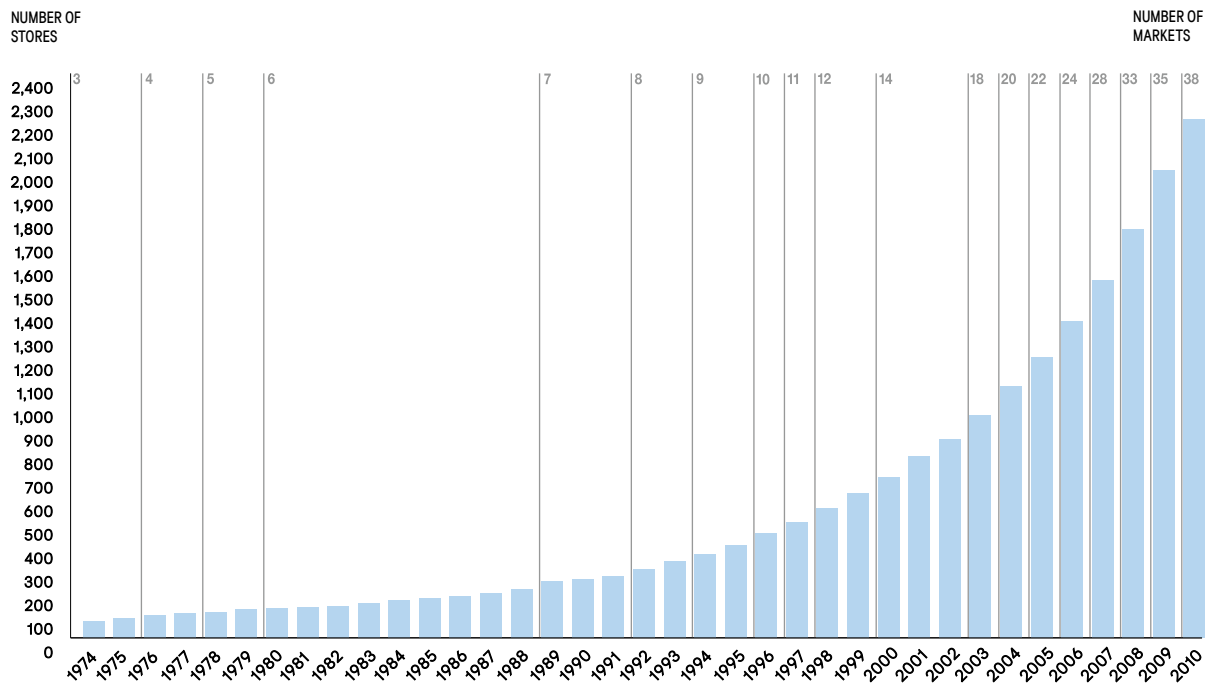
SALES INCLUDING VAT PER COUNTRY AND NUMBER OF STORES, FINANCIAL YEAR 1 DECEMBER - 30 NOVEMBER

MARKET	YEAR ESTABLISHED	NO. OF STORES 30 NOV 2010	NEW STORES DURING THE YEAR	CLOSED STORES DURING THE YEAR	SALES 2010 INCLUDING VAT (SEK m)	SALES 2009 INCLUDING VAT (SEK m)
Sweden	1947	168	10	3	8,365	7,881
Norway	1964	101	9		5,858	5,598
Denmark	1967	87	12	2	4,358	4,254
UK	1976	192	26	1	8,392	7,564
Switzerland	1978	75	2		6,122	6,042
Germany	1980	377	24	9	30,628	30,069
Netherlands	1989	112	10	1	7,387	7,402
Belgium	1992	64	6	3	3,345	3,502
Austria	1994	66	4	1	5,255	5,503
Luxembourg	1996	10	2	1	406	411
Finland	1997	43	6	1	2,567	2,543
France	1998	151	17	1	9,140	8,455
USA	2000	208	19		8,916	7,487
Spain	2000	122	9	1	6,109	6,285
Poland	2003	76	11		2,668	2,466
Czech Republic	2003	22	3		707	667
Portugal	2003	21	1		937	928
Italy	2003	72	8		4,331	3,616
Canada	2004	55	3		2,713	2,190
Slovenia	2004	11	1		568	615
Ireland	2005	12	1		517	557
Hungary	2005	15	5		387	306
Slovakia	2007	7	3		225	187
Greece	2007	18	3		646	480
China	2007	47	20		2,527	1,614
Japan	2008	10	4		1,794	1,111
Russia	2009	11	6		916	373
South Korea	2010	2	2		255	
Turkey	2010	1	1		28	
Franchise 1)	2006	50	15	1	899 2)	591 2)
Total		2,206	243	25	126,966	118,697

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



EXPANSION 1974*- 2010



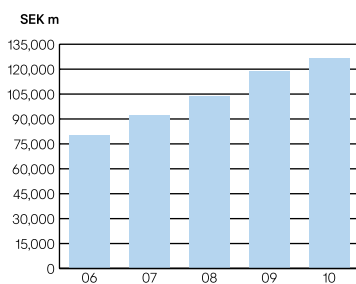
* Since IPO 1974.



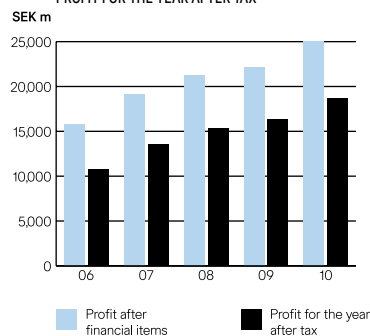


SALES, PROFIT, DIVIDENDS

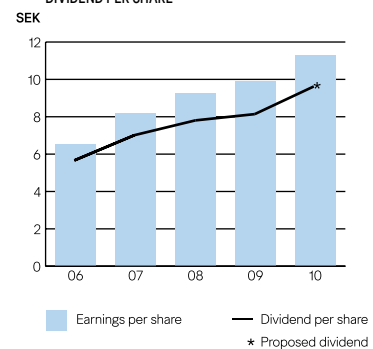
SALES DEVELOPMENT INCLUDING VAT



PROFIT AFTER FINANCIAL ITEMS/
PROFIT FOR THE YEAR AFTER TAX



EARNINGS PER SHARE/
DIVIDEND PER SHARE**



** Number of shares adjusted to a 2:1 split on 1 June, 2010.

H&M 2010 IN FIGURES

SUMMARY

At the end of the financial year the H&M Group had a total of 2,206 stores of which: 35 COS stores, 48 Monki stores, 18 Weekday stores and one Cheap Monday store. 50 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 38 markets. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria and the UK.

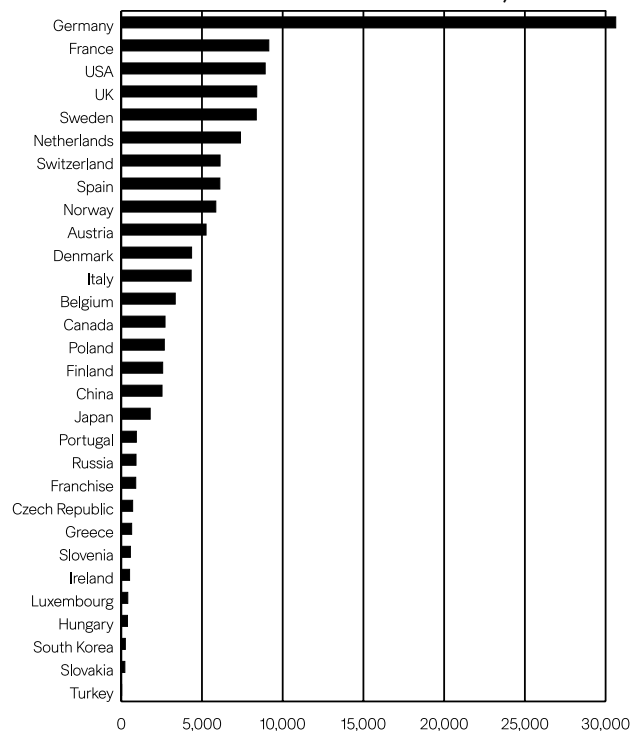
In 2010, 243 stores were opened and 25 were closed. This makes a net addition of 218 stores.

New markets in 2010 were South Korea, Israel and Turkey.

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

Since 2005, sales including VAT have increased by 77 percent and profit after tax by 102 percent.

SALES INCLUDING VAT BY COUNTRY 2010, SEK M



KEY RATIOS	2010	2009	2008	2007	2006
Sales including VAT, SEK m	126,966	118,697	104,041	92,123	80,081
Sales excluding VAT, SEK m	108,483	101,393	88,532	78,346	68,400
Operating margin, %	22.7	21.3	22.7	23.5	22.4
Profit after financial items, SEK m	25,008	22,103	21,190	19,170	15,808
Profit for the year, SEK m	18,681	16,384	15,294	13,588	10,797
Earnings per share, SEK (before and after dilution)*	11.29	9.90	9.24	8.21	6.52
Change, %	+14	+7	+13	+26	+17
Return on equity, %	44.1	42.2	44.3	45.4	40.2
Return on capital employed, %	58.7	56.7	61.1	63.7	58.7
Share of risk-bearing capital, %	76.2	78.5	75.7	78.5	80.0
Equity/assets ratio, %	74.6	74.7	72.1	76.9	78.1
Total number of stores	2,206	1,988	1,738	1,522	1,345
Average number of employees	59,440	53,476	53,430	47,029	40,855

* Number of shares adjusted to a 2:1 split on 1 June 2010.

H&M's HISTORY

IN 1947 HENNES WOMEN'S CLOTHING STORE OPENED IN VÄSTERÅS, SWEDEN. TODAY, H&M HENNES & MAURITZ AB SELLS CLOTHES FOR THE WHOLE FAMILY UNDER THE BRAND NAMES OF H&M, COS, MONKI, WEEKDAY AND CHEAP MONDAY, ALONG WITH INTERIOR TEXTILES FOR THE HOME IN H&M HOME.

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 in 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 with the opening of the first store in France in 1998. Adverts in newspapers and magazines are complemented by billboards using famous models. In 1998 internet sales begin.

2000

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

2004

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

2006

A major expansion of internet and catalogue sales begins with the Netherlands as the first market outside Scandinavia. The first stores in the Middle East open via a franchise arrangement.

2007

The first Asian stores open in Hong Kong and Shanghai. In the same year, the new store concept COS is launched. The expansion of internet and catalogue sales continues to include Germany and Austria.

2008

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

2009

The first H&M stores open in Russia. Peking gets its first H&M store and Lebanon becomes a new franchise market. H&M Home is launched. Weekday and Monki open in Germany.

2010

The first H&M stores open in South Korea and Turkey. Israel becomes a new franchise market. Internet sales start in the UK. H&M Home stores open outside Sweden. Monki takes the step into Asia with a store in Hong Kong.

2011

H&M opens in Romania, Croatia and Singapore as well as, via franchise, in Morocco and Jordan. COS opens in Sweden. An incentive programme for all employees – the H&M Incentive Program – starts.



MTWTFSS
WEEKDAY



CONTACT DETAILS

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EXPANSION Fredrik Olsson
BUSINESS DEVELOPMENT Björn Magnusson
MARKETING/BRAND Anna Tillberg Pantzar
COMMUNICATIONS Kristina Stenvinkel
INVESTOR RELATIONS Nils Vinge
HUMAN RESOURCES Sanna Lindberg
IT Kjell-Olof Nilsson
LOGISTICS Jonas Guldstrand
SECURITY Cenneth Cederholm

DISTRIBUTION POLICY

The H&M Annual Report 2010 comes in two parts, Part 1: H&M in Words and Pictures 2010, and Part 2: H&M in Figures 2010 including the Annual Accounts 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 Sølve Sundsbø
MODEL Natasha Poly
GARMENT Recycled polyester dress, H&M Conscious Collection

The annual report is printed
on FSC® certified paper.





Skirt € 19.95



ANNUAL REPORT PART 2

H&M in figures 2010



Blazer €29.95



Dress **€19.95**

PART 2 H&M IN FIGURES 2010

including the Annual Accounts and Consolidated Accounts

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The annual report on H&M's operations in 2010 is in two parts: Part 1 is H&M in words and pictures 2010 and Part 2 is H&M in figures 2010 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 2009 to 30 November 2010.

BUSINESS

The Group's business consists mainly of sales of clothing, accessories, shoes, cosmetics and home textiles to consumers.

H&M's business concept is to offer fashion and quality at the best price. H&M's principle for expansion is that every store shall 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 38 markets, and the operations in nine of these were on a franchise basis. The total number of stores at the end of the financial year was 2,206, of which 50 franchise stores, 35 COS stores, 48 Monki stores, 18 Weekday stores and one Cheap Monday store. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria and the UK. The home textile range, H&M Home, is sold via internet and catalogue sales and also through stores in Stockholm, Helsinki, Copenhagen, London and Amsterdam.

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 design and buying department creates the collections centrally. To ease the flow of goods, H&M is using the concept of regional grouping.

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.

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

Trade between countries is an important source of economic growth around the world. As a retail company, H&M acts as a buyer and seller in many markets. In this way the company helps to create jobs for hundreds of thousands of people in the countries in which H&M buys its products. Through its presence H&M helps bring about improvements in these societies by,

among other things, acting responsibly and in a sustainable way with respect to the environment and social responsibility.

H&M endeavours to ensure that each of its suppliers' employees is guaranteed at least their statutory rights and that the suppliers comply with H&M's Code of Conduct. Since the 1990s H&M has been carrying on extensive work to improve working conditions in suppliers' factories. The company has around 70 of its own auditors who check that the suppliers are meeting H&M's environmental requirements and its high requirements regarding good working conditions for the suppliers' workforce. H&M uses its Code of Conduct to work towards long-term improvements for those employed by the suppliers that produce its products.

H&M's sustainability strategy involves incorporating sustainability work into day-to-day routines in all areas of the company's operations. This sustainability strategy was launched in 2009 and was gradually introduced during 2010. The strategy is based on transferring responsibility for environmental and social matters out into each of the Group's departments from the central CSR (Corporate Social Responsibility) department, which in turn has become a support function. One area currently in focus is the development of sustainable materials and production methods, such as the use of organic cotton.

H&M's aim is for all cotton used in its product range to come from more sustainable sources by 2020 at latest, and the participation in the Better Cotton Initiative (BCI) is the main means of achieving this aim. H&M is one of the driving forces behind the BCI and is a member of its steering committee. The aim of the BCI is to help improve cotton growing globally and make the growing of cotton environmentally, socially and economically sustainable.

H&M produces a sustainability report every year. The report is available at www.hm.com/sustainability.

EMPLOYEES

H&M's business shall be 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 initiative.

H&M has grown significantly since its beginnings in 1947 and at the end of the financial year had more than 87,000 employees. The average number of employees in the Group, converted to full-time positions, was 59,440 (53,476), of which 5,398 (4,874) are employed in Sweden.

Around 79 percent of the employees were women and 21 percent were men. Women held 71 percent of the positions of responsibility within the company, such as store managers and country managers.

SIGNIFICANT EVENTS

The Group opened 243 (275) stores and closed 25 (25) stores during the financial year. Of the new stores, 15 (18) were opened on a franchise basis. There was a net addition of 218 (250) stores during the financial year, which was 22 fewer than originally planned. The reduction in the number of new stores compared

with what was originally planned was due to the fact that the completion of certain shopping centres in which H&M had planned to open stores did not come about by the end of 2010 due to the weak economy.

South Korea, Israel and Turkey became new H&M markets during the year. The first stores in Seoul and Istanbul as well as the first franchise stores in Tel Aviv, Jerusalem, Haifa and Kfar Saba were all very well received.

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 in the previous year.

H&M works continually on developing its offering to the customer. In 2010 H&M continued to develop internet and catalogue sales, as well as brands such as COS, Monki, Weekday, Cheap Monday and H&M Home.

Internet sales were launched in the UK and got off to a good start during autumn 2010. H&M now has eight internet and catalogue sales markets: Sweden, Norway, Denmark, Finland, Germany, Austria, the Netherlands and the UK.

More stores were added during the year for H&M Home – fashion for the home – which was launched in February 2009 via internet and catalogue sales. There are now H&M Home stores in Stockholm, Helsinki, Copenhagen, London and Amsterdam. H&M Home stores may be described as part of the store area of a regular H&M store in which selected parts of the H&M Home range are displayed and sold.

The COS – Collection of Style – brand offers a collection for women, men and children in a higher price segment. Twelve stores were opened in 2010 and at the end of the financial year there were 35 COS stores in the UK, Germany, the Netherlands, Belgium, Denmark, France, Spain and Ireland.

In November 2010 H&M acquired the remaining 40 percent of the shares in FaBric Scandinavien AB, which runs the store chains Weekday and Monki as well as the Cheap Monday brand. The brands will continue to be operated as separate concepts. The company has expanded fast since H&M purchased 60 percent of the shares in FaBric Scandinavien AB in 2008, with the number of stores having increased from 20 to 67. There are now Weekday and Monki stores in seven countries. H&M has great faith in the concepts, which are judged to have great potential for the future. The consideration for the remaining 40 percent of the shares was SEK 8 m, such that H&M paid a total consideration for FaBric Scandinavien AB of SEK 561 m including acquisition costs.

SALES AND PROFITS

Sales including VAT in local currencies increased by 15 percent over the financial year. Converted into SEK sales increased by 7 percent to SEK 126,966 m (118,697). Sales in comparable units increased by 5 percent in local currencies. In local currencies, sales excluding VAT increased by 15 percent over the financial year. Converted into SEK sales excluding VAT increased by 7 percent to SEK 108,483 m (101,393).

The Group's gross profit for the financial year amounted to SEK 68,269 m (62,474), an increase of 9 percent. This is equivalent to a gross margin of 62.9 percent (61.6). Operating profit amounted to SEK 24,659 m (21,644), an increase of 14 percent.

This represents an operating margin of 22.7 percent (21.3). The operating profit for the financial year has been charged with depreciation of SEK 3,061 m (2,830). The Group's net financial income amounted to SEK 349 m (459). Profit after financial items was SEK 25,008 m (22,103), an increase of 13 percent. The Group's profit for the financial year after applying a tax rate of 25.3 percent (25.9) was SEK 18,681 m (16,384), which represents earnings per share of SEK 11.29 (9.90) and an increase of 14 percent.

The profit for the year represents a return on equity of 44.1 percent (42.2) and a return on capital employed of 58.7 percent (56.7).

COMMENTS ON PROFITS

The company's long-term initiative to improve its customer offering in order to provide customers with even more fashion and quality for their money contributed to strong sales figures for the year as a whole. Sales in comparable units increased by 5 percent in local currencies. In 2010 consumption recovered somewhat compared with 2009, but the economy remained weak in a number of markets.

Gross margin increased by 1.3 percentage units to 62.9 (61.6). In the first three quarters purchasing costs were positively impacted by external factors such as increased capacity among suppliers, lower transport costs and lower raw materials prices. The positive effects on the gross margin in the first three quarters were in part countered in the fourth quarter by the fact that external factors had the reverse effect on purchasing costs. During the year increased investments in the customer offering in order to further enhance H&M's market position long-term had a negative impact on gross margin.

The gross margin for the year was positively impacted by around 0.3 percentage units as a result of currency hedging of the mark-up on internal sales of goods to the sales companies. In the previous year this currency hedging had a negative impact on gross margin of around 0.4 percentage units.*

Selling and administrative expenses during the year amounted to SEK 43,610 m (40,830), an increase of 7 percent; in local currencies the increase was 15 percent. The cost increase was primarily related to expansion. During the year the company also gradually increased its investments in long-term enhancement of the brand and in securing future expansion. As a proportion of sales in comparable units, the costs remained at the same level as in the previous year.

* H&M revised its currency hedging policy as of 1 December 2009
– see Foreign Currencies on page 8.

TAXES

The tax rate for the financial year 2009/2010 was 25.3 percent (25.9).

For the full year 2010/2011 the tax rate is expected to be around 26 percent.

PARENT COMPANY

The parent company had external sales of SEK 6 m (-) during the financial year. Profit after financial items amounted to SEK 14,868 m (15,267). Investments in fixed assets amounted to SEK 100 m (94).

FINANCIAL POSITION AND CASH FLOW

The Group's total assets as of 30 November 2010 amounted to SEK 59,182 m (54,363), an increase of 9 percent compared with the same date the previous year.

Current operations generated a positive cash flow of SEK 21,838 m (17,973). The cash flow was affected by, among other things, dividends of SEK -13,239 m (-12,825), investments in fixed assets of SEK -4,959 m (-5,686) and short-term financial investments with a term of four to twelve months amounting to SEK -5,166 m (-3,001). The Group's cash flow for the financial year amounted to SEK 1,530 m (-3,607). Liquid funds and short-term investments amounted to SEK 24,858 m (22,025).

Stock-in-trade amounted to SEK 11,487 m (10,240), equivalent to 10.6 percent (10.1) of sales excluding VAT. Stock-in-trade accounted for 19.4 percent (18.8) of total assets.

The Group's equity/assets ratio was 74.6 percent (74.7) and the percentage of risk-bearing capital was 76.2 percent (78.5).

Shareholders' equity shared between the outstanding 1,655,072,000** (1,655,072,000) shares as of 30 November 2010 equalled SEK 26.69 (24.54).

LIQUIDITY MANAGEMENT

In 2010 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.

** SHARE SPLIT

In June 2010 H&M implemented a 2:1 share split in which each share was split into two shares of the same class. The first day of trading in the split shares was 1 June 2010. After the split the number of shares in the company is 1,655,072,000, of which 194,400,000 are series A shares and 1,460,672,000 series B shares. Earnings per share has been calculated in the annual report based on the new number of shares. The earnings per share have also been adjusted retrospectively for all reported periods, in accordance with IAS 33 – Earnings per share.

H&M INCENTIVE PROGRAM (HIP)

An extraordinary general meeting held on 20 October 2010 resolved to introduce an incentive programme for all employees of the H&M Group.

The meeting resolved to mandate the Board of Directors to introduce an incentive programme known as the H&M Incentive Program, covering all employees of the H&M Group based on the same principles. The Board was further mandated to draw up the necessary detailed rules of the programme and otherwise to take the action required to implement the programme.

The programme was initiated by Stefan Persson and family through the donation of 4,040,404 H&M shares worth around SEK 1 billion (based on the share price on 6 September 2010) to a newly formed Swedish foundation, Stiftelsen H&M Incentive Program. Each year the foundation will normally receive an amount from the H&M Group corresponding to 10 percent of the increase in dividend compared with the previous year's dividend. The foundation will manage the funds, which will be invested in H&M shares. All employees throughout the H&M Group, in all countries,

regardless of their position and salary level, will be included in the programme according to the same basic principle – based on length of employment, full-time or part-time.

The number of years that the employee has worked for the company will be taken into account in the qualification period, which will be five years unless local rules require otherwise. As a general rule, funds will be paid out from the age of 62. However, it will also be possible for payouts to be made already after ten years of employment – but no earlier than 2021.

The programme will start in 2011. The first units in the foundation will be allocated to employees during 2011. If the 2011 Annual General Meeting approves the proposed dividend of SEK 9.50 per share then H&M's 2011 contribution to the foundation will be SEK 248 m, which will be recognised as a cost in the second quarter 2011.

EVENTS AFTER THE CLOSING DATE

EXPANSION AND FUTURE DEVELOPMENT

H&M remains positive towards future expansion and the company's business opportunities.

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, to increase sales within comparable units. For the 2010/2011 financial year a net addition of around 250 stores is planned. H&M expects its largest expansion markets in 2011 to be China, the UK and the USA.

The refurbishment of existing stores is expected to remain at the same high level as in 2009/2010.

Investments in internet and catalogue sales continue, as the company regards this area as having great potential for future growth.

At the beginning of 2011 a new website www.hm.com was launched with a new H&M Shop Online that will offer an improved customer experience and better functionality in H&M's existing internet and catalogue sales markets. Even in those countries where customers are not yet able to shop at H&M online the new website is being launched to provide improved functionality and more inspiration, with a view to attracting customers into H&M's stores.

At the turn of the year 2011/2012 H&M plans to launch H&M Shop Online in the USA, the world's biggest internet and catalogue sales market. H&M will then offer internet and catalogue sales in nine countries: Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria, the UK and the USA. The aim is to be able to offer internet and catalogue sales in all H&M's markets in the future.

As previously communicated, the following store openings are planned for 2011:

Romania, Croatia and Singapore will become new H&M markets with stores opening in Bucharest, Zagreb and Singapore.

Morocco and Jordan will be new franchise markets in 2011, with stores opening in Casablanca and Amman.

Sweden's first COS store will open in Stockholm in summer 2011.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

At the Annual General Meeting on 29 April 2010 a resolution on guidelines for remuneration of senior executives within H&M in accordance with the Swedish Companies Act was approved. At the extraordinary general meeting held on 20 October 2010 these

guidelines were supplemented in accordance with the proposed incentive programme for all employees of the H&M Group. The guidelines below are effective until the 2011 Annual General Meeting.

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

Senior executives are entitled to the benefits provided under the H&M Incentive Program.

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 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, the 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 agreements exist within H&M other than for 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 overall pension cost shall amount in total to 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 Managing Director's employment contract, the Managing Director will also receive severance pay of an extra 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 security costs 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 particular reason for doing so.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES FOR ADOPTION AT THE 2011 AGM

The Board's proposal for guidelines for adoption at the 2011 AGM is the same as the text above.

ARTICLES OF ASSOCIATION, ANNUAL GENERAL MEETING

According to H&M's 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 decides the exact number of Board members and which individuals are to be elected to the Board. Board members are elected for the period until the end of the next Annual General Meeting. The Annual General Meeting also decides on amendments to the articles of association.

NUMBER OF SHARES ETC.

The total number of shares in H&M is 1,655,072,000, of which 194,400,000 are class A shares (ten votes per share) and 1,460,672,000 are class B shares (one vote per share). Class A shares are not listed. Class B shares are listed on the Stockholm stock exchange, NASDAQ OMX Stockholm AB. Ramsbury Invest AB, of which the principal owner is Stefan Persson, holds all 194,400,000 class A shares, which represent 57.1 percent of the votes, as well as 6,400,000 class B shares, which represent 0.2 percent of the votes. In addition, Stefan Persson holds 372,548,800 class B shares, which represent 10.9 percent of the votes. This means that, in total, Stefan Persson personally or through companies as per 30 November 2010 holds 68.2 percent of the votes and 34.6 percent of the total number of shares.

There are no restrictions on voting rights or authorisations to the Board relating to the issue or acquisition of the company's own shares.

Various bonus issues were effected during the 1980s. A number of bonus share rights issued at the time have not yet been exercised. In accordance with an announcement in June 2009 the corresponding bonus shares were sold on the market in June 2010. The holders of the bonus share rights then have a further four years in which to withdraw their share of the proceeds less the costs of the reminder and sale. The proceeds of the sale in 2010 less costs, SEK 48 m in total, are therefore being reported as a short-term liability until June 2014. The portion of the proceeds for which no valid claim has been received by 30 June 2014 will accrue to the company and thereby increase the company's equity.

CORPORATE GOVERNANCE REPORT

H&M has elected to present its corporate governance report as a separate document to the Annual Report in accordance with Chapter 6 § 8 of the Swedish Annual Accounts Act. Please see page 35 for the corporate governance report.

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, changes in consumer behaviour, climate change, trade interventions, external factors in production countries and foreign currencies, but also in connection with expansion into new markets, launching new concepts and how the brand is managed.

FASHION

Operating in the fashion industry is a risk in itself. Fashion has a limited shelf-life, and there is always a risk that a part of the collections will not be well received by customers.

Within each concept H&M must have the right volumes and achieve the right balance in the mix between fashion basics and the latest trends. 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 the season and the duration of a season may, for example, vary from country to country. Delivery dates and product volumes for the various countries and stores are therefore adjusted accordingly.

WEATHER

H&M's products are purchased and launched in stores on the basis of normal weather patterns. Deviations from normal conditions may affect sales. The effect is 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.

EXTERNAL FACTORS IN PRODUCTION COUNTRIES

Uncertainties also exist concerning how external factors such as raw materials prices, transport costs and the capacity among suppliers will affect buying costs for H&M's products. H&M therefore needs to monitor such changes closely and have strategies in place to deal with fluctuations in external factors as advantageously as possible for both the company and its customers.

FOREIGN CURRENCIES

Most of the Group's sales are made in euro and 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 flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, the Group's flows of goods and the corresponding inflows from the sales companies to the central buying company H & M Hennes & Mauritz GBC AB – are hedged under forward contracts on an ongoing basis.

As of 1 December 2009 H&M changed its currency hedging policy such that currency hedging is now carried out for 100 percent of the Group's purchases of goods (compared with 90 percent previously). The change of policy also ended currency hedging of the mark-up on internal goods flows to the sales companies.

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 sales companies and 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 if the Swedish krona has weakened or decrease if the Swedish krona has strengthened.

Translation effects also arise in respect of the Group's net assets on consolidation of the foreign sales companies' balance sheets. No exchange rate hedging (known as equity hedging) is carried out for this risk.

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 a 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 any surplus liquidity.

The Board of Directors has decided to propose to the 2011 Annual General Meeting a dividend of SEK 9.50 per share (8.00), which is equivalent to 84 percent (81) of the Group's profit after tax.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the
Annual General Meeting: SEK 16,626,445,983

The Board of Directors and the
Managing Director propose a
dividend of SEK 9.50 per share SEK 15,723,184,000

To be carried forward
as retained earnings SEK 903,261,983
SEK 16,626,445,983

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	2010	2009
Sales including VAT	126,966	118,697
Sales excluding VAT, Note 3, 4	108,483	101,393
Cost of goods sold, Note 6, 8	-40,214	-38,919
GROSS PROFIT	68,269	62,474
Selling expenses, Note 6, 8	-40,751	-38,224
Administrative expenses, Note 6, 8, 9	-2,859	-2,606
OPERATING PROFIT	24,659	21,644
Interest income	356	467
Interest expense	-7	-8
PROFIT AFTER FINANCIAL ITEMS	25,008	22,103
Tax, Note 10	-6,327	-5,719
PROFIT FOR THE YEAR	18,681	16,384
All profit is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		
Earnings per share, SEK*	11.29	9.90
No. of shares, thousands*	1,655,072	1,655,072

* Before and after dilution. See page 6, Share split.

GROUP STATEMENT OF COMPREHENSIVE INCOME

SEK M

1 DECEMBER - 30 NOVEMBER	2010	2009
PROFIT FOR THE YEAR	18,681	16,384
Other comprehensive income		
Translation differences	-2,169	-386
Change in hedging reserves	386	680
Tax attributable to other comprehensive income	-100	-190
OTHER COMPREHENSIVE INCOME	-1,883	104
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	16,798	16,488

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

GROUP BALANCE SHEET

SEK M

30 NOVEMBER	2010	2009
ASSETS		
FIXED ASSETS		
Intangible fixed assets		
Brands, Note 11	349	396
Customer relations, Note 11	97	110
Leasehold rights, Note 11	688	744
Goodwill, Note 11	64	424
	1,198	1,674
Tangible fixed assets		
Buildings and land, Note 12	656	492
Equipment, tools, fixtures and fittings, Note 12	14,813	14,319
	15,469	14,811
Long-term receivables	518	551
Deferred tax receivables, Note 10	1,065	1,246
TOTAL FIXED ASSETS	18,250	18,282
CURRENT ASSETS		
Stock-in-trade	11,487	10,240
Current receivables		
Accounts receivable	2,258	1,990
Other receivables	1,453	889
Prepaid expenses, Note 13	876	937
	4,587	3,816
Short-term investments, Note 14	8,167	3,001
Liquid funds, Note 15	16,691	19,024
TOTAL CURRENT ASSETS	40,932	36,081
TOTAL ASSETS	59,182	54,363

30 NOVEMBER	2010	2009
EQUITY AND LIABILITIES		
EQUITY		
Share capital, Note 17	207	207
Reserves	-369	1,514
Retained earnings	25,653	22,508
Profit for the year	18,681	16,384
TOTAL EQUITY	44,172	40,613
LIABILITIES		
Long-term liabilities*		
Provisions for pensions, Note 18	257	254
Deferred tax liabilities, Note 10	906	2,038
Other provisions, Note 19	-	368
	1,163	2,660
Current liabilities**		
Accounts payable	3,965	3,667
Tax liabilities	2,304	439
Other liabilities	2,202	2,531
Accrued expenses and prepaid income, Note 21	5,376	4,453
	13,847	11,090
TOTAL LIABILITIES	15,010	13,750
TOTAL EQUITY AND LIABILITIES	59,182	54,363
Pledged assets and contingent liabilities	-	-

* Only provisions for pensions are interest-bearing.

** No current liabilities are interest-bearing.

GROUP CHANGES IN EQUITY

SEK M

Since there are no minority interests, all shareholders' equity is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.

	SHARE CAPITAL	TRANSLATION DIFFERENCES	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2009	207	1,556	-42	38,892	40,613
Profit for the year	-	-	-	18,681	18,681
Other comprehensive income					
Translation differences	-	-2,169	-	-	-2,169
Change in hedging reserves	-	-	386	-	386
Tax attributable to other comprehensive income	-	-	-100	-	-100
Other comprehensive income	-	-2,169	286	-	-1,883
Total comprehensive income	-	-2,169	286	18,681	16,798
Dividend	-	-	-	-13,239	-13,239
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2010	207	-613	244	44,334	44,172

	SHARE CAPITAL	TRANSLATION DIFFERENCES	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2008	207	1,942	-532	35,333	36,950
Profit for the year	-	-	-	16,384	16,384
Other comprehensive income					
Translation differences	-	-386	-	-	-386
Change in hedging reserves	-	-	680	-	680
Tax attributable to other comprehensive income	-	-	-190	-	-190
Other comprehensive income	-	-386	490	-	104
Total comprehensive income	-	-386	490	16,384	16,488
Dividend	-	-	-	-12,825	-12,825
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2009	207	1,556	-42	38,892	40,613

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 a 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	2010	2009
Current operations		
Profit after financial items*	25,008	22,103
Provision for pensions	3	26
Depreciation	3,061	2,830
Tax paid	-5,451	-6,468
Cash flow from current operations before changes in working capital	22,621	18,491
Cash flow from changes in working capital		
Current receivables	-778	-71
Stock-in-trade	-1,557	-1,740
Current liabilities	1,552	1,293
CASH FLOW FROM CURRENT OPERATIONS	21,838	17,973
Investment activities		
Investments in leasehold rights	-147	-180
Investments in buildings and land	-209	-25
Investments in equipment	-4,603	-5,481
Adjustment of consideration/acquisition of subsidiaries	-8	7
Change in short-term investments, 4-12 months	-5,166	-3,001
Other investments	4	-75
CASH FLOW FROM INVESTMENT ACTIVITIES	-10,129	-8,755
Financing activities		
Dividend	-13,239	-12,825
CASH FLOW FROM FINANCING ACTIVITIES	-13,239	-12,825
CASH FLOW FOR THE YEAR	-1,530	-3,607
Liquid funds at beginning of financial year	19,024	22,726
Cash flow for the year	-1,530	-3,607
Exchange rate effect	-803	-95
Liquid funds at end of financial year**	16,691	19,024

* Interest paid for the Group amounts to SEK 7 m (8). Received interest for the Group amounts to SEK 356 m (466).

** Liquid funds and short-term investments at the end of the financial year amounted to SEK 24,858 m (22,025).

PARENT COMPANY INCOME STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2010	2009
External sales excluding VAT	6	-
Internal sales excluding VAT, Note 5	6,900	5,521
GROSS PROFIT	6,906	5,521
Selling expenses, Note 6, 8	-2,240	-1,898
Administrative expenses, Note 6, 8, 9	-2,024	-1,561
OPERATING PROFIT	2,642	2,062
Dividend from subsidiaries	12,153	13,092
Interest income	73	113
Interest expense	0	0
PROFIT AFTER FINANCIAL ITEMS	14,868	15,267
Year-end appropriations, Note 23	705	-41
Tax, Note 10	-912	-608
PROFIT FOR THE YEAR	14,661	14,618

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK M

1 DECEMBER - 30 NOVEMBER	2010	2009
PROFIT FOR THE YEAR	14,661	14,618
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	14,661	14,618

PARENT COMPANY BALANCE SHEET

SEK M

30 NOVEMBER	2010	2009	30 NOVEMBER	2010	2009
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Tangible fixed assets			Restricted equity		
Buildings and land, Note 12	48	51	Share capital, Note 17	207	207
Equipment, tools, fixtures and fittings, Note 12	369	363	Restricted reserves	88	88
	417	414		295	295
Financial fixed assets			Non-restricted equity		
Shares and participation rights, Note 24	580	572	Retained earnings	1,965	681
Receivables from subsidiaries	1,208	705	Profit for the year	14,661	14,618
Long-term receivables	14	30		16,626	15,299
Deferred tax receivables, Note 10	59	56			
	1,861	1,363	TOTAL EQUITY	16,921	15,594
TOTAL FIXED ASSETS	2,278	1,777	UNTAXED RESERVES, NOTE 25	119	825
CURRENT ASSETS			LIABILITIES		
Current receivables			Long-term liabilities		
Receivables from subsidiaries	7,764	8,072	Provision for pensions, Note 18	223	211
Tax receivables	-	627	Current liabilities*		
Other receivables	14	13	Accounts payable	128	133
Prepaid expenses, Note 13	9	14	Payables to subsidiaries	129	-
	7,787	8,726	Tax liabilities	368	-
Short-term investments, Note 14	8,167	3,001	Other liabilities	340	245
Liquid funds, Note 15	223	3,644	Accrued expenses and prepaid income, Note 21	227	140
TOTAL CURRENT ASSETS	16,177	15,371		1,192	518
TOTAL ASSETS	18,455	17,148	TOTAL LIABILITIES	1,415	729
			TOTAL EQUITY AND LIABILITIES	18,455	17,148
			Pledged assets	-	-
			Contingent liabilities	12,729	11,292

* 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 2009	207	88	15,299	15,594
Profit for the year	-	-	14,661	14,661
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	14,661	14,661
Group contributions provided	-	-	-129	-129
Tax effect of group contributions provided	-	-	34	34
Dividend	-	-	-13,239	-13,239
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2010	207	88	16,626	16,921

	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2008	207	88	14,981	15,276
Profit for the year	-	-	14,618	14,618
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	14,618	14,618
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
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2009	207	88	15,299	15,594

PARENT COMPANY CASH FLOW STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2010	2009
Current operations		
Profit after financial items*	14,868	15,267
Provision for pensions	12	18
Depreciation	97	94
Tax received/paid	114	-525
Cash flow from current operations before changes in working capital	15,091	14,854
Cash flow from changes in working capital		
Current receivables	312	-1,503
Stock-in-trade	-	-
Current liabilities	176	58
CASH FLOW FROM CURRENT OPERATIONS	15,579	13,409
Investment activities		
Investments in/sale of buildings and land	-	4
Net investments in equipment	-100	-98
Adjustment of consideration/acquisition of subsidiaries	-8	7
Change in short-term investments, 4-12 months	-5,166	-3,001
Other investments	-487	-377
CASH FLOW FROM INVESTMENT ACTIVITIES	-5,761	-3,465
Financing activities		
Dividend	-13,239	-12,825
CASH FLOW FROM FINANCING ACTIVITIES	-13,239	-12,825
CASH FLOW FOR THE YEAR	-3,421	-2,881
Liquid funds at beginning of financial year	3,644	6,525
Cash flow for the year	-3,421	-2,881
Liquid funds at end of financial year	223	3,644

* Interest paid for the parent company amounts to SEK 0 m (0). Received interest for the parent company amounts to SEK 73 m (113).

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 sales 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 26 January 2011 and will be submitted to the Annual General Meeting for approval on 28 April 2011.

The holding of Ramsbury Invest AB of shares in H & M Hennes & Mauritz AB represents around 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 Standards Board (IASB) and the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC). Since the parent company is a company within the EU, only IFRS approved by the EU are applied. The consolidated accounts also contain disclosures in accordance with the Swedish Financial Reporting Board's recommendation RFR 1, 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).

Parent company

In the preparation of its financial statements the parent company has applied the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, the statements issued by the Swedish Financial Reporting Board and the Swedish Annual Accounts Act. 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 2009/10 are the same as those applied in the previous year with the exception of the following:

- IFRS 3 Business Combinations (revisions) and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective from 2009/10) – affect the accounting of acquisitions and disposals and transactions with minority shareholders. Transaction costs may no longer be included in the acquisition cost, but must instead be recognised as an expense. The fair value of any contingent additional consideration is to be established at the time of acquisition and any gains or losses on re-

measurement of liabilities related to a contingent consideration shall generally be recognised in profit or loss for the period. In the case of gradual acquisitions, when a determining interest is achieved any net assets acquired previously shall be remeasured at fair value and the result recognised in profit or loss. This may affect the level of any goodwill, depending on the option elected for reporting minority interests. The Group has applied the revised IFRS 3 with effect from 1 December 2009 for new acquisitions made since the date of entry into force. The revisions of IFRS 3 and IAS 27 have had no effect on H&M to date.

- IFRS 7, Financial Instruments: Disclosures, revision – involves greater disclosure with respect to financial instruments. The revision involves greater disclosure requirements with respect to financial instruments measured at fair value in the balance sheet. The information discloses the extent to which the fair value is based on observable input data according to a three-level hierarchy. Disclosures are made relating to internal changes between the hierarchical levels for financial instruments recognised at fair value. The division into levels decides the information that is to be disclosed about the instruments. Under the transitional provisions of IFRS 7 comparative information need not be restated for the additional disclosures in the first year of application.
- IFRS 8 Operating Segments – 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. The new standard has not resulted in any changes in segment reporting.
- Revised IAS 1 Presentation of Financial Statements – 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 has elected to present a separate report, known as the statement of comprehensive income. Comparative periods have all been restated in accordance with the new presentation. The revisions involve changes in presentation only, and no amounts have been changed in the financial reports.

FUTURE ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

A number of new standards, revisions and interpretations of existing standards have been published but have not yet entered into force. Of these, only the standards below are expected to have any effect on the consolidated financial statements.

- IFRS 9, Financial Instruments: Recognition and Measurement (not yet adopted by the EU). This standard is part of a comprehensive revision of the current standard IAS 39. The standard reduces the number of categories for measuring financial assets to two primary categories: recognition at amortised cost (accrued acquisition cost) or at fair value in the income statement. Certain investments in equity instruments may be recognised at fair value in the balance sheet and the change in value recognised directly in other comprehensive income, with no transfer to profit or loss for the period on disposal. In addition, new rules have been introduced for how changes in own credit spread are to be measured at fair value. The standard will be supplemented with rules on write-downs, hedge accounting and derecognition in the balance sheet. IFRS 9 must be applied

to financial statements for annual periods beginning on or after 1 January 2013. The Group will assess the effects of the new standard once all parts of the standard are complete.

ESTIMATES, ASSUMPTIONS 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 based on historical experience, other relevant factors and expectations of the future and are reviewed regularly. The actual outcome may therefore deviate from the estimates and assumptions made. It is judged that the estimates and assumptions made in the financial statements up to 30 November 2010 will not significantly affect the results and position for 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 an assessment 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 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 minority interest in the case of acquisitions of less than 100 percent is determined for each transaction either as a proportionate share of the fair value of net identifiable assets or at fair value. 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 Scandnavien AB. At the time of this acquisition the parties reached an agreement giving H&M 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 was reported in 2008/2009 as a provision for an additional contingent consideration, and thus no minority interest was reported. The put option was exercised during the year and H&M acquired the remaining 40 percent of the shares in November 2010. The difference between the final consideration and the provision is reported as a reduction in 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, via the statement of comprehensive income. On disposal of a foreign business the accumulated translation differences in the income statement are posted together with the profit or loss on disposal. Accumulated translation differences relating to foreign operations that are 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. Exchange rate differences of this type are posted to equity as translation differences via the statement of comprehensive income.

INCOME

The Group's income is generated mainly by the sale of clothing and cosmetics to consumers. Sales revenue is reported less value-added tax, returns and discounts as sales excluding VAT in the income statement. Income is reported in conjunction with sale/delivery to the customer. 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 acquisition 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 of the subsidiary's shares exceeds the calculated value of the subsidiary's net identifiable assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. Intangible assets with an indefinite useful life, including goodwill, are tested for impairment annually or more often if there is an indication of a decline in value. If the book value of the asset exceeds the recoverable amount (the higher 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 future financial benefits associated with the asset and if the asset's acquisition cost can be reliably calculated. Other costs and 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 acquisition cost less accumulated depreciation and any accumulated write-downs. Depreciation is distributed linearly over the assets' 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 higher 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 leases are reported as fixed assets and future payment commitments are reported as liabilities in the balance sheet. As of the closing date the Group had no 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 leases are rental agreements for premises. Variable (sales-based) rents are recognised in the same period as the corresponding sales.

FINANCIAL INSTRUMENTS

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 side are accounts payable 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 (see Note 20):

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. No financial assets or liabilities have been classified in this category.

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 as a fair value reserve, via the statement of comprehensive income. 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. Derivatives comprise forward currency contracts used to hedge the risk of exchange rate fluctuation for internal and external flows of goods.

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. In 2009 and 2010 all of the Group's derivatives were in the cash flow hedging category. How these hedging transactions are reported on the next page.

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 in equity as a hedging reserve, via the statement of comprehensive income, 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 flows 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. The net realisable value is the estimated market value less the calculated selling expenses. Goods that have not yet arrived at a store are valued at their actual acquisition cost including the estimated cost of customs duties and freight.

For stock in the stores the acquisition cost is determined by reducing the selling price by the calculated gross margin (retail method).

H&M INCENTIVE PROGRAM (HIP)

An extraordinary general meeting held on 20 October 2010 resolved to introduce an incentive programme covering all employees of the H&M Group based on the same principles. The programme was initiated by Stefan Persson and family through the donation of 4,040,404 H&M shares worth around SEK 1 billion (based on the share price on 6 September 2010) to a newly formed Swedish foundation, Stiftelsen H&M Incentive Program.

In the consolidated accounts the costs of the incentive programme will be recognised in accordance with the rules on short-term profit-sharing and bonus schemes set out in IAS 19. The expense will be recognised when the amount has been established and an obligation exists.

Each year the foundation will normally receive an amount from the H&M Group corresponding to 10 percent of the increase in dividend compared with the previous year's dividend until decided otherwise by the Annual General Meeting. H&M has no other commitments beyond this.

The first contribution by H&M to the foundation is planned to be made in 2011. The contribution is based on the increase in dividend compared with the previous year's dividend. The contribution will be made after the 2011 Annual General Meeting, provided that the 2011 AGM approves the dividend. The cost of the contribution will thus be recognised during the 2010/2011 financial year.

PENSIONS

H&M has several different plans for benefits after employment has ended. The plans are either defined benefit or defined contribution plans. Defined contribution plans are reported as an expense in the period when the employee performs the service to which the benefit relates. Defined benefit plans are assessed separately for the respective plan based on the benefits earned during 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 statement 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 cannot be allocated to the insured employer and/or the insured employees. As of 30 September 2010, Alecta's consolidation ratio was 134 percent (136). The consolidation ratio is calculated as the fair value of managed assets as a percentage of the obligations calculated in accordance with Alecta's actuarial assumptions. This calculation is not in line with IAS 19. 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.

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.

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 segment, the operations are divided into three geographical regions: the Nordic region, Euro Zone countries excluding Finland, and the Rest of the World. The risks, opportunities and other economic conditions are similar within each segment. The parent company and subsidiaries with no external sales are reported in a separate Group-wide segment. The same accounting principles are applied to segment reporting as in the consolidated accounts. 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 and that 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 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 24,858 m (22,025). The short term means that the risk of changes in value is limited. An interest rate increase of 0.5 percentage units on this amount would increase interest income by SEK 124 m (110). A corresponding decrease in the interest rate would reduce 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 60 m (250) before taking into account the tax effect.

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

The Group's operating result for the year was affected by exchange rate differences relating to flows of goods in the amount of SEK -87 m (-170).

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 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 rate is the single largest transaction exposure within the Group. To hedge the flows of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuations, 100 percent of the Group's purchases of goods and corresponding forecast inflows from the sales companies to the central buying company H & M Hennes & Mauritz GBC AB were hedged under forward contracts on an ongoing basis throughout the 2009/2010 financial year. The average term of outstanding forward contracts is around four months. Since the sole purpose of this currency management is to reduce risk, only exposure in the flow of goods is hedged.

The main changes in H&M's new financial policy (effective since 1 December 2009) are that 100 percent of the Group's product buying is currency-hedged compared to 90 percent previously, and that the company as from 1 December 2009 has ceased

hedging the internal mark-up on the internal flow of goods to the sales companies.

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 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 subsidiaries' 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.

Investments are only permitted to be made in banks in countries with a minimum rating of AA- (under Standard & Poor's long-term rating scale) and funds are only invested in banks with a minimum rating of A-1/A- (Standard & Poor) and P2/A3 (Moody's). Maximum credit exposure as of 30 November 2010 totalled SEK 28,091 m (24,826), equivalent to the book value of liquid assets of SEK 16,691 m (19,024), short-term investments SEK 8,167 m (3,001), accounts receivables SEK 2,258 m (1,990) and other SEK 975 m (811). Accounts receivable are divided between a large number of customers with low amounts per customer. The average debt was around SEK 2,100 (2,000). Bad debts during the year from accounts receivable were insignificant.

3 SEGMENT REPORTING

	2010	2009
Nordic region		
External net sales	17,023	16,302
Operating profit	966	692
Operating margin, %	5.7	4.2
Assets, excluding tax receivables	6,076	5,037
Liabilities, excluding tax liabilities	1,562	1,639
Investments	393	375
Depreciation	276	259
Euro zone excluding Finland		
External net sales	58,412	57,229
Operating profit	3,011	2,545
Operating margin, %	5.2	4.4
Assets, excluding tax receivables	16,178	16,601
Liabilities, excluding tax liabilities	3,403	3,307
Investments	1,988	2,789
Depreciation	1,433	1,374
Rest of the world		
External net sales	33,048	27,862
Operating profit	2,038	1,298
Operating margin, %	6.2	4.7
Assets, excluding tax receivables	12,248	10,711
Liabilities, excluding tax liabilities	2,508	1,875
Investments	2,000	2,135
Depreciation	1,141	1,015
Group functions		
Net sales to other segments	58,641	57,510
Operating profit	18,644	17,109
Operating margin, %	31.8	29.7
Assets, excluding tax receivables	23,615	20,768
Liabilities, excluding tax liabilities	4,327	4,452
Investments	578	387
Depreciation	211	182
Eliminations		
Net sales to other segments	-58,641	-57,510
Total		
External net sales	108,483	101,393
Operating profit	24,659	21,644
Operating margin, %	22.7	21.3
Assets, excluding tax receivables	58,117	53,117
Liabilities, excluding tax liabilities	11,800	11,273
Investments	4,959	5,686
Depreciation	3,061	2,830

The reported segments are an aggregation of countries with similar risks, opportunities and other economic conditions.

The parent company and subsidiaries with no external sales are reported in a separate Group-wide segment.

4 NET SALES BY COUNTRY

	2010	2009
Sweden	6,742	6,323
Norway	4,690	4,482
Denmark	3,493	3,411
UK	7,337	6,723
Switzerland	5,689	5,615
Germany	25,757	25,289
Netherlands	6,208	6,220
Belgium	2,765	2,894
Austria	4,389	4,598
Luxembourg	365	371
Finland	2,098	2,086
France	7,642	7,070
USA	8,490	7,173
Spain	5,257	5,448
Poland	2,199	2,033
Czech Republic	591	561
Portugal	778	773
Italy	3,610	3,013
Canada	2,442	1,972
Slovenia	477	517
Ireland	443	476
Hungary	310	251
Slovakia	189	157
Greece	532	403
China	2,340	1,513
Japan	1,708	1,111
Russia	785	319
South Korea	232	-
Turkey	26	-
Franchise	899	591
Total	108,483	101,393

5 ROYALTIES FROM GROUP COMPANIES

The parent company's internal sales consist of royalties from Group companies of SEK 6,900 m (5,521).

6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2010	Board, MD, executive management, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. Board, MD, exec. mgmt.
Sweden, parent company	64	477	268	94	12
Subsidiaries	61	13,581	3,067	156	7
Group total	125	14,058	3,335	250	19

2009	Board, MD, executive management, salary	Salary, other employees	Social sec. costs 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

BOARD FEES

Board fees paid for the year as approved by the 2009 AGM amounted to SEK 3,875,000 (4,250,000). Board fees were paid as follows:

	SEK
Stefan Persson, Chairman	1,350,000
Mia Brunell Livfors	375,000
Lottie Knutson	375,000
Sussi Kvart	450,000
Bo Lundquist	450,000
Stig Nordfelt	500,000
Melker Schöring	375,000

The fees were paid as resolved at the 2009 Annual General Meeting. This means that the fees relate to the period until the next Annual General Meeting is held; that is, for the period 4 May 2009 to 29 April 2010. The amounts were paid out after the 2010 AGM. Anders Dahlvig and Christian Sievert were elected to the Board at the AGM held on 29 April 2010. Their board fees of SEK 375,000 per person for the period 29 April 2010 to 28 April 2011 will be paid out after the 2011 AGM, as in the case of the other Board members.

As of the AGM on 29 April 2010 the Board consists of eight 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, five are men, and four of the 12 are employed by the company.

REMUNERATION TO SENIOR EXECUTIVES

Based on the resolution regarding guidelines passed by the 2010 AGM. See the Administration Report, page 6.

REMUNERATION TO THE MANAGING DIRECTOR

Remuneration to the Managing Director for the 2010 financial year in the form of salary and benefits amounted to SEK 11.2 (4.6*), which included a bonus of SEK 0.2 m (-). Pension benefits for the current Managing Director are 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. Pension expenses for the current Managing Director amounted to SEK 3.3 m (1.4). The retirement age for the Managing Director is 65.

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.

* The previous year's remuneration to the Managing Director relates to the period 1 July 2009 to 30 November 2009.

Remuneration to the former Managing Director

Remuneration to the former Managing Director for the 2010 financial year in the form of salary, fees and benefits amounted to SEK 0.6 m (15.8), which included a bonus of SEK 0.6 m (2.1).

Pension for the former Managing Director

The former Managing Director retired on 1 September 2009. 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 144.2 m (152.2). The change in the year's pension commitments entered as liabilities include actuarial losses of SEK 1.7 m (actuarial gains of SEK 3.8 m).

REMUNERATION TO OTHER MEMBERS OF THE 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 49.3 m (42.9), which included bonuses of SEK 0.8 m (2.7). Pension expenses relating to other members of the executive management during the year amounted to SEK 8.8 m (11.8). The other members of the executive management are 16 (12) individuals, seven 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, Security, Business Development, New Business, IT and Logistics. 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 3.9 m (5.6) were paid out to country managers. No severance pay agreements exist within the Group other than for the Managing Director as described on the previous page. The terms of employment for other members of the executive management are determined by the Managing Director and the Chairman of the Board.

H&M INCENTIVE PROGRAM (HIP)

An extraordinary general meeting held on 20 October 2010 resolved to introduce an incentive programme for all employees of the H&M Group.

The programme was initiated by Stefan Persson and family through the donation of 4,040,404 H&M shares worth around SEK 1 billion (based on the share price on 6 September 2010) to a newly formed Swedish foundation, Stiftelsen H&M Incentive Program.

Each year the foundation will normally receive an amount from the H&M Group corresponding to 10 percent of the increase in dividend compared with the previous year's dividend until decided otherwise by the Annual General Meeting. The foundation will manage the funds, which will be invested in H&M shares.

All employees throughout the H&M Group, in all countries, regardless of their position and salary level, will be included in the programme according to the same basic principle – based on length of employment, full-time or part-time. The number of years that the employee has worked for the company will be taken into account in the qualification period, which will be five years unless local rules require otherwise. As a general rule, funds will be paid out from the age of 62. However, it will also be possible for payouts to be made after ten years of employment – but no earlier than 2021.

In the consolidated accounts the costs of the incentive programme will be recognised in accordance with the rules on

short-term profit-sharing and bonus schemes set out in IAS 19. The expenses will be recognised when the amount has been established and an obligation exists.

The programme will start in 2011. The first units in the foundation will be allocated to employees during 2011 based on the 2010 earnings year.

If the 2011 Annual General Meeting approves the proposed dividend of SEK 9.50 per share then H&M's contribution to the foundation will be SEK 248 m.

For more information on the incentive programme see the Administration Report, page 6.

7 AVERAGE NUMBER OF EMPLOYEES

	2010 Total	Male %	2009 Total	Male %
Sweden	5,398	25	4,874	21
Norway	1,707	9	1,546	10
Denmark	1,522	7	1,419	6
UK	4,903	22	4,562	23
Switzerland	1,984	14	1,813	13
Germany	11,845	19	11,114	19
Netherlands	2,240	16	2,196	17
Belgium	1,632	22	1,480	21
Austria	1,921	10	1,881	10
Luxembourg	137	13	134	12
Finland	913	7	782	8
France	4,381	26	3,498	27
USA	4,543	34	4,253	31
Spain	4,303	18	4,009	18
Poland	3,089	18	2,452	19
Czech Republic	312	12	263	11
Portugal	693	16	646	20
Italy	2,037	27	1,632	29
Canada	1,114	22	1,096	23
Slovenia	137	15	139	14
Ireland	241	24	236	20
Hungary	182	14	135	15
Slovakia	96	19	69	19
Greece	294	22	262	19
China	2,013	30	1,521	30
Japan	475	44	442	42
Russia	565	27	374	31
South Korea	143	28	44	32
Turkey	200	25	184	22
Romania	22	9	24	6
Other countries	398	71	396	67
Group total	59,440	21	53,476	21

SICKNESS ABSENCE WITHIN THE PARENT COMPANY

	Sickness absence as % of reg. working hours		% of sickness absence lasting over 60 days	
	2010	2009	2010	2009
Female employees	2.8	2.8	37.3	24.8
Male employees	1.7	2.1	9.2	17.5
Employees in age group < 30 years	2.3	2.6	14.1	15.9
Employees in age group 30-49 years	2.4	2.5	30.2	21.3
Employees in age group > 50 years	1.0	1.9	-	38.7
Total	2.3	2.5	27.3	21.9

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	
	2010	2009	2010	2009
Cost of goods sold	336	310	-	-
Selling expenses	2,540	2,350	-	-
Administrative expenses	185	170	97	94
Total	3,061	2,830	97	94

9 AUDIT FEES

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Ernst & Young				
Audit assignments	15.9	16.7	2.4	2.2
Auditing other than audit assignments	1.1	-	0.1	-
Tax consultancy	10.9	15.2	0.1	0.1
Other auditors				
Audit assignments	3.2	3.2	-	-
Auditing other than audit assignments	0.2	-	-	-
Tax consultancy	1.3	1.8	-	-
Total	32.6	36.9	2.6	2.3

10 TAX

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Tax expense (-) / tax receivable (+):				
Current tax				
Tax expense for the period	-7,255	-5,630	-881	-40
Tax effect of Group contributions provided	-	-	-34	-572
Adjusted tax expense for previous years	-	-	-	-1
Total	-7,255	-5,630	-915	-613
Deferred tax receivable (+) / tax expense (-) in respect of:				
temporary differences in stock-in-trade	-280	130	-	-
loss carry-forward	47	-	-	-
pension provisions	3	7	3	5
tax allocation reserve	1,150	-79	-	-
intangible fixed assets	26	18	-	-
tangible fixed assets	32	-	-	-
other temporary differences	-50	-165	-	-
Total	928	-89	3	5
Total	-6,327	-5,719	-912	-608
Reconciliation between current tax rate and effective tax rate:				
Expected tax expense according to the Swedish tax rate of 26.3% (28%)	-6,577	-6,189	-4,096	-4,263
Effect of changed tax rate in Sweden	58	225	-	-
Difference in foreign tax rates	288	261	-	-
Non-deductible/non-taxable	-166	-128	-13	-9
Other	70	112	-	-
Tax for previous years	-	-	-	-2
Tax-free dividend subsidiaries	-	-	3,196	3,666
Total	-6,327	-5,719	-912	-608
Reported deferred tax receivable relates to:				
Pensions	87	84	59	56
Loss carry-forward in subsidiaries	47	0	-	-
Temporary differences in stock-in-trade	672	978	-	-
Hedge reserve	-	21	-	-
Other temporary differences	259	163	-	-
Total	1,065	1,246	59	56
Reported deferred tax expense relates to:				
Intangible fixed assets	116	142		
Tangible fixed assets	406	456		
Stock-in-trade	265	291		
Tax allocation reserve	-	1,073		
Hedge reserve	98	-		
Other temporary differences	21	76		
Total	906	2,038		

As of the closing date, the Group has no loss carry-forward other than the reported deferred taxes receivable.

11 INTANGIBLE FIXED ASSETS

	GROUP	
	2010	2009
Brand*		
Opening acquisition cost	470	470
Acquisitions during the year	-	-
Closing acquisition cost	470	470
Opening amortisation	-74	-27
Amortisation for the year	-47	-47
Closing accumulated amortisation	-121	-74
Closing book value	349	396
Customer relations*		
Opening acquisition cost	131	131
Acquisitions during the year	-	-
Closing acquisition cost	131	131
Opening amortisation	-21	-8
Amortisation for the year	-13	-13
Closing accumulated amortisation	-34	-21
Closing book value	97	110
Leasehold rights		
Opening acquisition cost	1,086	890
Acquisitions during the year	147	180
Sales/disposals	-4	7
Translation effects	-114	9
Closing acquisition cost	1,115	1,086
Opening amortisation	-342	-231
Sales/disposals	1	12
Amortisation for the year	-130	-122
Translation effects	44	-1
Closing accumulated amortisation	-427	-342
Closing book value	688	744
Goodwill*		
Opening book value	424	431
Adjusted consideration/additional consideration	-360	-7
Closing book value	64	424

* Brands, customer relations and goodwill assets have been added through the acquisition in 2008 of the company FaBric Scandinavien AB, which is a cash-generating unit. H&M acquired the remaining 40 percent of the shares in FaBric Scandinavien AB at the end of November 2010. The consideration for the remaining 40 percent of the shares was SEK 8 m. A provision of SEK 368 m had been made previously for an additional consideration to the sellers as a result of the options. The difference between the actual consideration and the provision is recognised as a SEK 360 m reduction in goodwill. A goodwill impairment test was carried out at the end of 2010. 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 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 amount would be reduced to a lower amount than the book value.

12 BUILDINGS, LAND & EQUIPMENT

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Buildings				
Opening acquisition cost	629	596	105	109
Acquisitions during the year	180	29	-	-
Sales/disposals	-	-4	-	-4
Translation effects	-28	8	-	-
Closing acquisition cost	781	629	105	105
Opening depreciation	-207	-184	-57	-54
Sales/disposals	-	-	-	-
Depreciation for the year	-18	-18	-3	-3
Translation effects	5	-5	-	-
Closing accumulated depreciation	-220	-207	-60	-57
Closing book value	561	422	45	48
Land				
Opening acquisition cost	70	68	3	3
Acquisitions during the year	29	-	-	-
Sales/disposals	-	-	-	-
Translation effects	-4	2	-	-
Closing book value	95	70	3	3
The tax assessment values for the Swedish properties amount to SEK 73 m (73). The book value of these amounts to SEK 48 m (51).				
Equipment				
Opening acquisition cost	23,576	21,020	736	769
Acquisitions during the year	4,603	5,481	100	98
Sales/disposals	-1,620	-2,266	-80	-131
Translation effects	-1,927	-659	-	-
Closing acquisition cost	24,632	23,576	756	736
Opening depreciation	-9,257	-9,059	-373	-413
Sales/disposals	1,508	2,115	80	131
Depreciation for the year	-2,853	-2,630	-94	-91
Translation effects	783	317	-	-
Closing accumulated depreciation	-9,819	-9,257	-387	-373
Closing book value	14,813	14,319	369	363

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 2010 financial year amounted to SEK 12,891 m (12,249), of which sales-based rent amounted to SEK 1,044 m (888).

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

Rental commitments in next 12 months	9,546 (9,383)
Rental commitments in next 2-5 years	27,255 (26,416)
Rental commitments more than 5 years ahead	17,878 (18,546)

13 PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Prepaid rent	701	697	7	5
Other items	175	240	2	9
Total	876	937	9	14

14 SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Short-term investments, 4-12 months	8,167	3,001	8,167	3,001
Total	8,167	3,001	8,167	3,001

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

Investments are made on market terms and the interest rates are between 0.20 and 2.07 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

15 LIQUID FUNDS

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Cash and bank balances	5,437	6,629	123	143
Short-term investments, 0-3 months	11,254	12,395	100	3,501
Total	16,691	19,024	223	3,644

Investments are made on market terms and the interest rates are between 0.18 and 4.10 percent. The difference in interest rate depends mainly 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	
	2010	2009	2010	2009	2010	2009
SELL/BUY						
NOK/SEK	10	-24	428	762	4	4
GBP/SEK	21	31	1,095	1,308	4	4
DKK/SEK	8	-7	360	667	4	4
CHF/SEK	-2	-16	650	1,432	4	4
EUR/SEK	167	-82	7,525	11,862	4	4
PLN/SEK	11	-18	336	472	4	4
USD/SEK	23	38	1,352	1,053	4	4
CAD/SEK	2	2	298	449	4	4
JPY/SEK	6	-20	365	509	3	4
SEK/USD	48	2	8,419	5,082	2	3
SEK/EUR	-13	19	1,036	1,040	2	2
Total	281	-75	21,864	24,636		

All changes in the value of derivatives are recognised initially via other comprehensive income in equity. From other comprehensive income the fair value is transferred to the income statement in conjunction with a hedged transaction taking place. As of the closing date forward contracts with a positive market value amount to SEK 457 m (260), which is reported under Other current receivables. Forward contracts with a negative market value amount to SEK 176 m (335), which is reported under Other current liabilities. Of the outstanding forward contracts, losses of SEK 51 m were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 332 m was recorded in the hedge reserve in equity.

Regarding measurement see Note 20.

17 SHARE CAPITAL

H&M implemented a 2:1 share split in 2010. The share capital is divided between 194,400,000 (97,200,000) class A shares (ten votes per share) and 1,460,672,000 (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 1,655,072,000 (827,536,000).

H & M Hennes & Mauritz AB effected bonus issues in the years 1983, 1984, 1985 and 1986, at which times so-called scrips were issued in accordance with the Companies Act effective at that time. A number of bonus share rights have not yet been received for exchange. In accordance with an announcement in June 2009 the corresponding bonus shares were sold on the market in June 2010. The holders of the bonus share rights then have a further four years in which to withdraw their share of the proceeds less the costs of the reminder and sale. The proceeds of the sale in 2010, which total SEK 48 m after costs have been deducted, are therefore being reported as a short-term liability until 30 June 2014. Any of these proceeds for which no valid claim is made will accrue to the company and thereby increase equity.

18 PROVISION FOR PENSIONS

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Capitalised value of defined benefit obligations	348	335	252	238
Fair value of managed assets	-91	-81	-29	-27
Provision for pension obligations recorded in the balance sheet	257	254	223	211
Opening balance, 1 December	254	228	211	193
Reported pension expenses, net	33	38	28	23
Premiums paid	-13	-5	-3	-2
Pensions paid out	-17	-7	-13	-3
Recorded amount of defined benefit obligations, 30 November	257	254	223	211

The amounts recorded as pension expenses include the following items:

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Expenses for service during the current year	16	34	9	23
Interest expense	12	11	8	7
Expected return on managed assets	-3	-3	-1	-1
Actuarial gains (-) and losses (+)	7	-4	6	-6
Reductions/adjustments gains (-) and losses (+)	-10	-	-4	-
Recognised past service cost	13	-	10	-
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	-2	0	-	-
Reported pension expenses, net	33	38	28	23

The cost of defined contribution pension plans amounts to SEK 238 m (193).

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

Discount rate	3.25 %	3.61 %	3.25 %	3.50 %
Expected return on managed assets	3.12 %	3.57 %	3.25 %	3.25 %
Future salary increases	4.73 %	4.63 %	5.00 %	5.00 %
Future pension increases (inflation)	2.00 %	3.00 %	2.00 %	2.00 %

19 OTHER PROVISIONS

	GROUP	
	2010	2009
Provision for additional consideration for FaBric Scandinavien AB	368	368
Additional consideration paid during the year	-8	-
Adjustment of additional consideration for FaBric Scandinavien AB	-360	-
Total	0	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 in 2008 was reported as a provision for an additional contingent consideration. At the time of the acquisition in 2008 the provision was SEK 368 m. In November 2010 H&M acquired the remaining 40 percent of the shares in FaBric Scandinavien AB for SEK 8 m. The remaining SEK 360 m of the earlier provision has therefore been reversed. The book value of goodwill has been reduced accordingly.

20 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2010	Loans receivable and accounts receivable	Financial assets held to maturity	Deriv. for hedging recognised at fair value	Other financial liabilities	Total book value
Other long-term receivables	-	518	-	-	518
Accounts receivable	2,258	-	-	-	2,258
Other receivables	-	-	457	-	457
Short-term investments	-	8,167	-	-	8,167
Liquid funds	11,254	5,437	-	-	16,691
Total financial assets	13,512	14,122	457	-	28,091
Accounts payable	-	-	-	3,965	3,965
Other liabilities	-	-	176	-	176
Total financial liabilities	-	-	176	3,965	4,141

2009	Loans receivable and accounts receivable	Financial assets held to maturity	Deriv. for hedging recognised at fair value	Other financial liabilities	Total book 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

The fair value of all financial assets and liabilities essentially corresponds to the book value. Assets and liabilities that are recognised at accrued acquisition cost have short remaining terms, making the difference between book value and fair value negligible.

The category derivatives for hedging recognised at fair value is measured based on observable data; in other words, in accordance with level 2 in the measurement hierarchy established in IFRS 7.

21 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2010	2009	2010	2009
Holiday pay liability	627	569	51	42
Social security costs	438	383	54	48
Payroll liability	450	489	14	10
Costs relating to premises	1,959	1,476	4	4
Other accrued overheads	1,902	1,536	104	36
Total	5,376	4,453	227	140

22 RELATED PARTY DISCLOSURES

Ramsbury Invest AB, which is owned by Stefan Persson and family, 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 and Drottninggatan 56 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen, Oxford Circus and Regent Street in London and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market rates and totalled SEK 229 m (193) for the financial year.

Karl-Johan Persson received remuneration in the form of salary and benefits amounting to SEK 11.2 m (4.6), which included a bonus of SEK 0.2 m (-), for work carried out during the financial year as Managing Director of H & M Hennes & Mauritz AB. In 2009 Karl-Johan Persson also received SEK 0.5 m for his work as Head of Expansion in the period up to 30 June 2009. More information regarding salaries and other remuneration to related parties is provided in Note 6.

23 APPROPRIATIONS

	PARENT COMPANY	
	2010	2009
Provision for tax allocation reserve	-	-43
Reversal of tax allocation reserve	705	-
Depreciation in excess of plan	1	2
Total	706	-41

24 PARTICIPATIONS IN GROUP COMPANIES

All Group companies are wholly-owned.

2010	Corporate ID number	No. of shares	Book value	Domicile
Parent company shareholdings				
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	1,380	560.7	Tranås
H & M Hennes & Mauritz International AB	556782-4890	1,000	0.1	Stockholm
Total			580.1	

2010

Corporate ID number

Domicile

Subsidiaries' holdings

H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz 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 AB Co. KG		Germany
H & M Hennes & Mauritz online shop AB & Co. KG		Germany
H & M Hennes & Mauritz Holding B.V.		Netherlands
H & M Hennes & Mauritz Netherlands B.V.		Netherlands
H & M Hennes & Mauritz Management B.V.		Netherlands
H & M Hennes & Mauritz Belgium NV		Belgium
H & M Hennes & Mauritz Logistics GBC NV		Belgium
H & M Hennes & Mauritz GesmbH		Austria
H & M Hennes & Mauritz Oy		Finland
H & M Hennes & Mauritz SARL		France
H & M Hennes & Mauritz Logistics GBC		France
H & M Hennes & Mauritz LLP		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 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 (Shanghai) Trading Ltd Co		China
H & M Hennes & Mauritz (Shanghai) Garment Company Ltd		China
H & M Hennes & Mauritz SK s.r.c.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
H & M Hennes & Mauritz LLP		Russia
H & M Hennes & Mauritz TR Tekstil Ltd sirketi		Turkey
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		Romania
H & M Hennes & Mauritz d.o.o. za trgovinu		Croatia
H & M Hennes & Mauritz PTE Ltd		Singapore
Fabric Retail Gbl AB	556427-8926	Sweden
Weekday Brands AB	556675-8438	Sweden
Fabric Sales Sweden AB	556686-8609	Sweden
FaBric Sales Norway AS		Norway
FaBric Sales A/S		Denmark
FaBric Sales AB & Co. KG Germany		Germany
Fabric Sales Netherlands B.V.		Netherlands
Fabric Sales Hong Kong Limited		Hong Kong
Fabric Sales Finland Oy		Finland

25 UNTAXED RESERVES

	PARENT COMPANY	
	2010	2009
Tax allocation reserve tax 09	–	662
Tax allocation reserve tax 10	–	43
Depreciation in excess of plan	119	120
Total	119	825

26 CONTINGENT LIABILITIES

	PARENT COMPANY	
	2010	2009
Parent company's lease guarantees	12,729	11,292
Total	12,729	11,292

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 runs 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, 26 January 2011

STEFAN PERSSON
Chairman of the Board

MARIANNE BROMAN
Board member

MIA BRUNELL LIVFORS
Board member

ANDERS DAHLVIG
Board member

LOTTIE KNUTSON
Board member

SUSSI KVART
Board member

BO LUNDQUIST
Board member

MELKER SCHÖRLING
Board member

CHRISTIAN SIEVERT
Board member

MARGARETA WELINDER
Board member

KARL-JOHAN PERSSON
Managing Director

Our audit report was submitted on 27 January 2011

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 2009 to 30 November 2010. The company's annual accounts and consolidated accounts are included in this document on pages 4-32. 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. Those standards require that we plan and perform the audit to obtain a high, but not absolute 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 in order 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 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 sections 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, 27 January 2011

Ernst & Young AB

Erik Åström
Authorised Public Accountant





Dress €9.95

CORPORATE GOVERNANCE REPORT 2010

H & M HENNES & MAURITZ AB

Good corporate governance is basically about ensuring that companies are run as efficiently as possible in the interests of the shareholders.

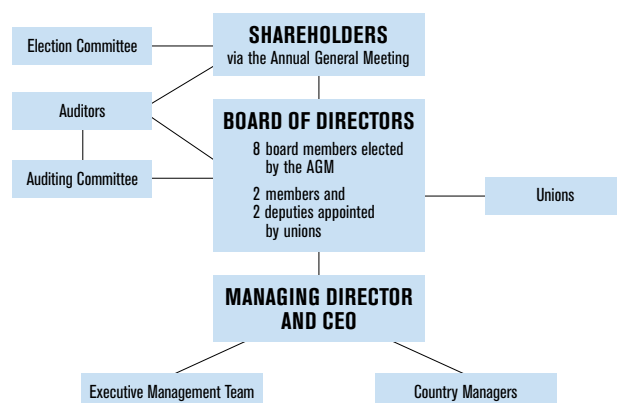
H&M applies the Swedish Code of Corporate Governance (the Code) and has therefore prepared this corporate governance report in accordance with the Annual Accounts Act and the Code (available from www.bolagsstyrning.se). This corporate governance report for 2010 describes H&M's corporate governance, management and administration as well as internal control over financial reporting. H&M has chosen to have the corporate governance report as a separate document to the Annual Report in accordance with Chapter 6 § 8 of the Swedish Annual Accounts Act. The information that must be provided under Chapter 6 § 6 item 3–6 of the Annual Accounts Act is included in the administration report on page 7 and is therefore not included in this corporate governance report. In accordance with Chapter 6 § 9 of the Annual Accounts Act the company's auditors have issued a statement on the corporate governance report that is placed on page 46.

The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation, describe the chosen alternative and provide the reasons for the deviation.

Deviation from section 2.4 of 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.

OUR CORPORATE GOVERNANCE STRUCTURE



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, guidelines and manuals

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 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. Shareholders who cannot be present in person may be represented by proxy. Notice of the general meeting is published on the company's website and also by advertisements in Post- och Inrikes Tidningar, Svenska Dagbladet and Dagens Nyheter.

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. This 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, as took place on 20 October 2010 in connection with a proposed incentive programme for all employees of the H&M Group. At the end of the financial year H&M had 193,035 shareholders.

H&M's share is listed on NASDAQ OMX Stockholm AB. Information material from H&M's most recent annual general meetings and extraordinary general meetings is published on the company's website under section Corporate Governance. 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 on the agenda in the notice to attend. The e-mail address is also given for those shareholders who wish to submit their questions in advance to H&M.

ANNUAL GENERAL MEETING 2010

H&M's Annual General Meeting 2010 was held on 29 April in Victoriahallen at the Stockholm International Fairs. 1,438 shareholders were represented at the meeting, representing 81.9 percent of the votes and 62.7 percent of the capital. H&M's Board of Directors, executive management and Election Committee as well as the company's 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 for the Group were adopted.
- A dividend to shareholders of SEK 8.00* per share was approved.
- The Board members and the Managing Director were discharged from liability for the 2008/2009 financial year.

* Adjusted in accordance with 2:1 share split.

- The number of Board members elected by the meeting to serve until the next AGM was set at eight, with no deputies.
- Anders Dahlvig and Christian Sievert were elected to the Board for the first time. Mia Brunell Livfors, Lottie Knutson, Sussi Kvart, Bo Lundquist, Stefan Persson and Melker Schörling were re-elected as ordinary members by the AGM. Stig Nordfelt had declined re-election.
- 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 4,250,000 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 proposed principles for the Election Committee were approved and members of the Election Committee were elected.
- Resolution on share split and amendment of the Articles of Association.
- The proposed guidelines for remuneration to senior executives were approved.

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

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

YEAR	% OF VOTES	% OF CAPITAL
2007	80.9	60.7
2008	80.9	60.7
2009	81.3	61.5
2010	81.9	62.7

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 AND WORK OF THE ELECTION COMMITTEE IN 2010/2011

The members of the Election Committee were elected by the 2010 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 2010, 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 2010" under Election Committee under section Corporate Governance at www.hm.com.

The composition of the Election Committee following the 2010 AGM was:

- Stefan Persson, Chairman of the Board
- Lottie Tham, representing Lottie Tham
- Liselott Ledin, representing Alecta
- Jan Andersson, representing Swedbank Robur Fonder
- Anders Oscarsson*, representing AMF Pension

* Peter Lindell was elected at the AGM, but left AMF shortly afterwards and was therefore replaced by Anders Oscarsson of AMF Pension with effect from June 2010.

The composition of the Election Committee meets the Code's requirements 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 2010 AGM the Election Committee has held one meeting at which minutes were taken and the Committee was also in contact at other times. At the Election Committee's 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.

The Election Committee provided the following grounds for its proposed composition of the Board before the 2010 AGM:

"The Election Committee judges that the proposed composition of the Board of Directors accords well with section 4.1 of the Swedish Code of Corporate Governance, i.e. that the proposed Board is characterised by diversity and breadth of expertise, experience, background and equal gender distribution. It is judged that the new members proposed will bring in wide-ranging expertise and additional experience from similar operations as well as from other areas of retail, both nationally and internationally."

The proposed composition met the applicable requirements concerning the independence of members and stock market experience.

No 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 and at the 2011 AGM.

EXTRAORDINARY GENERAL MEETING HELD ON 20 OCTOBER 2010

On 20 October 2010 H&M held an Extraordinary General Meeting in the Grönwald Hall at the Stockholm Concert Hall. The meeting

ANNUAL GENERAL MEETING 2011

H&M's Annual General Meeting 2011 will be held on Thursday, 28 April in Victoriahallen at the Stockholm International Fairs. To register to attend the 2011 AGM, see H&M in Figures 2010 page 50 or at www.hm.com/arsstamma

was occasioned by the proposal for the H&M Incentive Program.

722 shareholders were represented at the meeting, representing 78.4 percent of the votes and 55.6 percent of the capital.

The meeting resolved to mandate the Board of Directors to introduce an incentive programme known as the H&M Incentive Program, which will cover all employees of the H&M Group based on the same principles. The Board was further mandated to draw up the necessary detailed rules of the programme and otherwise to take the action required to implement the programme.

The meeting approved the Board's proposal to supplement the guidelines on remuneration to senior executives with the following statement: "Senior executives are entitled to the benefits provided under the H&M Incentive Program".

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 up 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, its committees and the Managing Director, financial reporting, investments and financing. The work plan, which also includes 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 2010 AGM the Board has consisted of eight ordinary members elected by the AGM and no deputies. There are also two employee representatives and two deputies for these positions. The Board is comprised of seven women and five men. Only the employee representatives are employed by the company. Stig Nordfelt had declined re-election to the Board before the 2010 AGM. Anders Dahlvig and Christian Sievert were elected to the Board for the first time. The other Board members were re-elected. Stefan Persson was re-elected as Chairman of the Board.

For facts about H&M's Board members, see page 42-43. The Board members are to devote the time and attention that their assignment for H&M requires. New Board members receive introductory training which, among other things, includes meetings with the heads of various functions.

During the financial year H&M normally holds six regular Board meetings, one of which is the 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 2009/2010

H&M's Board held ten Board meetings during the financial year, one of which was the statutory meeting.

The attendance of the Board members is reported in the table entitled "Composition of the Board of Directors and Attendance during the Year". The Managing Director Karl-Johan Persson attended all the Board meetings held in 2010.

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 prepared within the Auditing Committee and reported to the Board.

Matters dealt with at the Board meetings held during the financial year included the company's main aims for the year, sales development, costs, the incentive programme for all employees, guidelines for remuneration to senior executives, the rate of expansion and the results of expansion into markets such as South Korea, Turkey and, via franchise, Israel. The Board of Directors proposed a 2:1 share split to the AGM and subsequently determined a record date for the split. The share split was effected at the beginning of June 2010.

The Board also examined the executive management's updated risk assessment. In addition, the Managing Director reported on improvements in the customer offering, organisational changes, COS, H&M Home, the integration of FaBric Scandinavien AB and the acquisition of the remaining shares in the company. The Managing Director also reported on developments in the buying process and in internet and catalogue sales, marketing campaigns, the refurbishment of stores, developments in and outsourcing of IT support, and preparations for expansion into Romania, Croatia, Singapore and – via franchise – Morocco and Jordan.

The Board has kept itself informed of the company's CSR and environmental work.

Decisions taken by the Board during the 2009/2010 financial year included the following:

- new financial policy
- proposal to the AGM for a dividend of SEK 8.00* per share for the 2008/2009 financial year
- the number of new stores for full-year 2010
- investments in the total number of stores and the level of these investments
- proposal to the AGM for a 2:1 share split
- proposal to the Extraordinary General Meeting for an incentive programme covering all employees of the H&M Group on the same principles
- continuation of the present model for monitoring internal control – see page 45

* Adjusted in accordance with 2:1 share split.

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2010

NAME	YEAR ELECTED	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES (SEK) ³⁾	BOARD MEETINGS	AUDITING COMMITTEE	SHAREHOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson ⁴⁾ , Chairman	1979	No	No	1,350,000	10/10	3/3	372,548,800	194,400,000 ⁵⁾ 6,400,000 ⁶⁾
Mia Brunell Livfors	2008	Yes	Yes	375,000	10/10			600 ⁷⁾
Anders Dahlvig ⁸⁾	2010	Yes	Yes		6/6		9,000	
Lottie Knutson	2006	Yes	Yes	375,000	10/10		1,200	
Sussi Kvart	1998	Yes	Yes	450,000	10/10	4/4	4,400	1,700
Bo Lundquist	1995	Yes	Yes	450,000	10/10	4/4		40,000 ⁹⁾
Stig Nordfelt ¹⁰⁾	1987	Yes	Yes	500,000	5/5	1/1		
Melker Schörling	1998	Yes	Yes	375,000	10/10			228,000 ¹¹⁾
Christian Sievert ⁸⁾	2010	Yes	Yes		6/6		22,600	600
Marianne Broman, employee rep.	1995				10/10		140	290
Margareta Welinder, employee rep.	2007				9/10			
Tina Jäderberg, deputy employee rep.	2007				10/10			
Agneta Ramberg, deputy employee rep.	1997				10/10			

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 2009 Annual General Meeting. This means that the fees relate to the period until the next AGM is held, i.e. for the period 4 May 2009 to 29 April 2010. The amount was paid out after the 2010 AGM.

4) Stefan Persson was elected as a member of the Auditing Committee at the statutory Board meeting held on 29 April 2010.

5) Class A shares owned through Ramsbury Invest AB.

6) Class B shares owned through Ramsbury Invest AB.

7) Shares held together with related parties.

8) Anders Dahlvig and Christian Sievert were elected to the Board at the AGM held on 29 April 2010. Board fees of SEK 375,000 per person for the period 29 April 2010 to 28 April 2011 will be paid out after the 2011 AGM.

9) Shares owned through Bo Lundquist's company Caboran AB.

10) Stig Nordfelt resigned from the Board at the 2010 AGM.

11) Shares owned through Melker Schörling AB.

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

During the year the Board also discussed strategic matters such as competition, external factors and development opportunities.

In connection with the Board's review of the proposed Annual Report for 2008/2009, auditor Erik Åström gave an account of the year's audit work.

INDEPENDENCE OF BOARD MEMBERS

The composition of H&M's Board during the year met the independence requirements set out in sections 4.4 and 4.5 of 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, regulations 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 over financial reporting.

AUDITING COMMITTEE

The Board's Auditing Committee is the main channel of communication between the Board and the company's auditors.

The Auditing Committee monitors the company's financial reporting, which includes monitoring the effectiveness of the company's internal control and risk management. Its work includes handling auditing issues and financial reports published by the company. The Auditing Committee also keeps itself informed as regards the audit of the Annual Accounts and the Consolidated Accounts. The Auditing Committee also reviews and monitors the impartiality and independence of the auditor and regulates which assignments the accounting firm may conduct in addition to the audit. The Committee also assists the Election Committee with any proposals to the AGM concerning the election of auditors.

H&M's Auditing Committee is made up of three Board members, at least two of whom have expertise in accounting or auditing and are independent in relation to the company, its management and its major shareholders. The Committee is appointed annually by the Board of Directors at the statutory Board meeting held in conjunction with the AGM.

Since the statutory meeting held in conjunction with the 2010 AGM, the Auditing Committee has consisted of chairman Bo Lundquist and members Sussi Kvart and Stefan Persson. The committee held four meetings at which minutes were taken in 2010.

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 Commit-

tee'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 checked that the company is carrying out its internal control and risk management processes effectively and also reviewed the overall risk analysis for the Group. During the year the Auditing Committee also discussed the monitoring of the company's internal pricing model and gathered information on the scope and focus of auditing assignments, as well as on the results of reviews performed.

AUDITORS

The auditors are appointed by the shareholders at the Annual General Meeting every four years. The auditors scrutinise the company's financial statements, the consolidated statements and the 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 of 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 2010 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	
	2010	2009	2010	2009
Ernst & Young				
Audit assignments	15.9	16.7	2.4	2.2
Auditing other than audit assignments	1.1	-	0.1	-
Tax consultancy	10.9	15.2	0.1	0.1
Other auditors				
Audit assignments	3.2	3.2	-	-
Auditing other than audit assignments	0.2	-	-	-
Tax consultancy	1.3	1.8	-	-
Total	32.6	36.9	2.6	2.3

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 focus in particular on recruitment of senior executives, buying and logistics matters, the customer offering, pricing strategy and sales, marketing, expansion, development of the store network and of 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 market, the media and the authorities.

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, brand and new business. Since 2000 Karl-Johan Persson has been a member of the boards of H&M's subsidiaries in Denmark, Germany, the USA 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 12,132,334 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 Group functions/central departments for which the executive management team is responsible.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In accordance with the Swedish Companies Act the 2010 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 7 of H&M in Figures 2010 including the Annual Accounts and Consolidated Accounts.

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 2010 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



MARIANNE BROMAN
Employee representative

MARGARETA WELINDER
Employee representative

BO LUNDQUIST
Board member and
Chairman of the
Auditing Committee

CHRISTIAN SIEVERT
Board member

SUSSI KVART
Board member
and member of the
Auditing Committee

STEFAN PERSSON
Chairman of the
Board and member
of the Auditing
Committee



AGNETA RAMBERG
Deputy employee
representative

ANDERS DAHLVIG
Board member

MIA BRUNELL LIVFORS
Board member

TINA JÄDERBERG
Deputy employee
representative

MELKER SCHÖRLING
Board member

LOTTIE KNUTSON
Board member

FACTS ON BOARD MEMBERS

STEFAN PERSSON

Chairman of the Board and member of the Auditing Committee.
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:

Stockholm University and Lund University, 1969–1973.

WORK EXPERIENCE:

1976–1982 Country Manager for H&M in the UK and responsible for H&M's expansion abroad.
1982–1998 Managing Director and Chief Executive Officer of H&M.
1998– Chairman of the Board of H&M.

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 since:

2006 Metro International S.A., Tele2 AB, Transcom WorldWide S.A., Korsnäs AB
2007 Modern Times Group MTG AB
2008 Millicom International Cellular S.A.
2010 Efva Attling Stockholm AB
2010 CDON AB

EDUCATION:

Studies in Business Administration at 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.

ANDERS DAHLVIG

Board member. Born 1957.

PRIMARY OCCUPATION:

Board assignments.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Chairman of New Wave Group, member of the boards of Kingfisher plc, Oriflame SA, Axel Johnson AB.

EDUCATION:

Bachelor of Science in Business Administration, Lund University, 1980 and Master of Arts from the University of California, Santa Barbara, 1982.

WORK EXPERIENCE:

1983–1993 Various roles within IKEA in Sweden, Germany, Switzerland and Belgium.
1993–1997 Managing Director of IKEA UK.
1997–1999 Vice President of IKEA Europe.
1999–2009 President and CEO of the IKEA Group.

LOTTIE KNUTSON

Board member. Born 1964.

PRIMARY OCCUPATION:

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

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

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

EDUCATION:

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

WORK EXPERIENCE:

1988–1989 Journalist, Svenska Dagbladet.
1989–1995 Communications Department, 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 from Lund University, 1980.

WORK EXPERIENCE:

1981–1983 Mölndal District Court, court clerk.
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 Chairman 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:

MSc in Engineering from 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.

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:

MSc in 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.

CHRISTIAN SIEVERT

Board member. Born: 1969.

PRIMARY OCCUPATION:

CEO of Segulah, a venture capital company.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:

Member of the boards of AB Segulah, Segulah Advisor AB, Gunnebo Industrier, Kemetyl and deputy member of the board of Infocare.

EDUCATION:

MSc in Business Administration from the School of Economics, Stockholm, 1994.

WORK EXPERIENCE:

1994–1997 Bain & Company, Consultant, Stockholm and San Francisco, USA.
 1997–2003 Investment Manager and Partner, Segulah.
 2003– CEO/Managing Partner of Segulah.

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 for financial reporting has been prepared in accordance with Chapter 6 § 6 of the Swedish Annual Accounts Act and section 7.4 of the Swedish Code of Corporate Governance.

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 over 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 relations with suppliers.

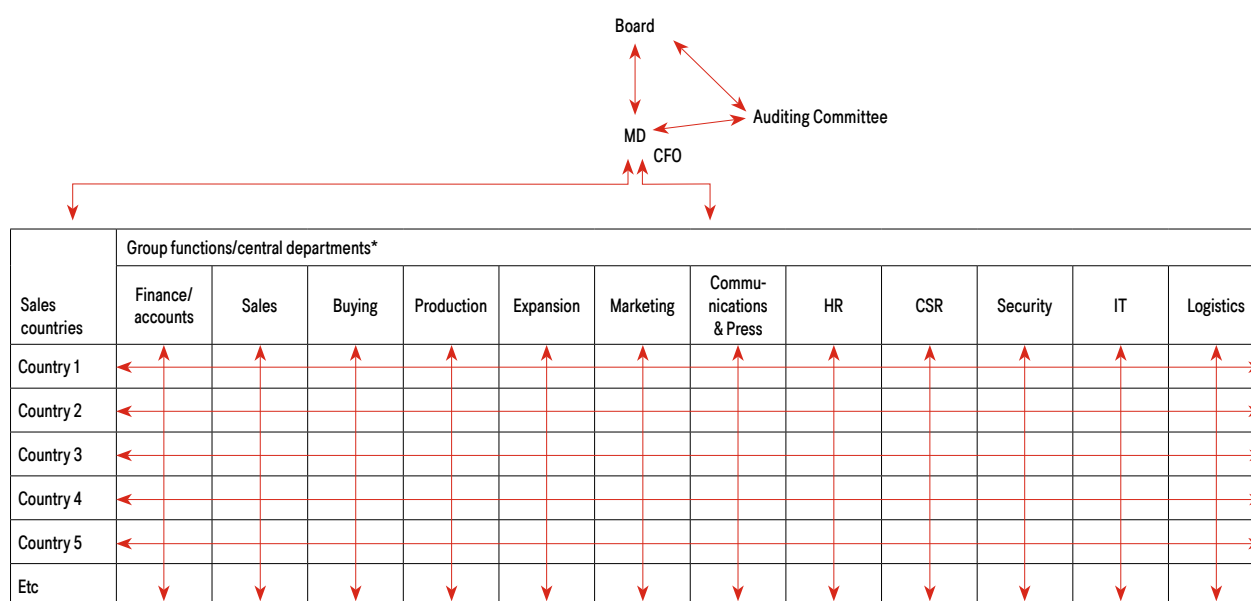
H&M's internal control structure is based on:

- 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



* Those responsible for Group functions are members of the executive management team. In addition to the functions mentioned above and the Managing Director, the areas of Business Development, IR and New Business are also included in the executive management team.

in the central departments at the head office in Stockholm 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.

For a more detailed description of H&M's risks see the Administration Report, page 8, and Note 2 Financial risks, page 22 in H&M in Figures 2010 including the Annual Accounts and Consolidated Accounts.

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 2010 general IT controls for certain selected systems were scrutinised by an external party together 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 communication is provided via:

- H&M's Annual Report
- Interim reports, the full year report and monthly sales reports
- Press releases on events and circumstances that may impact the share price
- H&M's website www.hm.com

MONITORING

As part of the company's 2010 internal control work, the central departments carried out assessments of their 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. The functions also followed up on the assessments made in the previous year.

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 non-compliances 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 further increases awareness of the importance of effective internal control within the Group and improvements are made on a continuous basis.

INTERNAL AUDIT

In accordance with section 7.4 of the Swedish Code of Corporate Governance, during the year the Board assessed the need for a specific internal audit department. The Board concluded that H&M's present model of monitoring internal control is the most appropriate for the company. In the Board'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, 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. The issue of a specific internal audit department will be reviewed again in 2011.

Stockholm, January 2011

The Board of Directors

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

**AUDITORS' STATEMENT ON THE CORPORATE
GOVERNANCE REPORT**

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

ASSIGNMENT AND DIVISION OF RESPONSIBILITY

We have reviewed the corporate governance report for the year 2010 on pages 35–45. The corporate governance report is the responsibility of the Board of Directors, which is responsible for the report being prepared in accordance with the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the corporate governance report based on our review.

ORIENTATION AND SCOPE OF REVIEW

Our review was conducted in accordance with RevU 16, Auditors' review of the corporate governance report. This means that we planned and performed the audit in order to obtain a high, but not absolute, degree of assurance that the corporate governance report is free from material misstatement. An audit includes examining, on a test basis, evidence supporting the information in the corporate governance report. We believe that our audit provides a reasonable basis for our opinion set out below.

STATEMENT

A corporate governance report has been prepared. The corporate governance report is consistent with the annual report and the consolidated accounts.

Stockholm, 26 January 2011

Ernst & Young AB

Erik Åström
Authorised Public Accountant



Hoodie jacket
€9.95

FIVE-YEAR SUMMARY

1 DECEMBER - 30 NOVEMBER

FINANCIAL YEAR	2010	2009	2008	2007	2006
Sales including VAT, SEK m	126,966	118,697	104,041	92,123	80,081
Sales excluding VAT, SEK m	108,483	101,393	88,532	78,346	68,400
Change from previous year, %	7	15	13	15	12
Operating profit, SEK m	24,659	21,644	20,138	18,382	15,298
Operating margin, %	22.7	21.3	22.7	23.5	22.4
Depreciation for the year, SEK m	3,061	2,830	2,202	1,814	1,624
Profit after financial items, SEK m	25,008	22,103	21,190	19,170	15,808
Profit after tax, SEK m	18,681	16,384	15,294	13,588	10,797
Liquid funds and short-term investments, SEK m	24,858	22,025	22,726	20,964	18,625
Stock-in-trade, SEK m	11,487	10,240	8,500	7,969	7,220
Equity, SEK m	44,172	40,613	36,950	32,093	27,779
No. of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	11.29	9.90	9.24	8.21	6.52
Equity per share, SEK*	26.69	24.54	22.33	19.39	16.78
Cash flow from current operations per share, SEK*	13.17	10.86	10.86	9.29	7.28
Dividend per share, SEK	9.50**	8.00	7.75	7.00	5.75
Return on equity, %	44.1	42.2	44.3	45.4	40.2
Return on capital employed, %	58.7	56.7	61.1	63.7	58.7
Share of risk-bearing capital, %	76.2	78.5	75.7	78.5	80.0
Equity/assets ratio, %	74.6	74.7	72.1	76.9	78.1
Total number of stores	2,206	1,988	1,738	1,522	1,345
Average number of employees	59,440	53,476	53,430	47,029	40,855

* Number of shares adjusted for split. See page 6, Share split.

** Proposed by the Board of Directors.

For definitions of key ratios, see page 31.

THE H&M SHARE

KEY RATIOS PER SHARE	2010	2009	2008	2007	2006
Shareholders' equity per share, SEK	26.69	24.54	22.33	19.39	16.78
Earnings per share, SEK	11.29	9.9	9.24	8.21	6.52
Change from previous year, %	+14	+7	+13	+26	+17
Dividend per share, SEK	9.50*	8.00	7.75	7.00	5.75
Market price on 30 November, SEK	234.4	206.15	149	199.5	159.5
P/E ratio	21	21	16	24	24

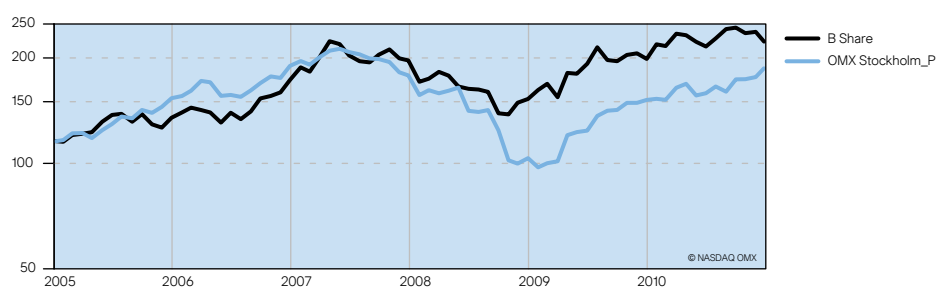
* Board's proposal

In 2010 H&M implemented a 2:1 share split. The years 2006–2009 in the table above have therefore been adjusted for the new number of shares.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2010

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDERS
1–500	143,376	74.3	23,377,039	1.4	163
501–1,000	24,067	12.5	19,071,984	1.2	792
1,001–5,000	20,137	10.4	44,626,082	2.7	2,216
5,001–10,000	2,563	1.3	18,725,076	1.1	7,306
10,001–15,000	732	0.4	9,155,355	0.6	12,507
15,001–20,000	505	0.3	9,021,260	0.5	17,864
20,001–	1,655	0.9	1,531,095,204	92.5	925,133
Total	193,035	100	1,655,072,000	100	8,574

MAJOR SHAREHOLDERS, 30 NOVEMBER 2010	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
Stefan Persson and family	609,745,134	69.3	36.84
Lottie Tham and family	88,080,400	2.59	5.32
Alecta Pensionsförsäkring	59,470,000	1.75	3.59
JP Morgan Chase Bank	42,164,438	1.24	2.55
Swedbank Robur Fonder	39,996,098	1.17	2.42
AMF Pensionsförsäkring	29,038,786	0.85	1.75
SSB CL Omnibus AC OM07	28,345,184	0.83	1.71
Clearstream Banking	27,739,339	0.81	1.68
Nordea Investment Funds	23,287,000	0.68	1.41
Handelsbanken Fonder	20,234,083	0.59	1.22



ANNUAL GENERAL MEETING

The Annual General Meeting 2011 will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Thursday 28 April at 3 p.m.

Shareholders who are registered in the share register print-out as of Wednesday 20 April 2011 and give notice of their intention to attend the AGM no later than Wednesday 20 April 2011 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 20 April 2011.

NOTICE OF ATTENDANCE

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 Ardéhn
SE-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 2010 of SEK 9.50 per share. The Board of Directors has proposed 3 May 2011 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 6 May 2011. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 28 April 2011.

FINANCIAL INFORMATION

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

31 March 2011	Three-month report
28 April 2011	Annual General Meeting 2011, Victoriahallen, Stockholm International Fairs at 3 p.m.
22 June 2011	Six-month report
29 September 2011	Nine-month report
26 January 2012	Full-year report

CONTACT DETAILS

HEAD OFFICE

H & M Hennes & Mauritz AB
Mäster Samuelsgatan 46A
106 38 Stockholm
Sweden
Tel.: +46 (0)8-796 55 00
For information about H&M and addresses of the country offices, please see www.hm.com

CONTACTS

CEO Karl-Johan Persson
FINANCE Jyrki Tervonen
ACCOUNTS Anders Jonasson
SALES Stefan Larsson
BUYING Madeleine Persson
DESIGN Ann-Sofie Johansson
PRODUCTION Karl Gunnar Fagerlin
CORPORATE SOCIAL RESPONSIBILITY Helena Helmersson
EXPANSION Fredrik Olsson
BUSINESS DEVELOPMENT Björn Magnusson
MARKETING/BRAND Anna Tillberg Pantzar
COMMUNICATIONS Kristina Stenvinkel
INVESTOR RELATIONS Nils Vinge
HUMAN RESOURCES Sanna Lindberg
IT Kjell-Olof Nilsson
LOGISTICS Jonas Guldstrand
SECURITY Cenneth Cederholm

DISTRIBUTION POLICY

The H&M Annual Report 2010 comes in two parts, Part 1: H&M in words and pictures 2010, and Part 2: H&M in figures 2010 including the annual accounts 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 Solve Sundsbø
MODEL Ben Hill
GARMENT Organic cotton blend blazer,
H&M Concious Collection

The annual report is printed
on FSC® certified paper.





Cardigan
€19.95

