



ANNUAL REPORT PART 1
H&M IN WORDS AND PICTURES 2011

Skirt
€9.95



Silk dress
€129

—
Spring 2012
MARNI AT H&M



Blouse
€ 24.95



Spring 2012
WOMEN

FASHION AND QUALITY AT THE BEST PRICE

H&M is a design-driven, innovative, responsible fashion company. Guided by strong values, H&M is growing with quality, sustainability and high profitability all over the world.

H&M's business concept

is to offer fashion and quality at the best price.

A global trademark

H&M maintains a strong position in more than 40 markets, and ever since opening the first store in 1947, H&M has pursued its quest for constant improvement. By demonstrating flexibility and listening to the customers, H&M is able to adapt quickly to rapidly changing environments and trends. A competitive combination of quality and fashion at the best price allows H&M to offer customers the best value for money in every market.

Design with sustainability

The collections are created in-house at H&M's headquarters. Designers work with pattern makers and buyers to produce a broad spectrum of styles to suit every age group and passion for fashion. H&M is not just looking for the perfect design, but also works actively to develop a more sustainable chain of design, manufacturing and product handling for both people and the environment.

Efficiency at every step

The best price is achieved by avoiding middlemen, buying the right product from the right market, efficient distribution and cost-consciousness at every step of the process.

Focus, cooperation and flexibility

H&M owns no factories, choosing instead to develop long-term partnerships with independent suppliers, primarily in Asia and Europe. Nor does H&M own any store facilities, but rents premises for maximum flexibility. In a constantly changing retail industry, time-limited leases ensure that H&M can always establish its stores in the best possible location for business.

Growth target

H&M's growth target is to increase the number of stores by 10–15 percent annually while increasing sales in comparable units. Growth is entirely self-financed and expected to proceed with quality, sustainability and continued high profitability.

Financial position

H&M acts in the long term. A strong financial standing without dependency on loans ensures readiness and freedom to act when presented with new business opportunities.



PART 1

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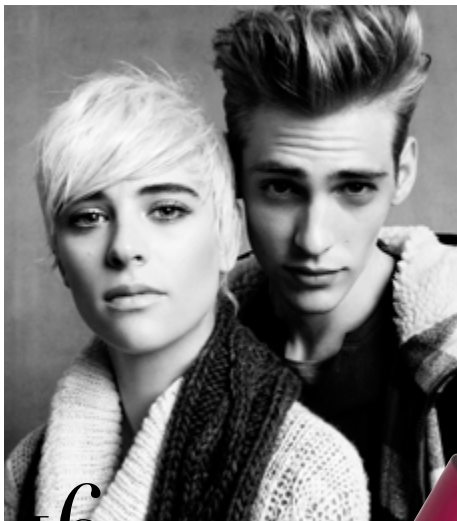
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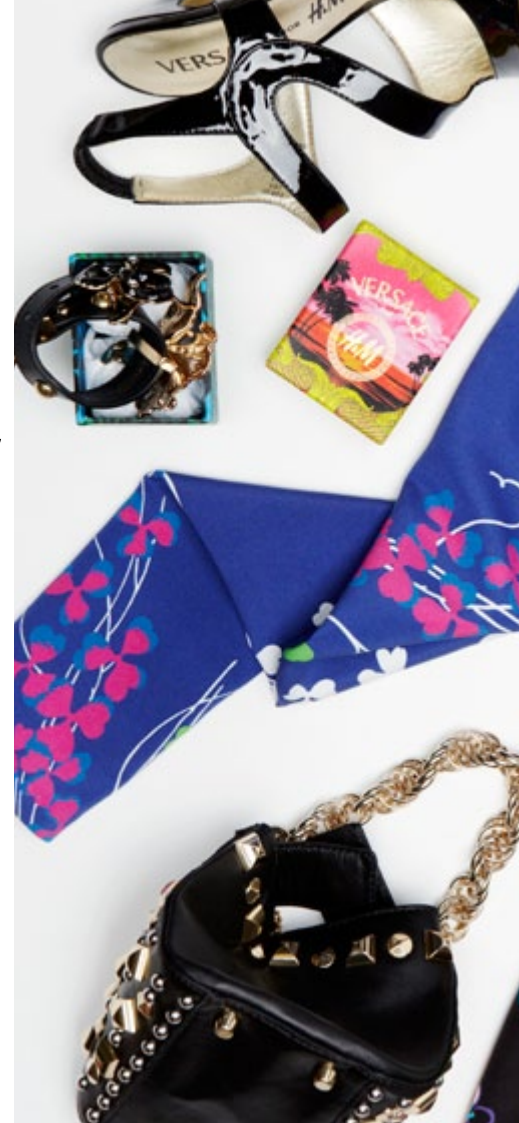
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“Customers appreciate
our strong offering, with
a wide and varied range
of inspiring fashion
for everyone”

– Karl-Johan Persson, CEO

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H&M STANDS STRONG

H&M is a leading global fashion company that is growing, with new customers and employees the world over. In 2011, a very demanding year for fashion retail, we strengthened our customer offering and our position even further.

H&M stands strong in a challenging market. We continued to take market share in 2011, a very tough year for fashion retail. Economic uncertainty in many countries had a negative effect on demand, resulting in fiercer competition for consumer spending that in turn led to multiple price activities and markdowns. The fact that H&M strengthened its position even further proves that customers appreciate our strong offering, with a wide and varied range of inspiring fashion for everyone.

It was not only the sales markets that were challenging last year. The situation in the sourcing markets was also demanding, as high cost inflation increased sourcing costs for 2011 considerably for the fashion retail industry. Cotton prices, which had already doubled in 2010, continued their steep ascent and reached historically high levels in 2011. Cotton is the single most important raw material used in our garments.

Despite increased sourcing costs, we chose a strategy of further strengthening our customer offering and our market position relative to competitors. These investments have varied over time and have involved everything from even better prices to even higher quality and more sustainable fashion. We are convinced that this will gradually become more evident to customers and strengthen H&M's already strong market position even further.

WE INCREASED SALES by 8 percent in local currencies. It is gratifying that sales were strong in large markets such as the US, China, Russia and the UK.

Sales developed well also for COS, Monki, Weekday and Cheap Monday. COS in particular had a very good year with a performance that exceeded our high expectations, both regarding sales and profits. With its stylish timeless garments and up-to-the-minute designs, all



Karl-Johan Persson.

“We have many inspiring collections to offer our customers around the world and we are looking forward to an exciting year full of new opportunities”

in exclusive materials and at attractive prices, COS is greatly appreciated by fashion-savvy customers in many countries. Today COS has close to 50 stores in nine countries as well as online sales in 18 markets, and contributes to the strong profitability of the Group.

Our designers and buyers created many well-received collections for 2011; not least our Conscious Collection, made solely of environmentally smarter materials. The year's great designer collaboration, “Versace for H&M”, was also highly appreciated.

We aim to meet and exceed our customers' expectations at all times. H&M must always offer the best combination of fashion, quality and price in every market.

Last year we also increased investments within marketing, IT and online sales, again with the aim of further strengthening H&M's market position long-term and securing future expansion.

While these investments led to cost increases, cost control in the company remains good. In comparable stores costs decreased from the year before. Our profitability remained high with an operating margin of 18.5 percent. Challenging market conditions, high sourcing cost inflation, our long-term investments and, in addition, strongly negative currency translation effects had a negative impact on results. Profit after tax was SEK 15.8 billion compared to 18.7 billion the year before.

There are more than 94,000 people working at H&M today. As we expand globally it is vital that we continue to attract new skilled and creative employees. In order to facilitate future recruitment and to reward and encourage long-term commitment we recently introduced an incentive programme for all employees, the H&M Incentive Program.

Today H&M has around 2,500 stores and a growing online store. We expand by 10–15 percent new stores per year and in 2011 we opened 266 stores net, 16 more than originally planned. China, the US, the UK and Germany were the largest expansion markets. H&M stores opened also in five new countries: Romania, Croatia, Singapore, Morocco and Jordan. Everywhere the reception has been overwhelmingly positive.

Monki and Cheap Monday opened in the UK, COS opened its first store in Sweden and

during the autumn both COS and Monki successfully launched e-commerce in 18 European countries.

H&M now has a presence on four continents. Expansion is long-term and takes place in parallel in all our markets as well as into new countries, and includes all our brands. Our financial position is strong and our expansion is entirely self-funded.

In 2012 we plan around 275 new stores net. China, the US and the UK are planned to be the largest expansion markets and there is great potential in other existing markets as well. H&M stores will open in five new markets this year: Bulgaria, Latvia, Malaysia, Thailand and Mexico. We are very much looking forward to opening our first H&M store in Latin America this autumn, at the best location in the Centro Santa Fé mall in Mexico City.

COS stores will open in four new markets in 2012: Hong Kong, Italy, Finland and Kuwait. Expansion is being stepped up for the other brands too.

This autumn we will open H&M Shop Online in the US, the world's largest retail market.

OUR BUSINESS CONCEPT is to offer fashion and quality at the best price. To us, quality means more than just ensuring that our garments meet our stringent requirements of function and safety. We also want our customers to feel confident that everything they buy from H&M is designed, manufactured and handled with consideration for people and the environment.

We dedicate large resources and work actively to contribute long-term to better conditions for many people in our sourcing markets, particularly in Asia. The level of social and environmental responsibility that we take, places H&M's sustainability work at the forefront of the fashion industry globally. As a global retailer we buy and sell products in a large number of countries and in this way we also contribute to the creation of over a million jobs for people around the world.

H&M is a design-driven, innovative and responsible fashion company. We are guided by strong values that run through the entire company. Our values are based on a belief in people and their own ability to take responsibility and use their initiative. Together, our values sum up the spirit of H&M, with teamwork, an entrepreneurial spirit and constant improvement also guiding us in how we work together. The spirit of H&M has existed ever since H&M started in 1947 and is one of the keys to our successful development.

I WOULD LIKE TO THANK all employees for your strong commitment and valuable contribution during the year. We have a very attractive customer offering and we have made a good start to our financial year 2012, with strong sales in both December and January. Our first spring collections have been well received, as has our collaboration “David Beckham Bodywear”, while “Marni at H&M” is attracting a great deal of attention ahead of its launch.

Although many indicators suggest that macro-economic conditions will remain tough in a number of markets in 2012, we are convinced that H&M will remain strong again this year. We have many inspiring collections to offer our customers around the world and we are looking forward to an exciting year full of new opportunities. ■



Karl-Johan Persson, CEO
H & M Hennes & Mauritz AB
Stockholm, 2012

H&M 2011 IN BRIEF

H&M's designers created many highly successful collections in 2011, and around the globe customers were welcomed to fantastic store openings. H&M expanded with all its brands and opened in five new markets.

CONSCIOUS* COLLECTION *IS SUSTAINABLE* FASHION

Sustainability is a given starting point for every aspect of H&M's work. In 2011 H&M began offering new collections for each season under the Conscious Collection label, with garments fashioned solely of sustainable materials such as organic cotton and hemp, Tencel® (manufactured from cellulose certified by the Forest Stewardship Council, FSC), and recycled wool and polyester. The high fashion content and wide range of garments to choose from let customers create individual, trendy looks that last.

As spring 2011 approached, the Conscious Collection dazzled in various shades of white. The womenswear was both high-fashion and romantic, with lavish lace, broderie anglaise, ruffles and draped fabric. Menswear was relaxed with simple lines, but well-tailored. The label also offered children's clothing in white tones.

The autumn's first Conscious Collection for women was infused with Nordic folklore, with patterns, silhouettes and details inspired by Swedish artist Anders Zorn's works, the light of his native landscape, and his beautiful home in the province of Dalarna.

The Christmas and New Year season in 2011 ushered in the Conscious Party collection, where Japanese-influenced floral patterns adorned kimono-style garments.

** Conscious is the name for all of H&M's work to offer more sustainable fashion, today and tomorrow.*



WELCOME TO STOCKHOLM, COS!

With a keen sense of style and design, exclusive materials and attractive prices, trendsetting COS has taken Stockholm by storm. Located on a prominent corner of Biblioteksgatan, the city's most elegant shopping scene, COS has been a favourite of fashionistas since it opened on 20 May 2011.

COS offers pure fashion in the form of timeless and up-to-the-minute, well-designed garments for both men and women. Customers can also choose the perfect shoes, belts and jewellery for their looks, and the brand offers a small collection of children's clothes as well.

Following its 2007 premiere in London's Regent Street, COS now comprises approximately 50 stores in nine European markets. The brand also offers online shopping in 18 European countries at cosstores.com. In 2012 COS will open its first stores in Hong Kong, Italy, Finland and, via franchise in Kuwait.



CONTEMPORARY CLOGS

Modern and playful, yet sustainable. Swedish Hasbeens' clogs have achieved cult status, and were very popular with customers when the shoes were launched in spring 2011

in 150 H&M stores around the world. The design collaboration resulted in three exclusive clog designs – a cross between seventies hip and contemporary fashion. Swedish Hasbeens uses traditional hand craftsmanship and natural materials to create clogs that both wear well and remain consistently in style. With their trademark wedge heels, straps and peep-toes, Swedish Hasbeens became a favourite accessory to wear with H&M's own spring and summer collections.



H&M NUMBER ONE IN ORGANIC COTTON

H&M works intensively with sustainability issues. The goal is to constantly improve conditions for the people and environments affected by H&M's business. An essential part of the environmental work involves the use of greener materials. H&M is now, according to the Textile Exchange, the world's largest consumer of organic cotton with an increase of 77 percent in 2010 compared to 2009.

One of H&M's goals for increased sustainability is that by the year 2020, all of H&M's cotton must come from more sustainable sources. Organic cotton is one part of this journey. Another key part is the Better Cotton Initiative (BCI), which works to improve production of non-organically grown cotton. The project is operated by H&M and other corporate stakeholders, as well as global organisations like WWF. In addition to promoting efficient water use and reduced use of chemicals, BCI also addresses social and economic aspects for cotton growers.



CROATIA – EXCITING NEW MARKET

The first H&M store in Croatia opened in April 2011. Hundreds of fashion fans queued for the grand opening. At the three-floor store in one of the most stylish areas of Zagreb, customers are able to experience H&M and shop for the latest fashions for women, men, teenagers and children. This store opening was quickly followed by others in Croatia, and by the end of 2011 H&M had six stores, from the capital of Zagreb in the north to the coastal cities of Zadar and Split in the south.



UNISEX FASHION WITH A MESSAGE ABOUT AIDS

The Fashion Against AIDS (FAA) fashion collection is designed to raise money in order to increase HIV and AIDS awareness and promote safe sex. FAA has become a very important initiative, and in 2011 the year's collection contained a cool twist: sporty, unisex garments for both young men and women alike. The design and details were reflected in T-shirts, lumber jackets and parkas. Fashion Against AIDS garments are sold in H&M's Divided department, and 25 percent of the retail price is donated to HIV and AIDS projects for youth around the world. Since 2008, H&M's customers have contributed over SEK 45 million to Designers Against AIDS, the United Nations Population Fund (UNFPA), MTV's Staying Alive Foundation, and YouthAIDS.

THE FIRST YEAR IN ROMANIA WITH 11 NEW STORES

One continuous grand opening party – that's the only way to describe H&M's first year in Romania. Around the country customers enthusiastically welcomed H&M, from the first store opening in Bucharest's AFI Palace Controceni shopping centre in March 2011 to openings in Timisoara, Brasov and Cluj-Napoca later in the year. Less than a year after H&M's premiere here, Romania boasts 11 H&M stores, all offering a broad combination of high fashion and timeless classics.

Romania's southern neighbour Bulgaria also has a keen interest in fashion and quality at the best price. Demand for H&M stores in the area has been immense, and in spring 2012 the customers' wish was granted. In March, H&M opens a two-floor store in one of the hottest areas of The Mall in Sofia, and three more stores will open throughout the country this spring.

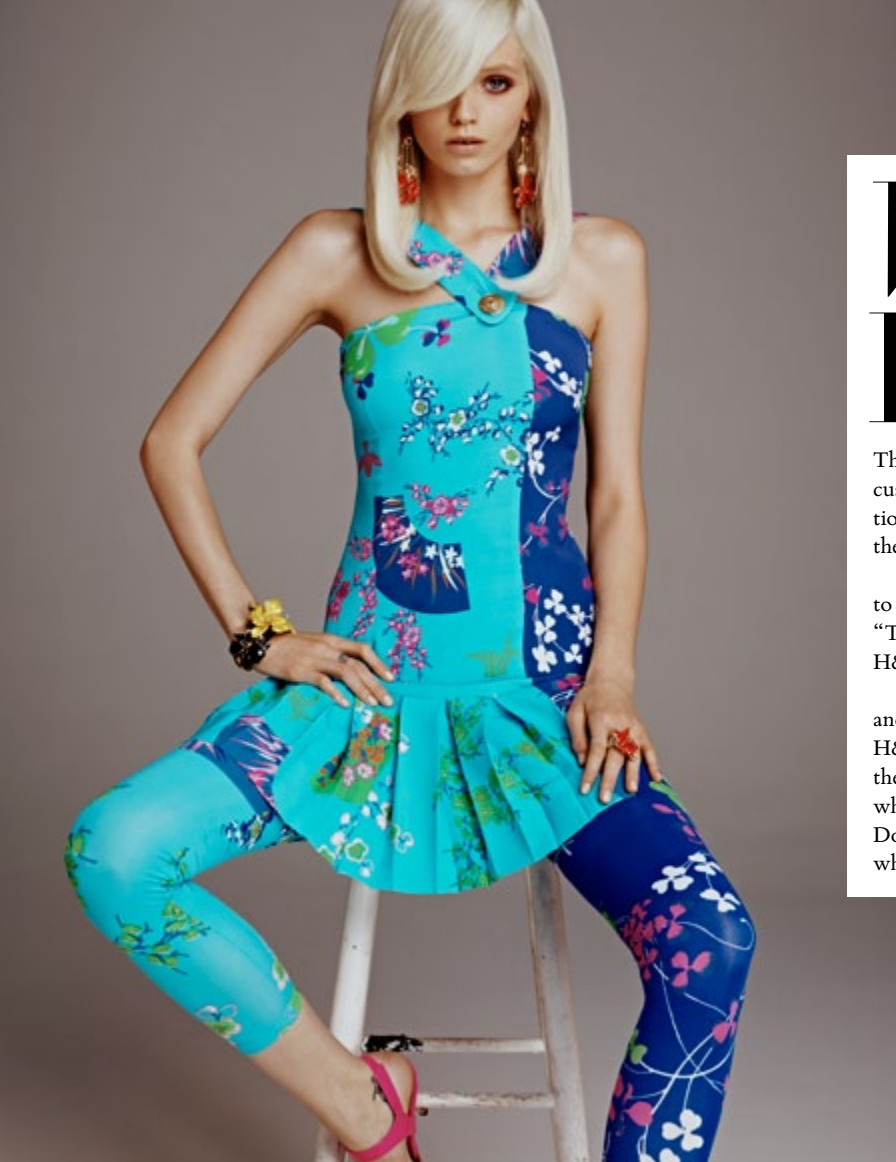


EAGERLY AWAITED H&M OPENING IN SINGAPORE

Fashion and quality at the best price are indeed worth the wait, even if it means queuing all night. H&M's arrival was eagerly awaited when H&M opened its first store in South East Asia, on 3 September 2011 in Singapore's super-trendy Orchard Road. Despite the rainy weather, long queues of customers waited patiently under an impromptu roof of H&M umbrellas. The first customers through the door had camped all night in sleeping bags outside the store.

The three-storey, full-concept store offers garments, shoes and accessories for men, women, teenagers and children. Asia is a significant region in H&M's expansion; the fantastic reception in Singapore follows hot on the heels of highly successful openings in China, Japan and South Korea. Next on the list are Malaysia and, via franchise, Thailand, both in 2012. Indonesia will become a new franchise market in 2013.





VERSACE FOR H&M

The major autumn design collaboration for 2011, Versace for H&M, offered customers a delicious mix of luxury, glamour and pure fashion. The collection was designed by creative director Donatella Versace, who reinterpreted the best of patterns and prints from Versace's archive for H&M.

"It is so exciting to collaborate with H&M and have this opportunity to reach their many customers," said Donatella Versace prior to the launch. "The collection will be quintessential Versace, and perfect for fans of both H&M and Versace the world over."

Iconic garments and accessories for women and men, with leather, prints and intense colour, all fashioned in exclusive materials and at fantastic H&M prices. The collection also offered selected home interior items in the Italian design house's trademark style, and was a hit with customers when it launched in 300 H&M stores and online on 17 November 2011. Donatella Versace also created a smaller H&M collection for early spring, which began online sales on 19 January 2012 – another first rate success.



JORDAN & MOROCCO

Towards the end of 2011, Jordan and Morocco both received H&M stores, in the brand new Taj Mall in the Jordanian capital of Amman and in the spectacular Morocco Mall by the Atlantic in Casablanca. Customers were thrilled with the new stores and H&M is also positive as regards opportunities for expansion in these markets. The stores are operated by H&M's franchise partner Alshaya.

MONKI AND CHEAP MONDAY IN LONDON

Monki and Cheap Monday attract customers in new markets. Monki offers individualistic fashion for young women, while Cheap Monday is famous for denim with attitude and street-savvy collections for men and women.

Just like H&M, Monki and Cheap Monday each opened stores at Selfridges in London in autumn 2011. Cheap Monday also opened at Selfridges in Manchester and Birmingham. All were very well received.

Cheap Monday is also sold via selected retailers in more than 35 countries, as well as in its own store in Copenhagen.

Monki has stores in eight markets and is available online at monki.com in 18 European countries. In 2011, Monki opened a new flagship store in Sweden, in one of Stockholm's best shopping locations – Hamngatan. The collections, the stores and monki.com all offer an inspiring fashion experience characterised by playfulness, creativity and colourful design.

OUR COLLECTIONS

H&M's innovative designers create a broad and diverse selection, which allows H&M to offer fashion for everyone.

Fresh trends, timeless classics and favourites for every occasion. H&M's designers create a large selection – for women, men, teenagers and children – ranging from dazzling, fashion-intensive party collections to the quintessential basics required in every wardrobe.

Customers can choose from an astounding variety of garments and can mix and match according to their taste. They can experiment with the latest trends, create their own individual mode of expression or refresh their wardrobes with up-to-the minute basics. Shoes, accessories and cosmetics help to create a complete look.

In addition, the high fashion content of H&M's garments and accessories allow them to be combined and worn in different ways throughout multiple seasons, thereby prolonging their lifetimes and contributing to increased

sustainability. Indeed, sustainability plays a vital role in every department. H&M is the world's largest consumer of organic cotton and works actively to ensure that everything the customer finds in the store is manufactured under good working conditions and with the least possible impact on the environment. Each season, under its Conscious Collection label, H&M also launches new, trendy garments made of environmentally sound materials.

H&M's offering is complemented by H&M Home's fashion interior textiles, as well as COS, Monki, Weekday and Cheap Monday – independent brands that express their own sense of fashion. COS sells well-tailored garments in chic designs. Monki focuses on playful, colourful fashions for young women, while Weekday offers a decidedly urban style. Cheap Monday's denim and young fashion feature a combination of streetwise attitude and a catwalk vibe. ■



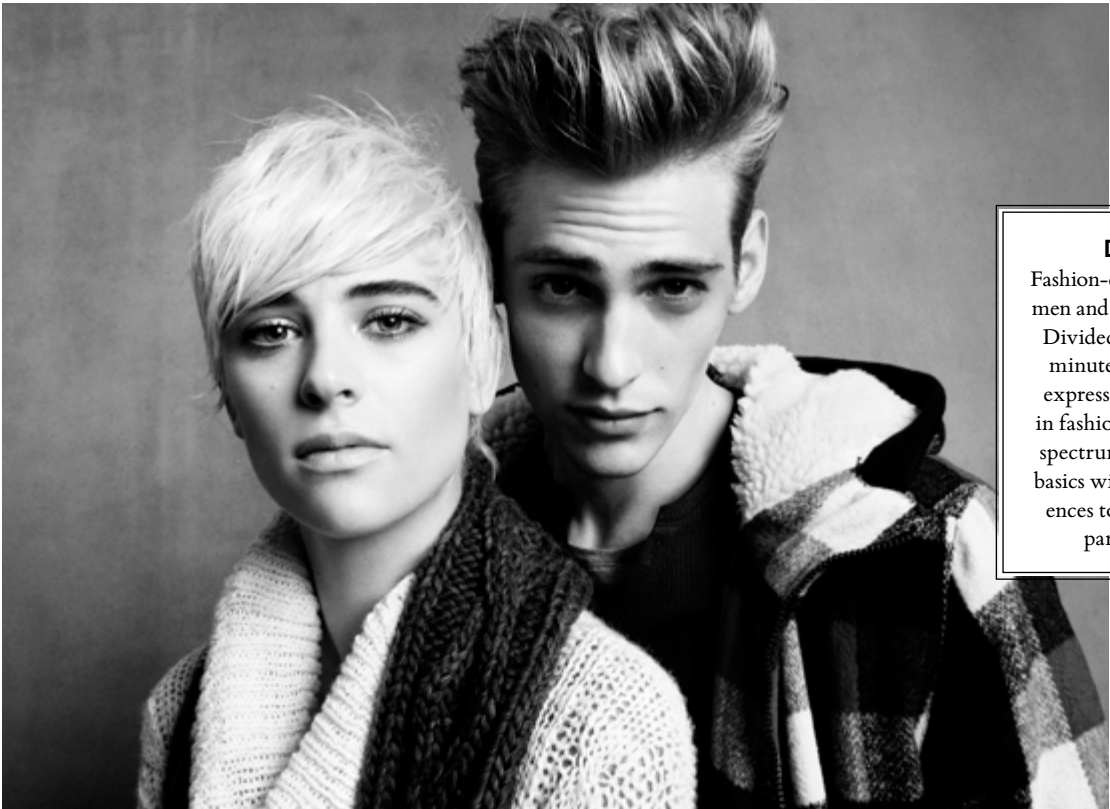
WOMEN

From the latest trends to updated fashion classics, from casual daywear to amazing party dresses, via relaxed leisure separates and contemporary maternity wear. H&M's fashion for women comprises a phenomenal range of fashion for all – always with a focus on quality, sustainability and the best price.



MEN

Smart suits and shirts loaded with style for work and festive occasions, easy everyday favourites and everything in between. Men looking to create contemporary, flexible wardrobes always find what they need at H&M – whether it's the latest rage, classic tailored cuts or the most comfortable leisure wear.



DIVIDED

Fashion-conscious young men and women flock to Divided for up-to-the minute clothing that expresses the ultimate in fashion, covering the spectrum from relaxed basics with sporty influences to eye-catching party outfits.



KIDS

The H&M Kids department offers everything from supercool trousers to pretty dresses, in sizes from baby up to 14 years. H&M children's clothing is fashionable, comfortable and always carefully tested to ensure it meets strict requirements for quality, safety and sustainability. Kids' fashions are soft on the skin, yet designed to withstand lively play and rigorous washing.



&DENIM

Denim is always part of the H&M fashion picture. Both denim trends and ever-popular classics are available in a variety of colours, designs and washes, along with updated shirts, jackets, dresses, skirts and shorts – all in denim.

UNDERWEAR

Great outfits begin closest to the skin. H&M always has soft cotton underwear basics on offer, as well as the hottest trends and glamorous lingerie in the season's most sought-after colours and fabrics.

ACCESSORIES

H&M offers fashion for all – women, men, teenagers and children – from head to toe. Customers can complete their fashion look with perfectly matched accessories, from scarves, belts, hats and jewellery to footwear and bags.

COSMETICS

Make-up and skincare are often essential in expressing one's personal style, and H&M provides everything customers need to create their take on the season's new looks. Cosmetics sold by H&M are never tested on animals, and all suppliers must guarantee that the contents, packaging and labelling meet demanding quality and safety requirements for both the EU and the US.



H&M HOME

H&M Home provides fashion for every room in the house. Towels, bed linen, curtains and other home textiles in trendy colours and prints are sold online in all markets where H&M has distance selling, at the same attractive prices that H&M offers in its other ranges. In addition, the customers can shop in H&M Home stores located in Stockholm, Norrköping, Helsinki, Copenhagen, Oslo, London, Amsterdam and Frankfurt.





MTWTFSS WEEKDAY

Weekday sells its own brands MTWTFSS Weekday, Cheap Monday, Weekday Vintage and Weekday STOREMADE, but also conducts design collaborations with independent fashion labels such as Carin Wester, Bless and Bruno Pieters. Weekday's stores offer urban fashion for men and women — always at the best price.



Cheap Monday's collections combine influences from street fashion and subcultures with a catwalk vibe. Hip men and women come here to find jeans and clothing with high fashion content at prices accessible to all.



MONKI

Monki is synonymous with personal creativity and expression. Here young women can find clothes, accessories and a novel store concept that is its own world. The stores and monki.com offer collections and an inspiring fashion experience characterised by playfulness and colourful graphic design.



COS

Modern, urban and chic. COS succeeds in offering a combination of timelessness and distinctive trends, for both women and men. The stores and cosstores.com provide everything necessary to create an updated wardrobe – quality clothing for both work and party, and carefully selected accessories – all with a keen sense of fashion, down to the last detail. COS also offers great clothes for children.





“The most
sustainable
thing we can
do is to create
great and in-
spiring fashion”
– Ann-Sofie Johansson

CONSCIOUS FASHION

Quality, sustainability, the latest trends and great design.
Customers who are aware want conscious fashion. At H&M
more than 100 designers are working to meet
these customer requirements.

The most sustainable thing we can do is to create great and inspiring fashion that our customers want to buy – clothes that they use again and again, maintain and care for, through several seasons.

That's how Ann-Sofie Johansson, H&M's Head of Design, explains the vital relationship between good design and economic, social and environmental sustainability.

H&M offers an enormous range of garments, accessories and cosmetics for women, men, teenagers, children and babies. Ann-Sofie and the design team cooperate closely with the buying department and production offices to ensure that H&M can always offer fashion and quality at the best price.

Today's fashion customers are highly conscious in their choices. They are knowledgeable and demand the best design, quality and sustainability.

"With such savvy customers, we have to be extremely attentive and flexible," explains Ann-Sofie. "Many of them say they have to 'love' a product if they are going to buy it. People who come to an H&M store must be able to find everything: the latest fashion, reliable classics and their personal favourites."

SINCE THE CLOTHES we wear have evolved into exactly that – wildly different modes of personal expression and identity – fashion on offer today has become increasingly varied. The research conducted in the White Room at H&M's design department reflects this diversity.

"There's so much fashion!" says Ann-Sofie. "We look at market research reports and fashion fairs, of course, but we also draw inspiration from the cinema and art exhibitions.

We travel, too. Every impression from the world around us is distilled into the season's trends. We work on multiple design paths and trends in parallel."

In other words, H&M doesn't develop just one trend; the fashion themes of the season run parallel to each other and intertwine. Take the example of 2011, in which a retro style and a tailored look won customers' hearts. This combination is actually an agglomeration of four decades: 60's pop, 70's glamour, an 80's blast of colour and the typically simple 90's – with a modern twist, of course.

Customers inspire H&M as well:

"Phenomena like streetstyle blogs have taken fashion outside and put it in the hands of our customers," says Ann-Sofie. "Our customers prefer to create their own style instead of being dictated by fashion. It's essential that our different departments offer garments that can be combined in many different ways and that continue to work through multiple seasons. Classics like blazers, pencil skirts, shirts and trench coats are very popular right now, but these are also garments that are easy to update and that survive the test of time and fashion."

2011 offered the exciting new Versace guest collection, sold from 17 November in 300 stores around the world and online at hm.com. The clothes exude a glamorous luxe feeling, with characteristic Versace garments in intense colours, sharp tailoring and iconic accessories, and there were even home interior items on offer.

The womenswear was close-fitting with a focus on dresses, while the menswear was all about sophisticated tailoring.

"This collection truly captured the essence of Versace," H&M's Creative Advisor Margareta van den Bosch says of the collaboration, which captivated and delighted customers.



Petter Klusell, Ann-Sofie Johansson,
Erica Christofferson and Eleonora Ryggell.

A GENERAL, MORE LONG-TERM TREND is clear: H&M's customers are demanding more sustainability. All customers must be confident that everything they buy at H&M is produced with respect for people and the environment. This places new and challenging requirements on the manufacturing process and on the life cycle of the garments themselves. Conscious is the collective name for H&M's efforts to develop a more sustainable future in the fashion industry.

For H&M's design and buying teams, Conscious is all about close cooperation with the production offices and suppliers from around the globe, but also about research into the latest technologies and ideas. The knowledge gained creates new, sustainable design solutions with reduced environmental impact. In 2011, many H&M employees attended an internal sustainability training programme, which focused for example on more sustainable materials.

"In the White Room we work intensively with new developments in materials and study how we can best use the results of this research.

Before, for example, lace wasn't available in organic cotton – now it is. That means we can also update our designs," says Ann-Sofie.

"In 2010, H&M became the world's largest consumer of organic cotton, and we now offer organic cotton garments in all our departments," says Catarina Midby, Trend Coordinator at H&M. "By the year 2020, all cotton H&M uses must come from more sustainable sources. Nevertheless, consideration for environmental issues can't eclipse the fashion. H&M offers sustainability and fashion, not one or the other."

SINCE 2010, H&M has presented a new, special collection for each season with garments and accessories with a high fashion content produced in more sustainable materials. The tradition began with the Garden Collection, which arrived in stores in spring 2010, and this was followed by the first Conscious Collection in spring 2011. The Conscious Collection of autumn 2011 offered a romantic yet trendy collection inspired by Swedish artist Anders Zorn

"Our customers prefer to create their own style. It's essential that our different departments offer garments that can be combined in many different ways and that continue to work through multiple seasons"

— Ann-Sofie Johansson



“H&M offers sustainability and fashion, not one or the other”

– Catarina Midby



and the beautiful scenery around his home in Sweden's Dalarna province. Lace, ruffles and embroidery from Zorn's 19th century were present in force, but incorporated into modern designs. The entire collection was made of sustainable materials like recycled polyester, Tencel®, organic cotton and organic hemp.

Customers clearly appreciate H&M's sustainability efforts and the media have expressed a keen interest.

"Thanks to all the attention we've had, H&M can contribute to increased dialogue and awareness regarding sustainability," says Catarina. "We also communicate sustainability in our stores. Our employees in the buying department and in every store have received training in sustainable materials and have also received a handbook about sustainability. We've put stickers on the mirrors in the fitting rooms that inform customers how they can contribute to greater sustainability, for example by using lower washing temperatures. We also present sustainability ideas and information on our website, hm.com."

“Style, function and quality were the watchwords when H&M relaunched the popular Modern Classic collection in 2011”



Modern Classic.

H&M'S MEN'SWEAR CUSTOMERS continue to seek elegant, well-dressed yet relaxed fashion. Style, function and quality were the watchwords when H&M relaunched the popular Modern Classic collection in 2011. Garment designs, material choices and the ever-important details were all updated in a combination of traditional tailoring craftsmanship and modern innovation.

H&M's customers are found all over the world, in every age group. The design teams mirror this: they are a blend of nationalities and young talent, all enthusiastically gathering new ideas and tendencies, and experienced colleagues who can share what they've learned over the years. H&M's astonishing range of garments means there's room for a multitude of designs and expression. As for 2012, Ann-Sofie believes in continued progress towards sustainability and an increasingly conscious H&M, as well as increasing awareness among its customers. The road to success is indeed diversity:

“Our varied backgrounds and experiences mean that we interact with many different kinds of customers and draw on many different kinds of inspiration. We all share a love of fashion and expect a lot from what we buy – so we are also typical H&M customers, in a way.” ■

FASHION COLLABORATIONS SPRING 2012

MARNI AT H&M

Italian Marni is one of the fashion world's best-loved labels, renowned for its quirky, original prints and innovative designs. Founder and creative director Consuelo Castiglioni created the spring collection Marni at H&M, and Academy Award®-winning filmmaker Sofia Coppola directed the campaign for the collection, which arrived online and in 260 H&M stores throughout the world on 8 March 2012. Customers could choose from men's and women's fashions and accessories – all, of course, in Marni's one-of-a-kind style.

DAVID BECKHAM BODYWEAR

Just in time for Valentine's Day 2012, H&M's highly anticipated bodywear collaboration with sports superstar and style icon David Beckham arrived in-store. Beckham – who has millions of fans all over the world – developed David Beckham Bodywear, a range of quality underwear sold exclusively at H&M. Since 2 February 2012 the new Beckham gear has been available in approximately 1,800 H&M stores and online, and H&M will follow up the collection with new Bodywear launches prior to each season.



Marni at H&M.





TRENDS 2012

The design teams tell us about the upcoming seasons at H&M.

COLOUR

Last year's colour explosion continues, with trends like multicoloured patterns and colour blocking. Blue and citrus hues (yellow, orange and lime) are contrasted with neutrals and various shades of white. In menswear, brown neutrals like cinnamon and tobacco are prevalent, along with warm red and orange tones.

PATTERNS

Always popular! In autumn 2012, black returns as a fashion staple, for example in black and white graphic patterns inspired by 60's Op art.

THE NEW FEELING

It's all still elegant and sophisticated, but simple lines will be combined with a host of intricate details. We'll also see a marriage of sports and fashion in dressy garments that borrow their tailoring from sports clothing.

MATERIAL

In addition to cotton, more elaborate fabrics like metallics, lace and broderie anglaise will be in evidence in womenswear. Men will be wearing washed, soft cotton and even chiffon and other sheer fabrics, as well as sustainable materials like Tencel®.

GARMENTS

Separates will reign supreme. After the recent domination of dresses in fashion, women will be wearing more trousers, skirts, jumpers and blouses.

H&M TAKES A RESPONSIBLE LEAD

H&M invests considerable resources and effort in creating more sustainable development for the people and environments affected by H&M's activities. Cooperation with other companies and organisations is a vital means of achieving lasting improvements.

H&M is one of the world's leading fashion companies, and with leadership comes great responsibility. H&M's sustainability efforts are rooted in a dedication to social and environmental responsibility that places H&M at the forefront of the global fashion industry.

As a worldwide retail company, H&M buys and sells products in a large number of countries. International trade plays a crucial role in the development of countries, since it provides economic growth and helps to lift individuals and nations out of poverty. H&M contributes to the creation of more than a million jobs for people around the world, primarily in Asia. The company's size and status can be effectively used to influence social development in these countries in a positive way, and the work contributes long-term to better conditions for many.

H&M also strives to reduce the environmental impact of the entire product life cycle.

"H&M's business concept is to offer fashion and quality at the best price," says Helena Helmersson, Head of Sustainability at H&M since 2010. "For us, quality means more than just ensuring that our garments meet our stringent requirements for function and safety. We want our customers to feel confident that everything they buy from us is designed, manufactured and handled with consideration for people and the environment."

H&M DOES NOT OWN ANY FACTORIES, but instead buys products from suppliers, primarily in Asia and Europe. Active efforts to increase sustainability in the supply chain started as early as 1997. H&M works in close cooperation with its suppliers in their efforts to live up to the Code of Conduct and adhere to the rigorous restrictions regarding chemical use that all suppliers must comply with in order to work with H&M.

To bring about lasting improvements, H&M strives to build long-term business partnerships with suppliers, and therefore wishes to remain a customer even when problems arise – as long as suppliers show a willingness to improve and provide a concrete action plan that is followed up.

"We want to stay and create genuine improvement. Our approach has allowed our suppliers to be more open with us, and has also increased our ability to help them improve the workplace and understand the benefits of being an attractive employer."

With regard to environmental work, H&M has made notable progress – for example, in energy and water conservation – in the supply chain, further up the value chain and within H&M's own activities. H&M is already the world's largest consumer of organic cotton and is now putting efforts into creating more sustainable design. The entire product range must be responsibly produced. In addition, H&M

“We want our customers
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– Helena Helmersson





CONSCIOUS
H.M. COLLECT

has developed basic garments and collections manufactured entirely in more sustainable, environmentally smart materials. Read more on pages 23–27 and 32 about how H&M creates fashion for environmentally aware customers.

“We are indeed proud of our sustainability work,” adds Helena. “We’ve seen progress in a number of areas, but there’s still a lot to do. To meet these challenges, and remain a leader despite the progress of our competitors in the area of sustainability, every department at H&M must take responsibility. That’s why we no longer give environmental and social responsibility issues special treatment – we manage them everywhere in our business.”

From design, buying and logistics to marketing, store fitting and sales – all departments must create their own goals for achieving increased sustainability, and they must perform and follow up their own activities to reach these goals.

“One of the strengths of our sustainability work is its breadth. To ensure that everyone moves in the same direction in the work, we have formulated seven clear and ambitious commitments. All our efforts, which we call H&M Conscious Actions, are divided into these seven commitments.”

The sustainability department is responsible for ensuring that H&M has a clear, shared vision and direction for sustainability work, and for evaluating the effects of various activities. The department is also responsible for ensuring that H&M remains at the forefront of the industry when it comes to sustainability. Approximately 100 specialists work with these tasks, developing solutions for increased sustainability in the entire value chain. The majority, approximately 80 people, work in close cooperation with H&M’s suppliers to ensure that good conditions exist throughout the manufacturing process. The rest provide support and expert advice to their H&M colleagues in the other departments.

INCREASED SUSTAINABILITY also gives customers extra value when they shop at H&M, so it’s a very important part of the total customer offering. H&M must always have the best customer offering in every market. This also entails attractive prices. H&M can offer the best price by avoiding middlemen, buying the right product from the right market, being cost-conscious at every stage and having efficient distribution.

“We also devote considerable resources to improving conditions in the manufacturing chain. We invest in strengthening workers’ rights and influence, and we work hard to promote dialogue between workers and employers at the suppliers.”

As is the case with many of the challenges in the supply chain, wages are a structural issue affecting the entire industry. This is why H&M often cooperates with other stakeholders to promote improvement.

“One of our collaborations is with the Fair Wage Network, which monitors wage levels in the garment industry on a global level. Together with other companies and organisations, we also attempt to influence decision makers in various issues.”

FOR EXAMPLE, H&M WORKED WITH other large clothing companies to convince the Bangladeshi government to increase minimum wages for the country’s textile workers. Read more on page 35 about H&M’s increased efforts to support long-term social development in Bangladesh.

“Bangladesh is an important buying market for us, but it’s also one of the poorest countries in the world. As a buyer in the textile industry, we create work for hundreds of thousands of people there, and this way we contribute to economic growth. That gives us leverage we use to tackle structural problems.”

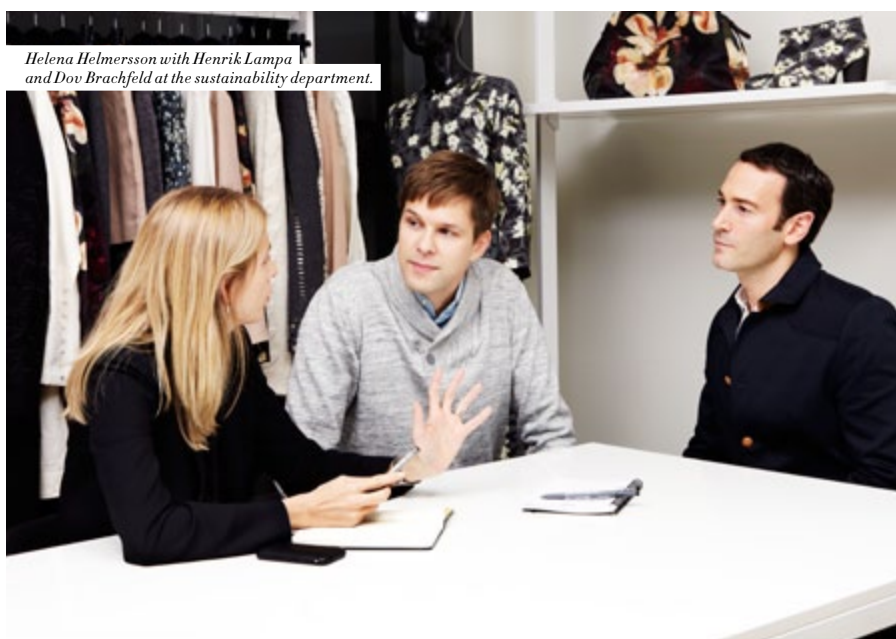
Sustainability work is also vital in order for H&M’s own business to grow with sound profitability long term.

“We are dependent on stable markets in which people are treated with respect and natural resources are used in a responsible manner,” says Helena. “With our dedication, and together with other stakeholders, we can contribute to positive development.” ■

“We want to stay and create genuine improvement. Our approach has allowed our suppliers to be more open with us, and has also increased our ability to help them improve the workplace”

– Helena Helmersson

H&M’s complete sustainability report is available at hm.com and follows the Global Reporting Initiative (GRI) guidelines. At hm.com you can also find H&M’s complete sustainability policy and product policy as well as the Code of Conduct, chemical restrictions list and Code of Ethics.



Helena Helmersson with Henrik Lampa and Dov Brachfeld at the sustainability department.

H&M CONSCIOUS*

All H&M's activities should be conducted in an economically, socially and environmentally sustainable manner. To achieve this vision, H&M has developed seven clear commitments to action; every department at H&M works according to these commitments.

* Conscious is the name for all of H&M's work to offer more sustainable fashion, today and tomorrow.

The commitments embrace a number of activities called H&M's Conscious* Actions. "Conscious" symbolises the work to offer more sustainable fashion, both today and in the future. The work is described in detail in the sustainability report H&M Conscious* Actions Report, which can be found on hm.com. A brief description of the seven commitments and some of H&M's sustainability activities is provided below.

1 *Provide fashion for conscious customers*

H&M's business concept is to offer fashion and quality at the best price. One way to increase customers' value for money is to create more sustainable fashion. Another is to encourage customers' conscious choices.

H&M's designers create increasing numbers of new garments made of environmentally smarter materials. The clothes contain organic materials made from organically grown fibres produced without chemical pesticides or fertilisers, recycled materials and Tencel®, which is made of cellulose certified by the Forest Stewardship Council (FSC).

By the year 2020, all of the cotton H&M uses must come from more sustainable sources. Organic cotton is part of the solution, as well as cotton grown under the Better Cotton Initiative (BCI), and recycled cotton. H&M is now, according to the Textile Exchange, the world's largest consumer of organic cotton, having increased its organic cotton consumption by 77 percent during 2010. The ambition for the future is a gradual increase in organic cotton use. To create more sustainability in conventional cotton growing, H&M and others like the World Wide Fund for Nature are active members of the BCI, a strategic initiative in which fashion companies, organisations and cotton growers cooperate to achieve better cotton production, in terms of both the environment and social development.

H&M cooperates on other levels as well. In the Sustainable Apparel Coalition, clothing companies are working together to develop a sustainability index for measuring the environmental and social impact of their products.

To inspire customers to make more conscious choices and contribute to increased sustainability, H&M's designers create several special collections each year.

The Conscious Collection is a recurring part of H&M's product offering that has been very well received by customers. Its garments consist entirely of sustainable materials and the fashion content is high. By requiring more sustainable materials in its garments, H&M can increase the demand for this type of product and help to drive innovation.

Since 2008, H&M has created its annual Fashion Against AIDS collection in collaboration with Designers Against AIDS.

"H&M's customers have contributed to improved access to clean water for more than 100,000 people"

Customers buying these garments have contributed more than SEK 45 million since the start to support HIV/AIDS awareness projects and the promotion of safe sex.

The WaterAid swimwear collection returns to H&M each summer. 25 percent of WaterAid sales go directly to the WaterAid organisation's water and sanitation improvement projects in Asia. H&M's customers have thereby contributed to improved access to clean water for over 100,000 people since the collaboration began in 2002.

In autumn 2011, H&M launched its All for Children collection. 25 percent of the collection's sales go to UNICEF's child development and education projects in Bangladesh.

Fashion Against AIDS.



2

Choose and reward responsible partners

H&M works continuously to secure good working conditions in the supply chain and supports its suppliers in their efforts to reduce the impact of their business on the environment.

H&M does not own factories; instead, it works with approximately 700 suppliers located primarily in Asia and Europe. H&M applies specific methods to select the best possible business partners and then helps them develop and



At a supplier in Shanghai.

grow together with H&M on a long-term basis. Suppliers are evaluated based on how well they live up to H&M's social and environmental requirements.

H&M has some 80 auditors who work closely with suppliers to ensure that these suppliers follow H&M's Code of Conduct and adhere to the chemical restrictions. Wages, worker health and safety are all important issues. H&M makes approximately 2,000 audits per year and devotes considerable resources to supplier support through training initiatives.

H&M conducts activities to empower workers and strengthen their rights, such as freedom of association and collective agreements. The wage issue is a structural challenge and achieving sustainable improvements requires the cooperation of many stakeholders. H&M is a member of the Fair Wage Network, in which clothing companies, manufacturers, volunteer organisations, worker representatives and researchers cooperate on wage issues in manufacturing. As a first step, the Fair Labor Association is performing an independent review of wages in 200 factories in China, India, Cambodia and Bangladesh which supply products to H&M. Wages are reviewed in relation to workers' living costs and their employers' profitability levels. For more information, visit fair-wage.com and fairlabor.org.

3

Be ethical

H&M has a solemn duty always to act with integrity and respect. The company is operated on the basis of strong values centred on a fundamental respect for every individual. H&M supports the UN's Global Compact, ten principles that define corporate responsibility in the areas of human rights, labour, environment and anti-corruption. H&M strives to be a good employer and must ensure that the rights of its employees are never violated. This same policy applies to employees of H&M's suppliers and other cooperative partners, and even customers in their contact with H&M. H&M rejects all forms of discrimination. H&M condemns all forms of corruption. Its Code of Ethics describes ways that employees can conduct their business with

the company and its suppliers and business partners to ensure ethical practices are being applied. These suppliers and partners also promise to adhere to a corresponding policy.

Be climate smart

4

H&M strives to be as energy efficient as it can and to use energy from renewable sources as much as possible. H&M also helps its suppliers to use energy more efficiently and inspires customers to reduce their own impact on the environment.

The stores account for almost 90 percent of H&M's electricity consumption. Consumption is being reduced thanks to actions such as using more efficient lighting. The goal is to reduce energy consumption per square metre in the stores by 20 percent by the year 2020 compared with 2007.

One of H&M's climate goals is to reduce carbon dioxide emissions by 5 percent per

"H&M works to improve textile workers' rights and influence"

year relative to sales, up to and including the year 2012. This goal was set in 2009 and was achieved in 2010 by combining conservation practices with offsetting schemes. Goods transport accounts for the majority of emissions. The challenge is to meet H&M's transport needs with the lowest possible emissions levels. H&M cooperates with environmentally aware transport companies, uses sea freight, combines air and rail freight methods, and optimises transports to reduce fuel consumption.

During a garment's life cycle, washing and other care account for 40 percent of the garment's total environmental impact. To help customers reduce these effects, H&M is planning to add climate-smart tips to the care instruction labels on garments.

5

Reduce, reuse, recycle

Through conservation, reuse and recycling, H&M strives to reduce the waste produced in the different parts of its business. For instance, garments shipped from the distribution centres to stores are packed in reusable boxes instead of throw-away cartons. Almost all the hangers in the store are reused, and go to recycling when they can't be returned to service. Shopping bags for standard H&M products are made of recycled plastic.

Much of the material used for construction can be recycled; guidelines are available to ensure the best possible management of this material.



A bag from the Waste collection made with scraps from the Lanvin collaboration.

6 *Use natural resources responsibly*

H&M's business depends on natural resources like cotton and water. To increase sustainability, H&M undertakes to use natural resources in a responsible manner.

Water is part of every garment's entire life cycle, from raw materials production to manufacturing and garment care. H&M has joined the UN's CEO Water Mandate and is committed to the improvement and open reporting of H&M's own and suppliers' efficiency in water use and water treatment.

H&M runs a water conservation project together with denim producers in Bangladesh. In 2010, the project resulted in savings of 50 million litres of water compared to previous usage levels. Approximately 300 million litres were conserved in 2011.

WaterAid and the Better Cotton Initiative are other important projects. Read more about them on page 32.

H&M's suppliers must follow strict chemical restrictions, which forbid the use of some substances and limit the use of others. H&M employs advanced techniques to test its products and to ensure that garments do not contain harmful chemicals. H&M carefully studies the development of new technologies and information in order to improve its testing procedures and works closely with other clothing companies to achieve the goal of eliminating harmful chemical waste in manufacturing by the year 2020.



Conscious Collection spring 2011.

H&M's shopping bags are made of recycled plastic to reduce use of petroleum products and lower carbon dioxide emissions. COS and certain campaigns make use of paper bags. H&M's goal is to use only paper certified by the FSC, which means the paper comes from sustainable sources. All cash desk receipt rolls are made of FSC certified paper.

7 *Strengthen communities*

H&M contributes to the creation of more than a million jobs for people around the world, primarily in the Asian countries from which H&M purchases many of its products. H&M works actively to generate a positive effect and influence on social development in these countries and to contribute to better conditions for many people.

H&M invested SEK 49.5 million in various social projects in 2011, mainly in India and Bangladesh, and the H&M Conscious Foundation provided another SEK 5.7 million. Read also on the opposite page about H&M's increased development efforts in Bangladesh. H&M gives money to disaster funds and donates large numbers of garments to aid organisations. In 2011, H&M donated a total of 2.3 million garments, including clothes to Japan after the natural disaster that struck the country early in the year.

H&M's customers are also eager to help. In 2011, customers contributed a total of SEK 27.8 million through the purchase of special collection items and direct donations to disaster funds and other social projects.

H&M does not tolerate child labour used by its suppliers. In the case of raw materials production, H&M has more difficulty dealing on its own with this issue. In 2009, therefore, and together with UNICEF, H&M started the All for Children project in India. Through a variety of activities and a USD 4.5 million contribution from H&M, a five-year cooperative effort has been put into place with the goal of giving children in cotton-producing areas the opportunity to attend school and improving their access to proper health care.

Much progress has been made since the start. To mobilise support for the children, 70 child protection committees have been created, covering a population of 250,000 people in 60 villages. So far 1,081 working children have been identified and placed in "bridge schools",



Deivam wants to give her children a good education.

"H&M works actively and long-term to create improved conditions for many people"

where they can gradually adapt to school life. All for Children has also improved conditions in existing schools. 172 teaching assistants have been employed locally in 111 schools, an initiative which has already been of benefit to 7,000 children.

UNICEF has also worked to improve water and sanitation facilities at the schools, and to increase students' awareness of good hygiene. Previously high absence levels have dropped, and 4,600 former child labourers have stayed in school and been given assistance with completing a higher level of education.

"I very much want to give my children a good education. I want them to be teachers when they grow up," says 29-year-old Deivam, whose three children Ramya, Ilayaraja and Ranjani attend the Pereri, G.T.R, Middle School. "This project has improved the school's teaching methods, and the food is better too – now the children get to eat eggs more often. The children come home from school and teach their parents what they have learned in school." ■
Learn more at hm.com/allforchildren

INTENSIFIED EFFORTS FOR BANGLADESH

H&M wants to contribute to lasting improvement for people working in the clothing industry in Bangladesh. Now efforts are being stepped up, with the goal of supporting social development in the long term.

Bangladesh is an important buying market for H&M but is also one of the world's poorest nations. Clothing manufacturing employs several million people and accounts for a large portion of Bangladeshi exports, so the development of the industry is vital to the country's future. As a long-term buyer, H&M wants to help strengthen workers' influence over their own situation and increase their skill levels while creating stability in the labour market. H&M is making this happen by expanding its efforts to improve sustainability.

SOCIAL DIALOGUE. The wage issue in the clothing manufacturing industry is a complex structural challenge and requires the cooperation of a number of different stakeholders. H&M and other major apparel retailers have previously encouraged the Bangladeshi government to improve minimum wages for the country's textile workers, and in 2010 an increase was granted; nevertheless, lasting improvements in working conditions necessitate a continuous, well-functioning dialogue. In summer 2011, H&M arranged a conference in Dhaka at which suppliers, labour organisations, government representatives, international trade unions and volunteer groups met to discuss ways to improve communication between workers and employers. As a next step, H&M has arranged for external experts to train five selected suppliers in the creation of workers' committees via democratic elections, and in how these committees negotiate with management, in order to enable workers to improve their working conditions. The system will undergo testing in 2012 and 2013, and is planned to be rolled out to additional suppliers thereafter.

Read more on page 33 regarding the Fair Wage Network's review of wage levels in the garment industry.

FIRE SAFETY. Safety in the workplace is another important issue, and H&M is cooperating with 18 other companies to increase fire prevention measures in factories. For several years, H&M has routinely used films to educate more than 440,000 workers regarding their rights. Now this education technique is being used to train suppliers and their workers in good fire prevention and safety. In cooperation with fire prevention authorities in Bangladesh, H&M has developed two training films. The industry organisations aim to show the films in all of their members' factories within two years.

SKILLS DEVELOPMENT. A skilled workforce is the key to sustainable development in the garment industry. Several years ago H&M began operating a vocational training school in Dhaka, and so far 1,212 people have been trained here. The centre also offers instructor training programmes for other companies and organisations looking to develop similar activities, and so far 90 people have participated in this training. Now, together with Bangladesh Garment Manufacturers and Exporters Association and the government's Bureau of Manpower, Employment and Training, H&M is launching a five-year project aimed at increasing and strengthening the capacity of five vocational training schools. The project aims to provide students with improved technical skills and relevant knowledge of their rights and responsibilities, which in turn will give them greater opportunities to exert a positive influence over their future and that of the industry in general.

STUDENT GRANTS. H&M also wants to promote access to higher education, and is offering financial support to Bangladeshi students in cooperation with the Grameen Foundation. In 2011, a total of 20 students received financial support; half of these students are completing textiles courses, while the others are studying subjects such as law, political science, finance



and agriculture. H&M's ambition is to provide grants for 20 new students per year for five years, but since the initial capital is expected to remain intact and only the interest will be used, H&M hopes that the support programme will be able to continue in the longer term, for the benefit of future students.

HELPLINE. H&M wants to support women in Bangladesh who are exposed to violence and discrimination. The majority of the people working in the garment industry are women and in order to support them H&M, together with suppliers and TeleConsult Group, are starting a helpline. The helpline will be open to the public and staffed by women from the Acid Survivors Foundation. H&M will finance, evaluate and improve the helpline for two years.

HEALTH CARE. Another H&M initiative is to ensure improved health care for employees in the garment industry. In cooperation with suppliers and USAID's Smiling Sun project, H&M subsidises health care for workers and their families when they visit one of Smiling Sun's 320 clinics. Health is an important subject in H&M's training films, which contribute to increased health awareness. ■

A low-angle, wide shot of the H&M store on Orchard Road in Singapore. The building is a modern, multi-story structure with a curved facade. A large, curved billboard at the top of the building displays a fashion advertisement featuring several models in brown and red outfits, with the H&M logo prominently in the center. Below the billboard, the building's facade is white with vertical lines. The H&M logo is also visible on the building's facade, above the entrance. The entrance is a large glass-fronted area with a red carpet leading inside. A large crowd of people is gathered outside the store, many holding umbrellas, suggesting it might be raining or about to rain. The scene is captured from a low angle, looking up at the building, emphasizing its height and the scale of the advertisement.

EXPANSION THE WORLD OVER

H&M is a global fashion company with sales on four continents. Expansion is long-term and takes place in parallel in all H&M markets, into new countries and for all H&M brands, with new stores as well as online.

*H&M's first store in South East Asia
— Orchard Road in Singapore.*

It all started in 1947 as a womenswear shop in Västerås, Sweden. Today it is one of the highest-ranked brands in the world, offering fashion and quality at the best price for women, men, teenagers and children. H&M grows by 10–15 percent, in new stores, each year. In 2011 alone, the net addition of stores was 266, bringing the total to 2,472 stores in 43 countries. This expansion includes the COS, Monki, Weekday and Cheap Monday brands, as well as home interior textiles from H&M Home.

“We are growing in every country in which H&M operates and we see good opportunities for continued growth, both in existing and new markets,” says Fredrik Olsson, Head of Expansion.

In 2012, H&M plans about 275 new stores net and five new markets: Bulgaria, Latvia, Malaysia, Mexico, where Latin America’s first H&M store will open in the autumn, and Thailand, which will become a new franchise market. In 2013, H&M will open via franchise in Indonesia.

FROM THE TROPICS TO THE ARCTIC CIRCLE.

In September 2011, H&M opened its first store in densely populated South East Asia, just north of the Equator and in the heart of the region’s pulsating financial centre, Singapore. The three-floor, full-range store is located on trendy, exclusive Orchard Road, and has generated a customer response far beyond every expectation.

Singapore’s polar opposite is Kiruna. Located north of the Arctic Circle, this Swedish mining town consists largely of wilderness country; 22,000 residents thrive in its cold climate. The city’s newly refurbished shopping centre is now home to H&M’s northernmost store. For hours customers queued eagerly for the grand opening in August 2011, and the store’s enthusiastic reception shows that H&M continues to attract new customers – even in countries where its market share is already high.

“It’s clear to us that H&M works in all markets,” says Fredrik. “We sell a wide and varied range, with numerous concepts that truly offer fashion for all. This is a strength. It also gives us considerable flexibility to locate in premises of varying design, size and character.”

QUALITY EXPANSION. Regardless of whether it’s a glittering avenue in a major metropolis or a shopping centre in a small town, H&M’s establishment principle is the same: it is always the best business location that is decisive. H&M does not own its store premises, but instead rents premises from local and international property firms.

“The retail environment and streetscape of each store constantly evolve. We use leases to adapt to change and ensure that we locate in the best possible places for our business.”

H&M’s successes and positive development have resulted in a very strong financial standing. All expansion is self-financed, providing an unusual agility to take advantage of business opportunities. This holds true for all of H&M’s brands.

“Our financial strength gives us the ability to be flexible when we look at potential locations for establishment,” says Fredrik. “The most important aspect is that our expansion must always be accompanied by a focus on quality, sustainability and continued high profitability.”

STORES THAT INSPIRE. As new stores open the world over, H&M also works diligently to renovate and refurbish existing stores.

The efforts to create an inspiring shopping experience take place in every store, from complete renovation to smaller refurbishments and updates. Together with well-designed signage, styling and product presentation, the store interior helps to communicate the right feeling.

“Customers must feel that the focus is on the garments, that H&M has something for everyone and that we have a relaxed approach to fashion. Our campaigns must be highly visible,

and we want to create an inspiring shopping experience in which customers easily find what they are looking for,” says Sunny Phillips, Head of Visual Merchandising.

A FLAIR FOR FASHION WITH SUSTAINABILITY.

While it’s essential that store fittings are spot-on with the latest trends, they must also be long-lasting. H&M works on sustainability on a broad front, so selection of materials, lighting and energy consumption are crucial.

H&M places stringent requirements on suppliers of store fittings. For example, suppliers must adhere to restrictions regarding chemicals that are allowed, as well as the clear directives for choosing environmentally sustainable materials. H&M also works to ensure that packaging is reduced during transport and continually evaluates new technologies with a view to reducing energy consumption. H&M is testing LED lighting as a replacement for conventional light sources. Increased energy efficiency also contributes to lower costs in the stores.

SHOP ONLINE. It is not only H&M’s stores that offer an exciting and inspiring shopping experience; shopping at hm.com must be just as inviting, attractive and easy as in a store. H&M and H&M Home currently offer online and catalogue shopping in eight countries: Sweden, Norway, Denmark, Finland, Germany, the Netherlands, Austria and the UK.

From autumn 2012, customers in the world’s largest retail market – the US – will also be able to shop online at H&M and H&M Home.

Since September 2011, the brands COS and Monki offer online shopping in 18 European countries. Online shopping is a fantastic opportunity for the newer brands to reach many more customers and new countries. COS currently has stores in nine countries and Monki has stores in eight.

MUCH MORE THAN SHOPPING. H&M fashion attracts people the world over, even in those places where H&M does not have stores. Visitors to interactive and easily navigated hm.com can find styling tips, trend forecasts and information about H&M.

Via smartphone apps and social media, fashion-savvy customers communicate and interact with H&M wherever they may be. Today H&M is one of the leading fashion companies on Facebook, Twitter, YouTube and Google+.

“This definitely contributes to increased awareness of our brand,” says Fredrik. “Before we launch in new countries, we look at social media and see clear evidence of tremendous customer demand and interest in the opening of the country’s first H&M store.” ■

“H&M works
in all markets.
We sell a wide
and varied range,
with numerous
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truly offer
fashion for all.
This is a strength”
– Fredrik Olsson



INSPIRING SHOPPING

Trendy, attractive and interactive. In about 2,500 stores and online, customers are offered inspiring shopping experiences.





Munich.



Copenhagen Airport.

“We are growing in every country in which H&M operates and we see good opportunities for continued growth, both in existing and new markets”
– Fredrik Olsson



Shanghai.



Oslo.



COS Montmartre, Paris.



Monki, Stockholm.



COS Montmartre, Paris.



Monki, Stockholm.

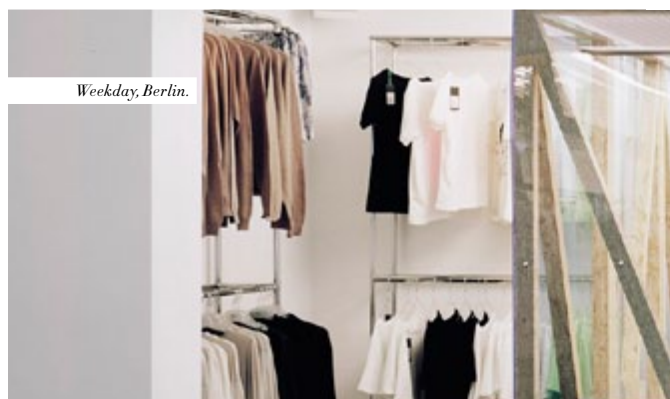


Cheap Monday, Copenhagen.

“All expansion is self-financed, providing an unusual agility to take advantage of business opportunities. This holds true for all of H&M’s brands”



Cheap Monday, Copenhagen.



Weekday, Berlin.



Weekday, Berlin.



OPENINGS AND LAUNCHES

2011 was full of exciting news, not least the great designer collaboration of the year, Versace for H&M, and the opening of South East Asia's very first H&M store.



Front row at the Versace for H&M show in New York.



Star Nicki Minaj on stage.



H&M opens at Selfridges in London.

“The most important aspect is that our expansion must always be accompanied by a focus on quality, sustainability and continued high profitability”
— Fredrik Olsson



Model in Versace for H&M.



Store opening in Singapore.

“I really want to check this place out! Everyone is so excited about H&M opening in Singapore and I’m so glad I was invited to the opening”

– Nad, customer in Singapore



Donatella Versace and Margareta van den Bosch.



Customers lining up for H&M's first store in Romania.



A legend on stage – Prince playing at the Versace for H&M show in New York.



Leigh Lezark, DJ and model, collaborated with H&M at the Selfridges opening in London.

“My philosophy on both beauty and fashion is to be yourself and find your own style, so for me the new H&M at Selfridges is an ideal shopping destination”
– Leigh Lezark, DJ and model



First opening in South East Asia.



H&M customers in Singapore.



Before the show, November 2011.



Colourful show in New York.



Croatia.



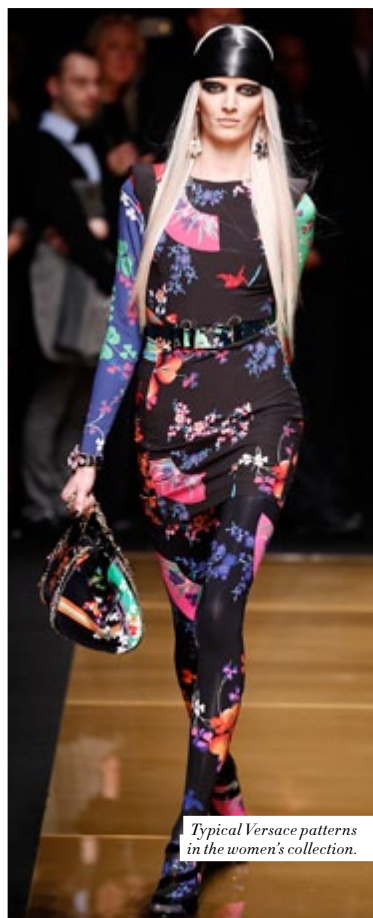
Croatia's long-awaited first H&M store opens in Zagreb.

"I think it is so exciting for Versace to be made available to everyone. The collection is cool, colourful, young and very hip. I can't wait to see the show"

– Uma Thurman, actress



Uma Thurman in Versace.



Typical Versace patterns in the women's collection.



Singapore.

A DYNAMIC WORKPLACE

H&M is one of the world's leading fashion companies, with more than 94,000 dedicated employees and an outlook for continued long-term expansion. For those working at H&M, this means great opportunities for development – and unconventional, exciting career paths.

H&M is an innovative, responsible, design-driven company that always strives to be at the forefront of both fashion and sustainability. It is also a global brand with stores all over the world, online sales and solid long-term expansion. Such development demands many different roles. Each year the company recruits new talent, but also routinely increases its human resource pool through internal recruitment and job rotation. This creates a dynamic workplace full of opportunities for growth. All H&M employees can experience unique personal development – and they often make the journey in unexpected ways.

“You can grow with H&M, even change direction; it all depends on where your individual strengths lie. That’s what makes H&M different from other companies,” says Tim Galantowicz, area manager for the western US, with responsibility for 20 stores in Los Angeles and Las Vegas.

Tim is originally from Germany. When he started working at H&M in Berlin in 1989 the company operated just under 240 stores in seven countries, compared with today’s around 2,500 stores in more than 40 countries. During his early years with H&M, Tim worked part-time in the men’s department. He alternated store work with an internal training programme and soon took responsibility for the entire department. He became more interested in the merchandising of H&M’s garments – that

is, the concept of having the right product in the right quantity in the right place at the right time, and at the right price.

“I wanted to become a merchandiser and got the chance. My manager encouraged me to take a position H&M had in the UK. My English was not tops at the time, but I learned.”

The merchandiser role at H&M took Tim to many different places in Europe, and then to Canada. In Toronto he worked for five years with all the different concepts. One day, he was asked to take responsibility for store operations in Vancouver, Edmonton and Calgary. Tim said yes. Four years ago he came to Los Angeles, where he works today.

“When I started at H&M, I could never have imagined that I would be given so many opportunities and get to see so many places in the world.”

IN ADDITION TO store employees and staff at area, country and production offices around the world, H&M has many employees in areas such as design, buying, sustainability, marketing, logistics, store fitting, human resources, IT and finance. No career path is planned in advance.



“You can grow with H&M,
even change direction; it all
depends on where your in-
dividual strengths lie. That’s
what makes H&M different
from other companies”

— Tim Galantowicz

Hollywood Boulevard, Los Angeles.



“If you really want to, you can do whatever you set your mind to. You become a mirror. New employees see themselves in you, and they see the ways in which they can grow and develop too”
— Ania Kalembe

“What is most important is to have the right attitude and to like fashion. The rest can be learned. We devote considerable effort to internal skills development, because if you’re allowed to grow and develop then you become stronger, more loyal and enjoy your work more. As a result, the organisation becomes strong and stable,” says Ania Kalembe, HR Manager for Poland, the Czech Republic, Slovakia, Hungary and Romania.

These markets currently employ several thousand people, in stores, area offices, and one of H&M’s largest distribution centres in Poznan, Poland.

Ania’s own background demonstrates that there are numerous development opportunities at H&M. She began work as a 23-year-old in the women’s department at H&M’s second store in Warsaw. The year was 2003; Poland was a new member of the H&M family, and the other countries in the region did not yet have H&M stores. Ania took on various roles in the store and participated in expansion into new cities, until her interest in working with people took her into human resources – initially with responsibility for northern Poland, and then on to managing HR for the other countries in the area.

“HR is a dream career for me. I’ve always liked helping people, and I’m driven by the energy present in the stores. I’ve never been an expert at figures or visual merchandising, but others in the team have been able to help me there. If you really want to, you can do whatever you set your mind to. You become a mirror. New employees see themselves in you, and they see ways in which they can grow and develop too,” says Ania.



EVERYTHING H&M DOES begins with the customer, so in-store experience is highly valued – regardless of the role an employee wants to take on. During 2011, H&M opened 266 new stores net, in both new and existing markets. For every single opening, customer response has been overwhelmingly positive.

The largest and most spectacular store is in Las Vegas’ famous shopping mecca, the Forum Shops.

“The Las Vegas store is absolutely fantastic, but the key to H&M’s success in this store and in all the other markets is our people – teams here and around the world who share their experience and best practices,” says Tim.

On the other side of the Pacific, Ken Machado Sugita works in Tokyo’s Harajuku area store, where he is responsible for the youth department. He also works with training and development of store employees throughout Japan and Asia. Ken has been at H&M since 2008, when H&M’s first Japanese store opened.

At the time, Ken’s job included managing the cash desk at the Ginza store in Tokyo. After only a few months, Ken wanted a new challenge and was given additional tasks. He then completed internal training and an internship in Hong Kong, after which he was given responsibility for an entire floor of a store. H&M expanded in the region, and more opportunities came his way. He helped with



“For me, the teamwork is the most gratifying part of the job. Everyone involved performs a specific function”
— Ken Machado Sugita

recruitment and training for expansion into new countries, and was involved when H&M arrived in South Korea in 2010 and premiered in Singapore in 2011.

“For me, the teamwork is the most gratifying part of the job,” says Ken. “There is so much to do when setting up stores in a new country, but everyone lends a hand. Everyone involved performs a specific function, and it’s important that new employees see this happening.”

TEAMWORK IS PRECISELY one of the most important aspects of the H&M culture. Since its start in 1947, H&M has adhered to strong and clear values that guide employees in their work together. These values sum up the H&M spirit

H&M OFFERS ITS EMPLOYEES THIS AND MUCH MORE

Great opportunities for development, with numerous and exciting career paths in one of the world’s leading fashion companies.

A stable employer that is expanding globally and that thinks long-term.

A creative, dynamic and open workplace.

Motivated and inspiring colleagues – all over the world.

Training and skills development through courses, workshops, internships and trainee programmes.

H&M Incentive Program – a reward and recognition programme for all employees.

Work for increased sustainability in fashion.

A culture that encourages and believes in people and their willingness and ability to develop.

MANY WORK OPPORTUNITIES


H&M creates work opportunities all over the world, and needs to recruit new employees. In 2011 the number of employees increased by around 7,000. At the same time, H&M encourages its current employees to develop their careers via internal recruitment and work rotation.

and are rooted in a firm belief in the people behind the results. Other common values are entrepreneurial spirit, cost-consciousness, simplicity, straightforwardness and constant improvements.

“The belief in people is important to me – the idea that we can take the initiative and put forward ideas,” says Ken.

It’s made him believe that he can accomplish new things.

“I like the fact that H&M is about sustainable values and in the future I would like to work with sustainability and ethical issues, because that is meaningful to me.” ■



Denim trousers
€19.95

Spring 2012
DIVIDED

H&M 2011 in figures

43 markets

2,472 stores

94,000 employees

sales including VAT SEK 129 billion

profit after tax SEK 15.8 billion

MARKET OVERVIEW

Sales including VAT per country and number of stores, financial year 1 December – 30 November.

MARKET	SALES 2011 INCLUDING VAT (SEK m)	SALES 2010 INCLUDING VAT (SEK m)	NO. OF STORES 30 NOV 2011	NEW STORES DURING THE YEAR	CLOSED STORES DURING THE YEAR	YEAR ESTABLISHED
Germany	29,721	30,628	394	23	6	1980
USA	9,691	8,916	233	26	1	2000
France	9,336	9,140	168	18	1	1998
UK	9,227	8,392	213	26	5	1976
Sweden	8,313	8,365	173	9	4	1947
Netherlands	6,995	7,387	118	7	1	1989
Switzerland	5,995	6,122	80	5		1978
Spain	5,828	6,109	132	11	1	2000
Norway	5,397	5,858	104	4	1	1964
Austria	4,793	5,255	66	1	1	1994
Italy	4,410	4,331	87	15		2003
Denmark	4,195	4,358	90	4	1	1967
China	3,598	2,527	82	35		2007
Belgium	3,157	3,345	66	6	4	1992
Canada	2,774	2,713	58	3		2004
Poland	2,747	2,668	89	13		2003
Finland	2,379	2,567	47	5	1	1997
Japan	1,549	1,794	15	5		2008
Russia	1,512	916	19	8		2009
Portugal	899	937	23	2		2003
Greece	764	646	22	6	2	2007
Czech Republic	722	707	24	2		2003
Ireland	514	517	15	3		2005
Slovenia	500	568	12	1		2004
Hungary	496	387	20	5		2005
South Korea	410	255	6	4		2010
Luxembourg	385	406	10			1996
Romania	331		11	11		2011
Turkey	309	28	8	7		2010
Croatia	264		6	6		2011
Slovakia	254	225	10	3		2007
Singapore	111		1	1		2011
Franchise ¹⁾	1,229 ²⁾	899 ²⁾	70	21	1	2006
Total	128,810	126,966	2,472	296	30	

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



Boxer briefs
€14.95

Spring 2012
BECKHAM

H&M IN 43 MARKETS

H&M IS A LEADING global fashion company offering inspiring fashion and quality at the best price. With more than 94,000 dedicated employees around the world H&M is a design-driven, innovative and responsible company guided by strong values.

H&M's growth target is to increase the number of stores by 10–15 percent per year while increasing sales in comparable units. Growth is entirely self-financed and expected to proceed with quality, sustainability and continued high profitability. Expansion is long-term and takes place in parallel in all H&M's markets, to new countries and with all brands: H&M, COS, Monki, Weekday and Cheap Monday as well as H&M Home.

During the financial year 2011 H&M opened 296 stores and closed 30, equalling a net addition

of 266 stores. At the end of the year H&M was present in 43 markets with 2,472 stores, of which 45 COS, 52 Monki, 19 Weekday and 4 Cheap Monday. 70 H&M stores are operated via franchise in the Middle East and North Africa. H&M opened in five new markets in 2011: Romania, Croatia and Singapore and via franchise in Morocco and Jordan. COS opened in Sweden. Monki and Cheap Monday opened in the UK. COS and Monki launched shop online in 18 European countries in the autumn.

EXPANSION CONTINUES in 2012 with H&M planning to open 275 new stores net. Five new markets will be added: Bulgaria, Latvia, Malaysia, Mexico, where Latin America's first H&M store will open this autumn, and Thailand, which will become a new franchise

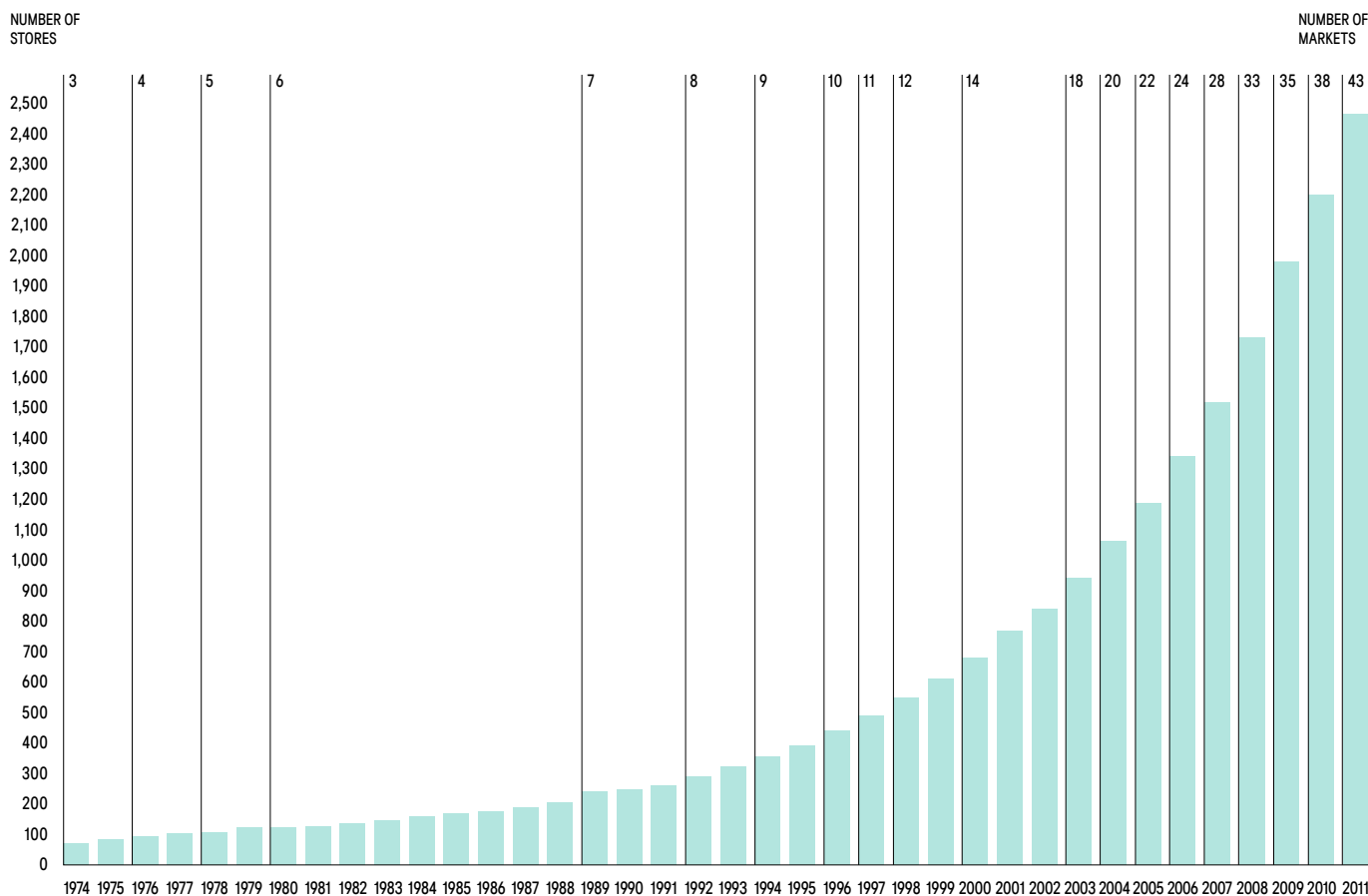
market. COS will open in Italy, Hong Kong, Finland and via franchise in Kuwait. In the autumn of 2012, H&M will launch shop online in the US, H&M's ninth online market.

TOTAL GROUP SALES increased by 8 percent in local currencies in the financial year 2011, while sales in comparable units decreased by 1 percent. Translated into SEK, sales were SEK 129 billion including VAT, an increase of 1 percent. Profit after tax was SEK 15.8 billion (18.7).

Over the past five years, sales including VAT have increased by 61 percent and profit after tax by 47 percent.

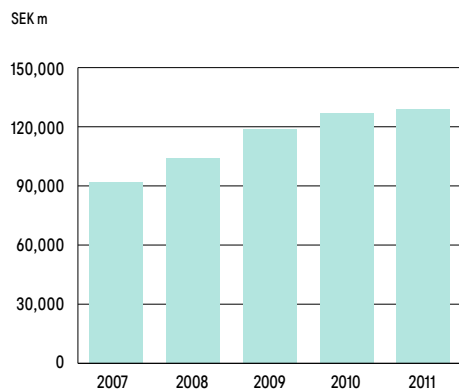
Founded in 1947 and headquartered in Stockholm, Sweden, H&M is listed on NASDAQ OMX Stockholm.

EXPANSION 1974* – 2011

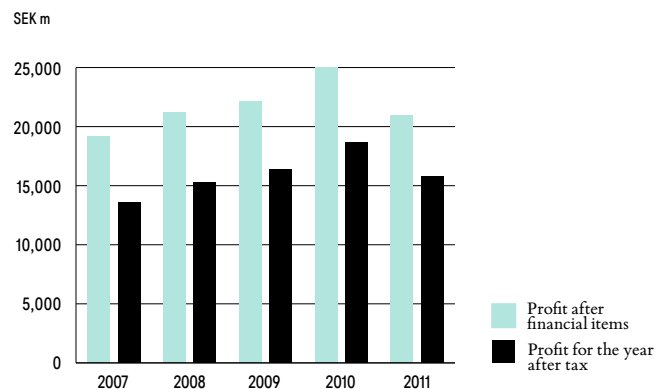


* Since IPO 1974.

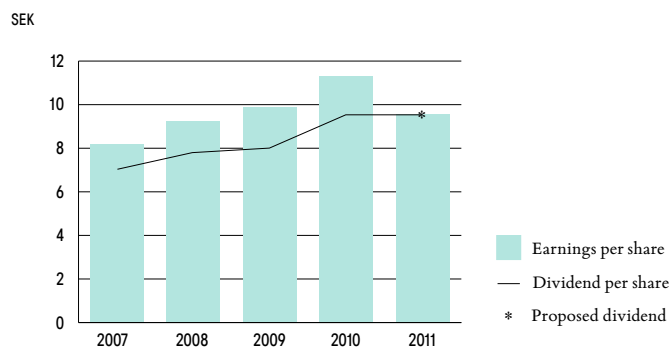
SALES DEVELOPMENT INCLUDING VAT



PROFIT AFTER FINANCIAL ITEMS AND PROFIT FOR THE YEAR AFTER TAX



EARNINGS PER SHARE AND DIVIDEND PER SHARE **



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

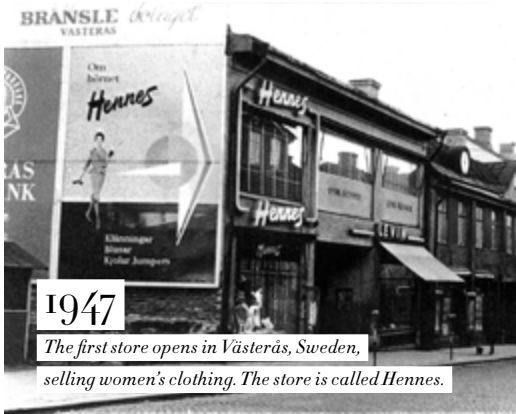
KEY RATIOS

	2011	2010	2009	2008	2007
Sales including VAT, SEK m	128,810	126,966	118,697	104,041	92,123
Sales excluding VAT, SEK m	109,999	108,483	101,393	88,532	78,346
Operating margin, %	18.5	22.7	21.3	22.7	23.5
Profit after financial items, SEK m	20,942	25,008	22,103	21,190	19,170
Profit for the year, SEK m	15,821	18,681	16,384	15,294	13,588
Earnings per share, SEK (before and after dilution)*	9.56	11.29	9.90	9.24	8.21
Return on equity, %	35.8	44.1	42.2	44.3	45.4
Return on capital employed, %	47.1	58.7	56.7	61.1	63.7
Share of risk-bearing capital, %	74.9	76.2	78.5	75.7	78.5
Equity/assets ratio, %	73.3	74.6	74.7	72.1	76.9
Total number of stores	2,472	2,206	1,988	1,738	1,522
Average number of employees	64,874	59,440	53,476	53,430	47,029

* 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 offers 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.



1977

Impuls stores are launched. Sales of cosmetics begin.



2004

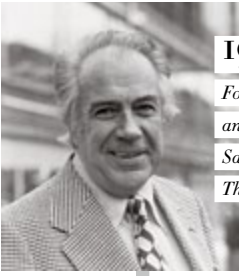
H&M initiates designer collaborations starting with Karl Lagerfeld. Collaborations in subsequent years include those with Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo, Sonia Rykiel, Lanvin, Versace, Marni and David Beckham.



2009

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





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.



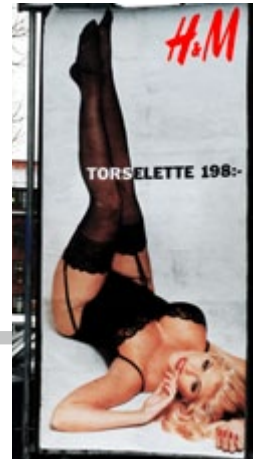
1976

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



1980s

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



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.



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 e-commerce begins.

2006

A major expansion of online 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 online 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.



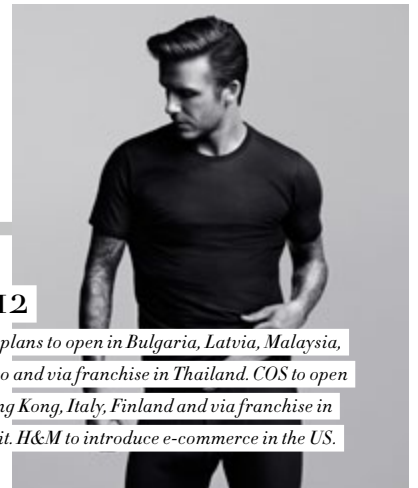
2011

H&M opens in Romania, Croatia and Singapore as well as via franchise in Morocco and Jordan. COS opens in Sweden, and Monki and Cheap Monday in the UK. An incentive programme for all employees – the H&M Incentive Program – starts. COS and Monki launch e-commerce in 18 countries.



2012

H&M plans to open in Bulgaria, Latvia, Malaysia, Mexico and via franchise in Thailand. COS to open in Hong Kong, Italy, Finland and via franchise in Kuwait. H&M to introduce e-commerce in the US.



2010

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



CONTACT DETAILS

HEAD OFFICE

H & M Hennes & Mauritz AB
Mäster Samuelsgatan 46A
106 38 Stockholm
Sweden
Telephone: +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
SUSTAINABILITY Helena Helmersson
EXPANSION Fredrik Olsson
BUSINESS DEVELOPMENT Björn Magnusson
NEW BUSINESS Pernilla Wohlfahrt
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 2011 comes in two parts, Part 1: H&M in Words and Pictures 2011, and Part 2: H&M in Figures 2011 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 Terry Richardson
MODEL Edita Vilkeviciute
GARMENT Skirt in organic cotton, H&M Conscious Collection

The annual report is printed
on FSC® certified paper.



ANNUAL GENERAL MEETING

The Annual General Meeting 2012 will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Thursday 3 May at 3 p.m.

Shareholders who are registered in the share register print-out as of Thursday 26 April 2012 and give notice of their intention to attend the AGM no later than Thursday 26 April 2012 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 26 April 2012.

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 Ardén
SE-106 38 Stockholm
Sweden
Telephone: +46 (0)8 796 55 00
Fax: +46 (0)8 796 55 44
www.hm.com/agm

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 2011 of SEK 9.50 per share. The Board of Directors has proposed 8 May 2012 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 11 May 2012. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 3 May 2012.

FINANCIAL INFORMATION

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

29 March 2012	Three-month report
3 May 2012	Annual General Meeting 2012, Victoriahallen, Stockholm International Fairs at 3 p.m.
20 June 2012	Six-month report
27 September 2012	Nine-month report
31 January 2013	Full-year report



Sweater
€14.95

Winter 2011
CHRISTMAS





ANNUAL REPORT PART 2
H&M IN FIGURES 2011

Blazer
€39.95



A fashion advertisement for Versace for H&M. The central figure is a woman with voluminous, wind-blown blonde hair, wearing a black silk dress with gold-toned buttons and a wide, ornate gold choker. She is holding a small, dark, textured handbag and standing next to a large, dark, polished Medusa statue. The background is dark and moody, with a blueish tint. The text 'Silk dress' and '€129' is overlaid on the image.

Silk dress
€129

VERSACE FOR H&M

PART 2

H&M in figures 2011

The Annual Accounts and Consolidated Accounts

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*The annual report on H&M's operations in 2011 is in two parts:
part 1 is H&M in words and pictures 2011 and part 2 is H&M in figures 2011
including the annual accounts and consolidated accounts.*



Shirt
€9.95

ADMINISTRATION REPORT

The Board of Directors and the Managing Director of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, hereby submit their annual report and consolidated accounts for the financial year 1 December 2010 to 30 November 2011, hereinafter referred to as the 2011 financial year.

BUSINESS

The H&M Group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles to consumers. In addition to H&M and H&M Home, the H&M Group includes the brands COS, Monki, Weekday and Cheap Monday.

H&M's business concept is to offer fashion and quality at the best price. H&M is a design-driven innovative and responsible fashion company based on strong values that is growing all over the world while maintaining quality, sustainability and high profitability. 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 online and catalogue sales and on a franchise basis. At the end of the financial year H&M was present in 43 markets; eleven of these are operated on a franchise basis. The total number of stores at the end of the 2011 financial year was 2,472 including 70 franchise stores, 45 COS stores, 52 Monki stores, 19 Weekday stores and 4 Cheap Monday stores. Online and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria and the UK. The home textiles range, H&M Home, is sold via online and catalogue sales and also through stores in for example Stockholm, Helsinki, Copenhagen, London, Amsterdam, Oslo and Frankfurt. Online sales for COS and Monki began in 18 countries in autumn 2011.

Focusing on the customer, H&M's own designers work with pattern designers and buyers to create a broad range that offers inspiring fashion for everyone. H&M's design and buying department creates the collections centrally.

H&M does not own any factories but instead outsources product manufacturing to around 700 independent suppliers through H&M's 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 to various distribution centres – primarily by sea and rail, but also by road and air. From there the goods are distributed directly to the stores and/or to regional replenishment centres.

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

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

H&M is one of the world's leading fashion companies, and with that comes responsibilities. H&M's sustainability work is based on

a social and environmental commitment that puts H&M at the forefront of the global fashion industry. Trade between countries is an important source of economic growth around the world. As a global retailer, H&M acts as a buyer and seller in many markets. H&M contributes to more than a million jobs for people around the world, a large number of these in Asia.

H&M uses its size and influence to exert a positive effect on social development in these countries, thereby helping to achieve better conditions for many people. H&M also makes efforts to reduce environmental impact throughout the life cycle of its clothing.

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 80 auditors of its own 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 is working to achieve long-term improvements for those employed by the suppliers that produce H&M products. This is done primarily via the Code of Conduct, but also through activities such as training, projects, partnerships, etc. that are aimed at improving working conditions among suppliers.

H&M's sustainability strategy is to incorporate sustainability work into day-to-day routines in every area of the company's operations. This means that each of the Group's departments is itself responsible for environmental and social matters, while the central Sustainability department provides these departments with support on sustainability matters. 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 its 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 was the world's largest user of organic cotton in 2010.

H&M's full sustainability report is published at www.hm.com/csr annually and follows the guidelines for sustainability reporting issued by the Global Reporting Initiative (GRI). H&M's sustainability policy and product policy, Code of Conduct, Chemical Restrictions and Code of Ethics can all be found in full at www.hm.com.

EMPLOYEES

H&M's business shall be characterised by a fundamental respect for the individual. This applies to everything from fair pay, reasonable working hours and freedom of association to the opportunity to grow and develop within the company. The company's values – the spirit of H&M – which have been in place since the days of H&M's founder, Erling Persson, are in part based 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 94,000 employees. The average number of employees in the Group, converted to full-time

positions, was 64,874 (59,440), of which 5,855 (5,398) are employed in Sweden.

Around 79 percent of the employees were women and 21 percent were men. Women held 70 percent of the positions of responsibility within the company, such as store managers and country managers.

SALES AND PROFITS

Sales including VAT in local currencies increased by 8 percent over the financial year. Sales in comparable units decreased by 1 percent. Converted into SEK, sales including VAT increased to SEK 128,810 m (126,966). Sales excluding VAT increased to SEK 109,999 m (108,483).

The strengthening of the Swedish krona over the year meant that most of the sales countries' currencies depreciated against SEK compared with the previous year. For H&M this has a significant negative effect when converting sales from local currencies into the company's reporting currency, which is Swedish kronor. Although sales in local currencies increased by 8 percent, the increase in SEK was only 1 percent because of the stronger krona.

The Group's gross profit for the 2011 financial year amounted to SEK 66,147 m (68,269), a decrease of 3 percent. This is equivalent to a gross margin of 60.1 percent (62.9).

Operating profit amounted to SEK 20,379 m (24,659). This represents an operating margin of 18.5 percent (22.7).

The operating profit for the 2011 financial year has been charged with depreciation of SEK 3,262 m (3,061).

The Group's net financial income amounted to SEK 563 m (349).

Profit after financial items was SEK 20,942 m (25,008).

The Group's profit for the 2011 financial year after applying a tax rate of 24.5 percent (25.3) was SEK 15,821 m (18,681), which represents earnings per share of SEK 9.56 (11.29) – a decrease of 15 percent.

The profit for the year represents a return on equity of 35.8 percent (44.1) and a return on capital employed of 47.1 percent (58.7).

COMMENTS ON PROFITS

H&M has continued to gain market share in a year that has been very challenging for the fashion retail industry in many countries. Economic uncertainty in a number of markets has had a negative effect on consumption, resulting in fiercer competition for consumer spending. For fashion retailers this meant multiple price activities and markdowns, which intensified during the second half-year.

In these circumstances sales were good, showing that H&M's strong offering was well received by customers. The fact that sales in comparable units decreased by 1 percent for the full-year should also be viewed in the light of last year's strong comparables of a 5 percent increase in comparable units. Sales development was very positive in countries such as the US, China, Russia and the UK.

The Group's other brands COS, Monki, Weekday and Cheap Monday also saw positive sales development during the year. It was a very good year for COS in particular, which developed beyond the company's high expectations as regards both sales and profits. There are now nearly 50 COS stores in nine countries and the expansion continues.

The situation was challenging also in the sourcing markets, where high cost inflation, mainly as a result of very high cotton prices, led to increased purchasing costs.

To maintain a long-term perspective and always be able to offer

customers the best combination of fashion and quality at the best price in each market, H&M made a strategic decision to further strengthen its customer offering and thereby its position in the market. These investments varied over time and involved everything from even better prices to even higher quality and more sustainable fashion.

The Group opened 296 (243) stores during the 2011 financial year and 30 (25) stores were closed. Of the new stores, 20 (15) were opened on a franchise basis. A total of 266 new stores net were opened in 2011, which was more than the originally planned 250 stores. The fact that more stores than planned were added was mainly due to greater expansion opportunities in China and the very positive reception in H&M's new markets of Romania and Croatia. China, the US, the UK and Germany were the largest expansion markets during the year. The reception in H&M's new market of Singapore in South East Asia was very good. The new franchise markets Jordan and Morocco, which opened at the end of November, also made a good start.

Online shopping is becoming increasingly important for the fashion retail industry as well as for H&M. The new H&M Shop Online, which was launched at the beginning of 2011, offers an inspiring, innovative and interactive shopping experience. H&M's website including the new H&M Shop Online is today one of the world's most visited websites in the fashion retail industry. The recent launch of online shopping for COS and Monki in 18 markets has been well received.

During the year H&M increased its investments within marketing, IT and online sales. The purpose of these investments is to further strengthen H&M's market position in the long term and to secure future expansion. The company also introduced a long-term incentive programme for all employees, the H&M Incentive Program, which aims to encourage long-term commitment and support future recruitment. Although these investments involved increased costs for the Group, cost control remains good. Costs in comparable stores decreased compared to the previous year.

The profit decrease compared to the previous year is mainly related to increased purchasing costs combined with the fact that H&M chose a strategy of further strengthening its customer offering and its market position relative to competitors. In addition, more than SEK 1.2 billion of the decrease in profit after financial items compared to the previous year is related to negative currency translation effects, as most of the sales countries' currencies depreciated relative to the Swedish krona during the year. The item affecting comparability, SEK 248 m to the H&M Incentive Program, also affected the year's profits. For further information on the H&M Incentive Program see Note 6.

The number of refurbished stores remained at the same high level as in the 2010 financial year, while investments for new and refurbished stores were lower per unit than in 2010.

TAXES

For the financial year 2011 the tax rate was 24.5 percent (25.3). The lower tax rate for the year compared with the previous year is due mainly to adjustment of tax expense relating to previous years.

For the 2012 financial year the tax rate is expected to be in the region of 25–26 percent, depending on the subsidiaries' results in the various countries.

PARENT COMPANY

The parent company had external sales of SEK 24 m (6) during the 2011 financial year. Profit after financial items amounted to SEK 16,451 m (14,868). Investments in fixed assets amounted to SEK 119 m (100).

FINANCIAL POSITION AND CASH FLOW

The Group's total assets as of 30 November 2011 amounted to SEK 60,188 m (59,182), an increase of 2 percent compared with the same date the previous year.

Current operations generated a positive cash flow of SEK 17,420 m (21,838). The cash flow was affected by, among other things, dividends of SEK -15,723 m (-13,239), investment in fixed assets of SEK -5,174 m (-4,959) and changes in short-term financial investments with a term of four to twelve months amounting to SEK -1,209 m (-5,166). The Group's cash flow for the 2011 financial year thus amounted to SEK -2,359 m (-1,530). Liquid funds and short-term investments amounted to SEK 21,277 m (24,858).

Stock-in-trade increased by 20 percent compared with the same date the previous year and amounted to SEK 13,819 m (11,487). This is equivalent to 12.6 percent (10.6) of sales excluding VAT. Stock-in-trade accounted for 23.0 percent (19.4) of total assets.

The Group's equity/assets ratio was 73.3 percent (74.6) and the percentage of risk-bearing capital was 74.9 percent (76.2).

Shareholders' equity shared between the outstanding 1,655,072,000 (1,655,072,000) shares as of 30 November 2011 equalled SEK 26.65 (26.69).

LIQUIDITY MANAGEMENT

In 2011 the longest investment period was 12 months. The Group does not use any derivative instruments in the interest-bearing securities market, nor does the Group trade in shares or similar instruments. See also Note 2, Financial risks.

EVENTS AFTER THE CLOSING DATE

EXPANSION AND FUTURE DEVELOPMENT

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

H&M's growth target remains 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 2012 financial year a net addition of around 275 new stores is planned. China, the US and the UK are expected to be the largest expansion markets for H&M in 2012. There are also still great opportunities for expansion in markets such as France, Italy and Germany.

The refurbishment of existing stores is expected to remain at the same high level as in the 2011 financial year.

H&M will open its first store in Sofia, Bulgaria in March 2012. H&M is continuing to expand in South East Asia, with a store opening in Kuala Lumpur in Malaysia during autumn 2012. In the autumn H&M will also open its first store in Riga in Latvia. In addition to these new H&M countries, H&M plans to open in Mexico in autumn 2012. It will be the company's first store in Latin America. Thailand will become a new franchise market in cooperation with the franchisee J.S. Gill. The first store is scheduled to open in autumn 2012 in Bangkok. The franchise opening in Jakarta in Indonesia has been postponed until spring 2013.

In autumn 2012 H&M will start online sales in the US, the world's largest online market.

Expansion continues for the Group's other brands COS, Monki, Weekday and Cheap Monday. COS, for example, will open its first stores in Hong Kong, Italy and Finland during spring 2012 and in Kuwait during autumn 2012. The opening in Kuwait will be in cooperation with the franchisee Alshaya. H&M Home will also continue to expand.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

At the Annual General Meeting on 28 April 2011 a resolution on guidelines for remuneration of senior executives within H&M in accordance with the Swedish Companies Act was approved. The guidelines below are effective until the 2012 Annual General Meeting.

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

Compensation for senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at what are considered by the company to be competitive market rates. Senior executives are also entitled to the benefits provided under the H&M Incentive Program.

H&M is present in more than 30 countries excluding franchise markets 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, 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 total 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 a certain percentage

of the increase in the dividend approved by the Annual General Meeting and the fulfilment of targets in their respective areas of responsibility. For the Managing Director, the bonus is based on 0.3 percent of the dividend increase up to a maximum of SEK 0.9 m net after tax. In the case of the Head of Sales the bonus is based on 0.2 percent of the dividend increase, up to a maximum of SEK 0.6 m net after tax. For other personnel the figure is 0.1 percent of the dividend increase, with a maximum of SEK 0.3 m net after tax. Net after tax means that income tax and social security costs are not included in the calculation. The bonuses that are paid out must be invested entirely in shares in the company, which must be held for at least five years. Since H&M is present in markets with varying personal income tax rates, the net model has been chosen because it is considered fair that the recipients in the different countries should be able to purchase the same number of H&M shares for the amounts that are paid out.

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

MISCELLANEOUS

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

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES FOR ADOPTION AT THE 2012 AGM

The Board's proposal for guidelines for adoption at the 2012 AGM is the same as the guidelines 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 holds all 194,400,000 class A shares, which represent 57.1 percent of the votes, as well as 393,049,043 class B shares, which represent 11.5 percent of the votes. This means that as of 30 November 2011, Ramsbury Invest AB represents 68.6 percent of the votes and 35.5 percent of the total number of shares. Ramsbury Invest AB is owned by Stefan Persson and family, and primarily by Stefan Persson. Karl-Johan Persson is also a shareholder in Ramsbury Invest AB.

In 2011 the shares that Stefan Persson previously owned privately were transferred to Ramsbury Invest AB as a shareholder contribu-

tion, as a result of which Stefan Persson has no private shareholding in H&M as of 30 November 2011.

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

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.

RISKS AND UNCERTAINTIES

A number of factors may affect the results and business of the H&M Group. 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, macroeconomic changes, climate change, trade interventions, external factors in production countries and foreign currencies, but also in connection with expansion into new markets, the launch of 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 some part of the collections will not be well received by customers.

Within each concept it is important to have the right volumes and achieve the right balance in the mix between fashion basics and the latest trends. In summary, each collection must achieve the right combination of fashion and quality at the best price. To optimise fashion precision, the Group 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

The H&M Group's products are purchased in order to be sold in stores on the basis of normal weather patterns. Deviations from normal weather conditions may affect sales. This is particularly true at the transition between two seasons, such as the transition from summer to autumn.

NEGATIVE MACROECONOMIC CHANGES

There is a risk that negative macroeconomic changes in one or more countries will result in an economic downturn, which is likely to change consumer purchasing behaviour. It is therefore important to be aware of such changes which may affect the Group's business and to have a flexible buying model that can be adjusted to different market conditions.

EXTERNAL FACTORS IN PRODUCTION COUNTRIES

Uncertainties also exist concerning how external factors such as raw materials prices, transport costs and suppliers' capacity will affect buying costs for the Group's products. The Group 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.

CLIMATE CHANGE

There is a risk that the H&M Group'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 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 a national level on export/import subsidies, customs duties, textile quotas, embargos, etc. The effects primarily impact customers and companies in individual markets. Global companies with operations in many countries are affected to a lesser extent and among global corporations trade interventions may be regarded as largely competition-neutral.

FOREIGN CURRENCIES

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.

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.

On this basis the Board of Directors has established a dividend policy stating 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 2012 Annual General Meeting a dividend of SEK 9.50 per share (9.50), which is equivalent to 99 percent (84) of the Group's profit after tax.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the	
Annual General Meeting:	SEK 16,749,725,843

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 1,026,541,843
	SEK 16,749,725,843

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	2011	2010
Sales including VAT	128,810	126,966
Sales excluding VAT, Note 3, 4	109,999	108,483
Cost of goods sold, Note 6, 8	-43,852	-40,214
GROSS PROFIT	66,147	68,269
Selling expenses, Note 6, 8	-42,517	-40,751
Administrative expenses, Note 6, 8, 9	-3,251	-2,859
OPERATING PROFIT	20,379	24,659
Interest income	568	356
Interest expense	-5	-7
PROFIT AFTER FINANCIAL ITEMS	20,942	25,008
Tax, Note 10	-5,121	-6,327
PROFIT FOR THE YEAR	15,821	18,681
All profit is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		
Earnings per share, SEK*	9.56	11.29
Number of shares, thousands*	1,655,072	1,655,072

* Before and after dilution. Number of shares has been adjusted for both years due to the 2-for-1 share split effected by H&M in 2010.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK M

1 DECEMBER - 30 NOVEMBER	2011	2010
PROFIT FOR THE YEAR	15,821	18,681
Other comprehensive income		
Translation differences	-35	-2,169
Change in hedging reserves	-113	386
Tax attributable to change in hedging reserves	30	-100
OTHER COMPREHENSIVE INCOME	-118	-1,883
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,703	16,798

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

GROUP BALANCE SHEET

SEKM

30 NOVEMBER	2011	2010	30 NOVEMBER	2011	2010
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Intangible fixed assets			Share capital, Note 17	207	207
Brands, Note 11	302	349	Reserves	-487	-369
Customer relations, Note 11	84	97	Retained earnings	28,563	25,653
Leasehold rights, Note 11	585	688	Profit for the year	15,821	18,681
Goodwill, Note 11	64	64	TOTALEQUITY	44,104	44,172
	1,035	1,198	LIABILITIES		
Tangible fixed assets			Long-term liabilities*		
Buildings and land, Note 12	804	656	Provisions for pensions, Note 18	377	257
Equipment, tools, fixtures and fittings, Note 12	16,589	14,813	Deferred tax liabilities, Note 10	950	906
	17,393	15,469		1,327	1,163
Long-term receivables	608	518	Current liabilities**		
Deferred tax receivables, Note 10	1,234	1,065	Accounts payable	4,307	3,965
TOTAL FIXED ASSETS	20,270	18,250	Tax liabilities	1,851	2,304
CURRENT ASSETS			Other liabilities	2,428	2,202
Stock-in-trade	13,819	11,487	Accrued expenses and prepaid income, Note 20	6,171	5,376
Current receivables				14,757	13,847
Accounts receivable	2,337	2,258	TOTAL LIABILITIES	16,084	15,010
Other receivables	1,375	1,453	TOTAL EQUITY AND LIABILITIES	60,188	59,182
Prepaid expenses, Note 13	1,110	876	Pledged assets and contingent liabilities	—	—
	4,822	4,587			
Short-term investments, Note 14	6,958	8,167			
Liquid funds, Note 15	14,319	16,691			
TOTAL CURRENT ASSETS	39,918	40,932			
TOTAL ASSETS	60,188	59,182			

* Only provisions for pensions are interest-bearing.

** No current liabilities are interest-bearing.

GROUP CHANGES IN EQUITY

SEKM

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 EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2010	207	-613	244	44,334	44,172
Adjustment of opening balance*	—	—	—	-48	-48
Adjusted opening balance	207	-613	244	44,286	44,124
Profit for the year	—	—	—	15,821	15,821
Other comprehensive income					
Translation differences	—	-35	—	—	-35
Change in hedging reserves					
Reported in other comprehensive income	—	—	-368	—	-368
Transfer to income statement	—	—	255	—	255
Tax attributable to hedging reserves	—	—	30	—	30
Other comprehensive income	—	-35	-83	—	-118
Total comprehensive income	—	-35	-83	15,821	15,703
Dividend	—	—	—	-15,723	-15,723
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2011	207	-648	161	44,384	44,104

* Adjustment of pension obligations related to prior years – see Note 18.

	SHARE CAPITAL	TRANSLATION EFFECTS	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					
Reported in other comprehensive income	—	—	1,378	—	1,378
Transfer to income statement	—	—	-992	—	-992
Tax attributable to hedging reserves	—	—	-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

GROUP CASH FLOW STATEMENT

SEKM

1 DECEMBER - 30 NOVEMBER	2011	2010
Current operations		
Profit after financial items*	20,942	25,008
Provisions for pensions	120	3
Depreciation	3,262	3,061
Tax paid	-5,666	-5,451
Cash flow from current operations before changes in working capital	18,658	22,621
Cash flow from changes in working capital		
Current receivables	-244	-778
Stock-in-trade	-2,331	-1,557
Current liabilities	1,337	1,552
CASH FLOW FROM CURRENT OPERATIONS	17,420	21,838
Investment activities		
Investment in leasehold rights	-71	-147
Investment in buildings and land	-157	-209
Investment in equipment	-4,946	-4,603
Adjustment of consideration/acquisition of subsidiaries	—	-8
Change in short-term investments, 4–12 months	1,209	-5,166
Other investments	-91	4
CASH FLOW FROM INVESTMENT ACTIVITIES	-4,056	-10,129
Financing activities		
Dividend	-15,723	-13,239
CASH FLOW FROM FINANCING ACTIVITIES	-15,723	-13,239
CASH FLOW FOR THE YEAR	-2,359	-1,530
Liquid funds at beginning of the financial year	16,691	19,024
Cash flow for the year	-2,359	-1,530
Exchange rate effect	-13	-803
Liquid funds at end of the financial year**	14,319	16,691

* Interest paid for the Group amounts to SEK 5 m (7). Received interest for the Group amounts to SEK 568 m (356).

** Liquid funds and short-term investments at the end of the financial year amounted to SEK 21,277 m (24,858).

PARENT COMPANY INCOME STATEMENT

SEK M

1 DECEMBER - 30 NOVEMBER	2011	2010
External sales excluding VAT	24	6
Internal sales excluding VAT, Note 5	6,958	6,900
GROSS PROFIT	6,982	6,906
Selling expenses, Note 6, 8	-2,235	-2,240
Administrative expenses, Note 6, 8, 9	-2,671	-2,024
OPERATING PROFIT	2,076	2,642
Dividend from subsidiaries	14,224	12,153
Interest income	151	73
Interest expense	0	0
PROFIT AFTER FINANCIAL ITEMS	16,451	14,868
Year-end appropriations, Note 22	-9	705
Tax, Note 10	-596	-912
PROFIT FOR THE YEAR	15,846	14,661

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

SEK M

1 DECEMBER - 30 NOVEMBER	2011	2010
PROFIT FOR THE YEAR	15,846	14,661
Other comprehensive income	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,846	14,661

PARENT COMPANY BALANCE SHEET

SEKM

30 NOVEMBER	2011	2010
ASSETS		
FIXED ASSETS		
Tangible fixed assets		
Buildings and land, Note 12	45	48
Equipment, tools, fixtures and fittings, Note 12	396	369
	441	417
Financial fixed assets		
Shares and participation rights, Note 23	590	580
Receivables from subsidiaries	1,177	1,208
Long-term receivables	13	14
Deferred tax receivables, Note 10	63	59
	1,843	1,861
TOTAL FIXED ASSETS	2,284	2,278
CURRENT ASSETS		
Current receivables		
Receivables from subsidiaries	10,628	7,764
Other receivables	33	14
Prepaid expenses, Note 13	14	9
	10,675	7,787
Short-term investments, Note 14	5,038	8,167
Liquid funds, Note 15	678	223
TOTAL CURRENT ASSETS	16,391	16,177
TOTAL ASSETS	18,675	18,455

30 NOVEMBER	2011	2010
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital, Note 17	207	207
Restricted reserves	88	88
	295	295
Non-restricted equity		
Retained earnings	903	1,965
Profit for the year	15,846	14,661
	16,749	16,626
TOTAL EQUITY	17,044	16,921
UNTAXED RESERVES, NOTE 24	128	119
LIABILITIES		
Long-term liabilities		
Provisions for pensions, Note 18	240	223
Current liabilities*		
Accounts payable	212	128
Liabilities to subsidiaries	—	129
Tax liabilities	445	368
Other liabilities	348	340
Accrued expenses and prepaid income, Note 20	258	227
	1,263	1,192
TOTAL LIABILITIES	1,503	1,415
TOTAL EQUITY AND LIABILITIES	18,675	18,455
Pledged assets	—	—
Contingent liabilities, Note 25	9,321	12,729

* No current liabilities are interest-bearing.

PARENT COMPANY CHANGES IN EQUITY

SEKM

	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2010	207	88	16,626	16,921
Profit for the year	—	—	15,846	15,846
Other comprehensive income	—	—	—	—
Total comprehensive income	—	—	15,846	15,846
Dividend	—	—	-15,723	-15,723
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2011	207	88	16,749	17,044

	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

PARENT COMPANY CASH FLOW STATEMENT

SEKM

1 DECEMBER - 30 NOVEMBER	2011	2010
Current operations		
Profit after financial items*	16,451	14,868
Provisions for pensions	17	12
Depreciation	95	97
Tax received/paid	-523	114
Cash flow from current operations before changes in working capital	16,040	15,091
Cash flow from changes in working capital		
Current receivables	-2,888	312
Current liabilities	-6	176
CASH FLOW FROM CURRENT OPERATIONS	13,146	15,579
Investment activities		
Net investment in equipment	-119	-100
Adjustment of consideration/acquisition of subsidiaries	-10	-8
Change in short-term investments, 4–12 months	3,129	-5,166
Other investments	32	-487
CASH FLOW FROM INVESTMENT ACTIVITIES	3,032	-5,761
Financing activities		
Dividend	-15,723	-13,239
CASH FLOW FROM FINANCING ACTIVITIES	-15,723	-13,239
CASH FLOW FOR THE YEAR	455	-3,421
Liquid funds at beginning of the financial year	223	3,644
Cash flow for the year	455	-3,421
Liquid funds at end of the financial year**	678	223

* Interest paid for the parent company amounts to SEK 0 m (0). Received interest for the parent company amounts to SEK 151 m (73).

** Liquid funds and short-term investments at the end of the financial year amounted to SEK 5,716 m (8,390).

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, accessories, footwear, cosmetics and home textiles 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 25 January 2012 and will be submitted to the Annual General Meeting for approval on 3 May 2012.

Ramsbury Invest AB's holding of shares in H & M Hennes & Mauritz AB represents around 35.5 percent of all shares and around 68.6 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 IFRS Interpretations Committee. 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.

With effect from the 2011/2012 financial year group contributions received by a parent company from subsidiaries are to be reported as financial income, while group contributions that a parent company provides to subsidiaries are to be reported either against participations in subsidiaries – in other words, in the same way as shareholder contributions – or as an expense, due to the link between reporting and taxation.

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

The accounting principles and disclosure requirements applied for 2010/2011 are the same as those applied in the previous year.

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, such that the primary categories for recognition of financial assets and liabilities are at amortised cost (accrued acquisition cost) or at fair value through profit or loss. 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 presented when liabilities are 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 annual reporting periods beginning on or after 1 January 2015. The Group will assess the effects of the new standard once all parts of the standard are complete.
- IFRS 10, Consolidated Financial Statements and amended IAS 27, Separate Financial Statements (not yet adopted by the EU). This standard is to be applied to annual reporting periods beginning on or after 1 January 2013. IFRS 10 supersedes the section in IAS 27 dealing with the preparation of consolidated financial statements. IAS 27 will continue to cover the treatment of subsidiaries, joint ventures and associates in separate financial statements. The rules concerning the preparation of consolidated financial statements remain unchanged. Instead, the amendment concerns how a company is to go about deciding whether it has a controlling interest and thus whether a company is to be consolidated. The standard is to be applied retrospectively in accordance with IAS 8, with certain modifications, including relief from retrospective consolidation where this is not practically possible. The standard is not expected to have any effect on the Group.
- IFRS 12, Disclosure of Interests in Other Entities (not yet adopted by the EU). This standard is to be applied to annual reporting periods beginning on or after 1 January 2013. Companies with interests in subsidiaries, associates, joint arrangements and structured entities are to disclose information concerning these in accordance with IFRS 12. The objective of such disclosure is to enable users of financial statements to assess any effects of the interests on the financial statements, as well as any risks associated with the interests concerned. The standard is to be applied retrospectively in accordance with IAS 8. The standard may possibly result in the Group disclosing additional information.
- IAS 1, Presentation of Financial Statements – changes to the presentation of other comprehensive income (not yet adopted by the EU). This standard is to be applied to annual reporting periods beginning on or after 1 July 2012. The revision involves changes to the grouping of transactions reported under other comprehensive income. Items that are recognised in profit and loss are to be recognised separately from those items that are not recognised in profit and loss. The proposal does not change the actual content of other comprehensive income, only the way it is presented.

- IAS 19, Employee Benefits – amended (not yet adopted by the EU). This standard is to be applied to annual reporting periods beginning on or after 1 January 2013. The amendments involve significant changes relating to the recognition of defined benefit pension plans, such as:
- The option of allocating actuarial gains and losses to periods as part of the ‘corridor’ approach is eliminated; instead, these must be recognised immediately in other comprehensive income. Those items attributable to the earning of defined benefit pensions, gains and losses arising on settlement of a pension liability and net financing relating to the defined benefit plan are all recognised in the income statement.
- The amendments include further changes focusing not on recognition of pensions, but rather on other forms of employee benefits. Termination benefits are to be recognised at the following time (whichever is the earlier): when the offer of the benefit cannot be withdrawn or in accordance with IAS 37 as part of restructuring of the business, for example.
- In the case of the Swedish entities, the actuarial calculations will also cover future payments of special payroll tax and net yield tax.
- The revised standard is to be applied retrospectively in accordance with IAS 8. The standard may be applied in advance.

Until now the Group has recognised actuarial gains and losses in the income statement. Once the amended version of IAS 19 enters into force these will be recognised in other comprehensive income.

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, as at 30 November 2011, there are no estimates or assumptions made in the financial statements that involve a significant risk of any material adjustment to the values of assets and liabilities in the forthcoming financial year.

CONSOLIDATED ACCOUNTS

General

The consolidated accounts cover the parent company and its subsidiaries. Subsidiaries are included in the consolidated accounts from the date of acquisition, which is the date on which the parent company gains a controlling interest, and are included in the consolidated accounts until such date as the controlling interest 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 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 conditional consideration, and thus no minority interest was reported. The put option was exercised in November 2010, when H&M acquired the remaining 40 percent of the shares. The difference between the final consideration and the provision was 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.

Development costs are capitalised to the extent that it is judged that the company will gain from future financial benefits and if the acquisition cost can be reliably calculated. The reported value includes the direct costs of services and materials acquired, as well as indirect costs attributable to the asset. Other development costs, as well as maintenance and training initiatives, are recognised as expenses in the income statement as they arise.

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. 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.

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 2010 and 2011 all of the Group's derivatives were in the cash flow hedging category. How these hedging transactions are reported is described below.

Hedging of forecast currency flows – cash flow hedging

Derivatives that hedge the forecast flow are reported in the balance sheet at fair value. Changes in value are reported 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)

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

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 2011, Alecta's consolidation ratio was 113 percent (134). 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.

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.

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 foresee-

able 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 segments, the operations are divided into three geographical regions: the Nordic Region, Euro Zone Countries excluding Finland, and the Rest of the World. 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 carried out centrally within the Group's finance department in accordance with 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 flows and financial assets in foreign currencies;
- 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 21,277 m (24,858). 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 106 m (124).

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. Most of the surplus liquidity is in Sweden and is invested in SEK, which reduces the Group's currency risk. 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 2 percent strengthening of the Swedish krona would have a positive effect on the hedge reserve in equity of around SEK 60 m (60) 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 154 m (-87).

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 are hedged under forward contracts on an ongoing basis. 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.

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

Investments are only permitted to be made in banks based in countries with a minimum rating of AA- (according to Standard & Poor's long-term rating) and funds are only invested in banks with a minimum rating of A- (Standard & Poor) and A3 (Moody's). The finance policy stipulates for various ratings the maximum amount that may be invested and the term for which it may be invested. Investments are only allowed in banks defined by Standard & Poor's or Moody's as having systemic importance in the country where they are based. Under Standard & Poor's rating model the bank shall have at least "moderate systemic importance" and under Moody's model the bank shall have at least "one-notch uplift for systemic support". No further investments shall be made in countries or banks which have the minimum allowed long-term rating and a negative outlook. Maximum credit exposure as of 30 November 2011 totalled SEK 24,678 m (28,091), equivalent to the book value of liquid assets of SEK 14,319 m (16,691), short-term investments of SEK 6,958 m (8,167), accounts receivable of SEK 2,337 m (2,258) and other SEK 1,064 m (975). Accounts receivable are divided between a large number of customers with low amounts per customer. The average debt was around SEK 1,900 (2,100). Bad debts during the year from accounts receivable were insignificant.

3 SEGMENT REPORTING

	2011	2010
Nordic Region		
External net sales	16,343	17,023
Operating profit	614	966
Operating margin, %	3.8	5.7
Assets excluding tax receivables	6,301	6,076
Liabilities excluding tax liabilities	1,496	1,562
Investments	344	393
Depreciation	303	276
Eurozone excluding Finland		
External net sales	56,687	58,412
Operating profit	1,486	3,011
Operating margin, %	2.6	5.2
Assets excluding tax receivables	17,598	16,178
Liabilities excluding tax liabilities	3,556	3,403
Investments	1,796	1,988
Depreciation	1,450	1,433
Rest of the World		
External net sales	36,969	33,048
Operating profit	2,989	2,038
Operating margin, %	8.1	6.2
Assets excluding tax receivables	15,202	12,248
Liabilities excluding tax liabilities	3,110	2,508
Investments	2,543	2,000
Depreciation	1,274	1,141

	2011	2010
Group Functions		
Net sales to other segments	59,778	58,641
Operating profit	15,290	18,644
Operating margin, %	25.6	31.8
Assets excluding tax receivables	19,853	23,615
Liabilities excluding tax liabilities	5,121	4,327
Investments	491	578
Depreciation	235	211
Eliminations		
Net sales to other segments	-59,778	-58,641
Total		
External net sales	109,999	108,483
Operating profit	20,379	24,659
Operating margin, %	18.5	22.7
Assets excluding tax receivables	58,954	58,117
Liabilities excluding tax liabilities	13,283	11,800
Investments	5,174	4,959
Depreciation	3,262	3,061

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

4 NET SALES BY COUNTRY

	2011	NO. OF STORES 30 NOV. 2011	2010	NO. OF STORES 30 NOV. 2010
Sweden	6,704	173	6,742	168
Norway	4,322	104	4,690	101
Denmark	3,362	90	3,493	87
UK	7,921	213	7,337	192
Switzerland	5,553	80	5,689	75
Germany	24,997	394	25,757	377
Netherlands	5,885	118	6,208	112
Belgium	2,609	66	2,765	64
Austria	4,002	66	4,389	66
Luxembourg	345	10	365	10
Finland	1,948	47	2,098	43
France	7,806	168	7,642	151
USA	9,209	233	8,490	208
Spain	4,968	132	5,257	122
Poland	2,255	89	2,199	76
Czech Republic	603	24	591	22
Portugal	732	23	778	21
Italy	3,667	87	3,610	72
Canada	2,491	58	2,442	55
Slovenia	420	12	477	11
Ireland	441	15	443	12
Hungary	397	20	310	15
Slovakia	212	10	189	7
Greece	621	22	532	18
China	3,283	82	2,340	47
Japan	1,476	15	1,708	10
Russia	1,299	19	785	11
South Korea	373	6	232	2
Turkey	283	8	26	1
Romania	267	11	—	—
Croatia	215	6	—	—
Singapore	104	1	—	—
Franchise	1,229	70	899	50
Total	109,999	2,472	108,483	2,206

5 ROYALTIES FROM GROUP COMPANIES

The parent company's internal sales consist of royalties from Group companies of SEK 6,958 m (6,900).

6 SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2011	Board, MD, executive management, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. Board, MD, executive management
Sweden, parent company	79	607	358	127	31
Subsidiaries	61	14,250	3,179	141	6
Group total	140	14,857	3,537	268	37

2010	Board, MD, executive management, salary	Salary, other employees	Social sec. costs total	of which pens. total	of which pens. Board, MD, executive management
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

BOARD FEES

Board fees paid for the year as approved by the 2010 AGM amounted to SEK 4,250,000 (3,875,000). Board fees were paid as follows:

	SEK
Stefan Persson, Chairman	1,425,000
Mia Brunell Livfors	375,000
Anders Dahlvig	375,000
Lottie Knutson	375,000
Sussi Kvar	450,000
Bo Lundquist	500,000
Melker Schörling	375,000
Christian Sievert	375,000

The fees were paid as resolved at the 2010 Annual General Meeting. This means that the fees relate to the period until the next AGM is held; that is, for the period 29 April 2010 to 28 April 2011. The amounts were paid out after the 2011 AGM.

As of the AGM on 28 April 2011 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 2011 AGM. See the Administration Report page 7.

REMUNERATION TO THE MANAGING DIRECTOR

Remuneration to the Managing Director for the 2011 financial year in the form of salary and benefits amounted to SEK 13.9 m (11.2), which included a bonus of SEK 2.1 m (0.2). Pension benefits for the current Managing Director are covered by a defined contribution plan and by the ITP plan. The combined pension expenses shall amount in total to 30 percent of the Managing Director's fixed sal-

ary. Pension expenses for the current Managing Director amounted to SEK 3.5 m (3.3). 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.

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 158.6 m (144.2). The change in the year's pension commitments entered as liabilities include actuarial losses of SEK 19.5 m (actuarial losses of SEK 1.7 m). Pension costs for the former Managing Director are included under "of which pensions to Board, MD, executive management".

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 61.9 m (49.3), which included bonuses of SEK 7.3 m (0.8). Pension expenses relating to other members of the executive management during the year amounted to SEK 14.6 m (8.8). The other members of the executive management are 16 (16) individuals, six 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, Sustainability, 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 6.1 m (3.9) were paid out to country managers. No severance pay agreements exist within the Group other than for the Managing Director as described above. The terms of employment for other members of the executive management 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 to a Swedish foundation, Stiftelsen H&M Incentive Program.

All employees of the H&M Group, regardless of their position and salary level, are included in the programme according to the same basic principle – based on length of employment, either full-time or part-time. The number of years that the employee has

worked for the company are taken into account in the qualification period, which is five years unless local rules require otherwise. As a general rule, funds will begin to be paid out no earlier than 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.

Each year the foundation will normally receive a contribution from the H&M Group corresponding to 10 percent of the increase in dividend compared with the previous year's dividend, provided this amounts to no more than 2 percent of the total dividend. There is a certain amount of flexibility as regards proposed contributions. One example of an exceptional situation is a year in which there is no increase in dividend. The Board may propose to the AGM that a contribution be made to the foundation nonetheless, in order to reward employees. Another example might be a year in which the dividend increase is disproportionately high; in this case, the previously mentioned cap of 2 percent of the total dividend could be applied. The contribution represents a cost to the H&M Group and does not affect the dividend resolution passed. It does not result in any dilution of existing shares. The contribution to the foundation is to be invested in H&M shares. H&M has no other commitments beyond this.

In the consolidated accounts the costs of the incentive programme are 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 first units in the foundation were allocated to employees in 2011 and were based on the 2010 earnings year. The first contribution by H&M to the foundation was also made in 2011. The contribution was based on the increase in dividend compared with the previous year's dividend. The contribution, which was made after the 2011 AGM, was SEK 248 m. The cost of the contribution was expensed in the second quarter of the 2011 financial year.

7 AVERAGE NUMBER OF EMPLOYEES

	2011		2010	
	Total	Male %	Total	Male %
Sweden	5,855	22	5,398	25
Norway	1,740	9	1,707	9
Denmark	1,397	8	1,522	7
UK	5,404	23	4,903	22
Switzerland	1,985	14	1,984	14
Germany	12,498	19	11,845	19
Netherlands	2,403	16	2,240	16
Belgium	1,836	25	1,632	22
Austria	1,906	9	1,921	10
Luxembourg	158	16	137	13
Finland	817	7	913	7
France	5,137	24	4,381	26
USA	5,096	34	4,543	34
Spain	3,209	18	4,303	18
Poland	4,099	19	3,089	18
Czech Republic	388	10	312	12
Portugal	582	15	693	16
Italy	2,158	27	2,037	27
Canada	1,142	22	1,114	22
Slovenia	141	13	137	15
Ireland	258	18	241	24
Hungary	260	17	182	14

	2011		2010	
	Total	Male %	Total	Male %
Slovakia	198	18	96	19
Greece	460	17	294	22
China	3,048	26	2,013	30
Japan	472	43	475	44
Russia	724	26	565	27
South Korea	286	29	143	28
Turkey	320	38	200	25
Romania	236	35	22	9
Croatia	124	13	—	—
Singapore	51	37	—	—
Other countries	486	67	398	71
Group total	64,874	21	59,440	21

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	
	2011	2010	2011	2010
Cost of goods sold	366	336	—	—
Selling expenses	2,698	2,540	—	—
Administrative expenses	198	185	95	97
Total	3,262	3,061	95	97

9 AUDIT FEES

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Ernst & Young				
Audit assignments	15.5	15.9	2.5	2.4
Auditing other than audit assignments	1.3	1.1	0.1	0.1
Tax consultancy	11.4	10.9	0.1	0.1
Other auditors				
Audit assignments	3.3	3.2	—	—
Total	31.5	31.1	2.7	2.6

10 TAX

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
<i>Tax expense (-) / tax receivable (+):</i>				
Current tax				
Tax expense for the period	-5,281	-7,255	-600	-881
Tax effect of group contributions provided	—	—	—	-34
Adjusted tax expense for previous years	98	—	—	—
Total	-5,183	-7,255	-600	-915
Deferred tax receivable (+) / tax expense (-) in respect of				
Temporary differences in stock-in-trade	188	-280	—	—
Loss carry-forward	-47	47	—	—
Pension provisions	14	3	4	3
Tax allocation reserve	—	1,150	—	—
Intangible fixed assets	16	26	—	—
Tangible fixed assets	-83	32	—	—
Other temporary differences	-26	-50	—	—
Total	62	928	4	3
Total	-5,121	-6,327	-596	-912
<i>Reconciliation between current tax rate and effective tax rate:</i>				
Expected tax expense according to the Swedish tax rate of 26.3%	-5,508	-6,577	-4,324	-4,096
Effect of changed tax rate in Sweden	—	58	—	—
Difference in foreign tax rates	425	288	—	—
Non-deductible/non-taxable	-152	-166	-13	-13
Other	16	70	—	—
Tax for previous years	98	—	—	—
Tax-free dividend subsidiaries	—	—	3,741	3,196
Total	-5,121	-6,327	-596	-912
Reported deferred tax receivable relates to:				
Pensions	108	87	63	59
Tangible fixed assets	14	—	—	—
Loss carry-forward in subsidiaries	—	47	—	—
Temporary differences in stock-in-trade	851	672	—	—
Hedging reserves	14	—	—	—
Other temporary differences	247	259	—	—
Total	1,234	1,065	63	59
Reported deferred tax expense relates to:				
Intangible fixed assets	100	116	—	—
Tangible fixed assets	503	406	—	—
Stock-in-trade	256	265	—	—
Tax allocation reserve	—	—	—	—
Hedging reserves	80	98	—	—
Other temporary differences	11	21	—	—
Total	950	906		

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

11 INTANGIBLE FIXED ASSETS

	GROUP	
	2011	2010
Brand*		
Opening acquisition cost	470	470
Acquisitions during the year	—	—
Closing acquisition cost	470	470
Opening amortisation	-121	-74
Amortisation for the year	-47	-47
Closing accumulated amortisation	-168	-121
Closing book value	302	349
Customer relations*		
Opening acquisition cost	131	131
Acquisitions during the year	—	—
Closing acquisition cost	131	131
Opening amortisation	-34	-21
Amortisation for the year	-13	-13
Closing accumulated amortisation	-47	-34
Closing book value	84	97
Leasehold rights		
Opening acquisition cost	1,115	1,086
Acquisitions during the year	71	147
Sales/disposals	-99	-4
Translation effects	-13	-114
Closing acquisition cost	1,074	1,115
Opening amortisation	-427	-342
Sales/disposals	63	1
Amortisation for the year	-123	-130
Translation effects	-2	44
Closing accumulated amortisation	-489	-427
Closing book value	585	688
Goodwill*		
Opening book value	64	424
Adjusted consideration/additional consideration	—	-360
Closing book value	64	64

* Brands, customer relations and goodwill assets were 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 was recognised as a SEK 360 m reduction in goodwill.

A goodwill impairment test was carried out at the end of 2011. 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 (2) in subsequent years. A discount rate of 12 percent (12) before tax was used. The cash flows are based on H&M's business plan. The growth rate of 2 percent (2) 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	
	2011	2010	2011	2010
Buildings				
Opening acquisition cost	781	629	105	105
Acquisitions during the year	157	180	—	—
Sales/disposals	—	—	—	—
Translation effects	21	-28	—	—
Closing acquisition cost	959	781	105	105
Opening depreciation	-220	-207	-60	-57
Sales/disposals	—	—	—	—
Depreciation for the year	-26	-18	-3	-3
Translation effects	-6	5	—	—
Closing accumulated depreciation	-252	-220	-63	-60
Closing book value	707	561	42	45
Land				
Opening acquisition cost	95	70	3	3
Acquisitions during the year	—	29	—	—
Sales/disposals	—	—	—	—
Translation effects	2	-4	—	—
Closing book value	97	95	3	3
Equipment				
Opening acquisition cost	24,632	23,576	756	736
Acquisitions during the year	4,946	4,603	119	100
Sales/disposals	-1,518	-1,620	-175	-80
Translation effects	25	-1,927	—	—
Closing acquisition cost	28,085	24,632	700	756
Opening depreciation	-9,819	-9,257	-387	-373
Sales/disposals	1,404	1,508	175	80
Depreciation for the year	-3,053	-2,853	-92	-94
Translation effects	-28	783	—	—
Closing accumulated depreciation	-11,496	-9,819	-304	-387
Closing book value	16,589	14,813	396	369

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 2011 financial year amounted to SEK 12,993 m (12,891), of which sales-based rent amounted to SEK 1,232 m (1,044).

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	9,942 (9,546)
Rental commitments in next 2–5 years	28,085 (27,255)
Rental commitments more than 5 years ahead	18,273 (17,878)

13 PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Prepaid rent	769	701	7	7
Other items	341	175	7	2
Total	1,110	876	14	9

14 SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Short-term investments, 4–12 months	6,958	8,167	5,038	8,167
Total	6,958	8,167	5,038	8,167

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 2.94 and 3.40 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

15 LIQUID FUNDS

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Cash and bank balances	5,739	5,437	177	123
Short-term investments, 0–3 months	8,580	11,254	501	100
Total	14,319	16,691	678	223

Investments are made on market terms and the interest rates are between 0.10 and 3.10 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	
	2011	2010	2011	2010	2011	2010
SELL/BUY						
NOK/SEK	-2	10	371	428	4	4
GBP/SEK	-26	21	1,276	1,095	4	4
DKK/SEK	0	8	415	360	4	4
CHF/SEK	22	-2	626	650	3	4
EUR/SEK	3	167	8,669	7,525	4	4
PLN/SEK	22	11	364	336	4	4
USD/SEK	-68	23	1,407	1,352	4	4
CAD/SEK	-4	2	307	298	4	4
JPY/SEK	-7	6	128	365	3	3
SEK/USD	365	48	9,441	8,419	2	2
SEK/EUR	1	-13	1,099	1,036	2	2
Total	306	281	24,103	21,864		

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 456 m (457), which is reported under Other current receivables. Forward contracts with a negative market value amount to SEK 150 m (176), which is reported under Other current liabilities. Of the outstanding forward contracts, gains of SEK 88 m were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 218 m was recorded in the hedge reserve in equity.

Regarding measurement see Note 19.

17 SHARE CAPITAL

The share capital is divided between 194,400,000 class A shares (ten votes per share) and 1,460,672,000 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.

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		
	2011	2010	2009	2011	2010	2009
Capitalised value of defined benefit obligations	951	348	335	271	252	238
Fair value of managed assets	-574	-91	-81	-31	-29	-27
Provision for pension obligations recorded in the balance sheet	377	257	254	240	223	211
Opening balance, 1 December	257	254	228	223	211	193
Adjustment of opening balance*	64	—	—	—	—	—
Adjusted opening balance	321	254	228	223	211	193
Reported pension expenses, net	120	33	38	33	28	23
Premiums paid	-43	-13	-5	-1	-3	-2
Pensions paid out	-21	-17	-7	-15	-13	-3
Recorded amount of defined benefit obligations, 30 November	377	257	254	240	223	211

* The change in the capitalised value of defined benefit obligations and the fair value of managed assets is mainly due to the fact that the pension plan in Switzerland was previously reported as a defined contribution plan. With effect from the 2011 financial year this is reported in accordance with the rules for defined benefit plans. Had the plan been reported in accordance with these rules the previous year, the commitment would have amounted to SEK 64 m. This effect, adjusted by deferred tax, has been recognised as an adjustment of opening shareholders' equity.

The amounts recorded as pension expenses include the following items:

Expenses for service during the current year	55	16	34	5	9	23
Interest expense	29	12	11	8	8	7
Expected return on managed assets	-19	-3	-3	-1	-1	-1
Actuarial gains (-) and losses (+)	51	7	-4	21	6	-6
Reductions/adjustments gains (-) and losses (+)	0	-10	—	0	-4	—
Recognised past service cost	0	13	—	0	10	—
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	4	-2	0	—	—	—
Reported pension expenses, net	120	33	38	33	28	23

The cost of defined contribution pension plans amounts to SEK 240 m (238).

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

Discount rate	2.77%	3.25%	3.61%	3.25%	3.25%	3.50%
Expected return on managed assets	1.73%	3.12%	3.57%	2.25%	3.25%	3.25%
Future salary increases	2.72%	4.73%	4.63%	5.00%	5.00%	5.00%
Future pension increases (inflation)	0.83%	2.00%	3.00%	2.00%	2.00%	2.00%

19 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2011	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	—	608	—	—	608
Accounts receivable	2,337	—	—	—	2,337
Other receivables	—	—	456	—	456
Short-term investments	—	6,958	—	—	6,958
Liquid funds	8,580	5,739	—	—	14,319
Total financial assets	10,917	13,305	456	—	24,678
Accounts payable	—	—	—	4,307	4,307
Other liabilities	—	—	150	—	150
Total financial liabilities	—	—	150	4,307	4,457

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

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.

20 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Holiday pay liability	672	627	67	51
Social security costs	440	438	71	54
Payroll liability	544	450	18	14
Costs relating to premises	2,078	1,959	0	4
Other accrued overheads	2,437	1,902	102	104
Total	6,171	5,376	258	227

21 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, Drottninggatan 56 and Drottninggatan 57 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen, Oxford Circus and Regent Street in London, Kaufinger Strasse in Munich and, since January 2008, premises for H&M's head office in Stockholm. Rent is paid at market rates and totalled SEK 227 m (229) for the financial year.

Karl-Johan Persson received remuneration in the form of salary and benefits amounting to SEK 13.9 m (11.2), which included a bonus of SEK 2.1 m (0.2), for work carried out during the financial year as Managing Director of H & M Hennes & Mauritz AB.

22 APPROPRIATIONS

	PARENT COMPANY	
	2011	2010
Reversal of tax allocation reserve	—	705
Depreciation in excess of plan	-9	1
Total	-9	706

23 PARTICIPATIONS IN GROUP COMPANIES

All Group companies are wholly-owned.

2011	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 Online 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		8,650,000	12.5	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			589.7	

2011	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

2011	Corporate ID number	Domicile
H & M Hennes & Mauritz d.o.o. za trgovinu		Croatia
H & M Hennes & Mauritz PTE Ltd		Singapore
H & M Hennes & Mauritz EOOD		Bulgaria
Fabric Retail Glbl 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

24 UNTAXED RESERVES

	PARENT COMPANY	
	2011	2010
Depreciation in excess of plan	128	119
Total	128	119

25 CONTINGENT LIABILITIES

	PARENT COMPANY	
	2011	2010
Parent company's lease guarantees	9,321	12,729
Total	9,321	12,729

26 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, 25 January 2012

STEFAN PERSSON
Chairman of the Board

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

AGNETA RAMBERG
Board member

MARGARETA WELINDER
Board member

KARL-JOHAN PERSSON
Managing Director

Our audit report was submitted on 26 January 2012

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 2010 to 30 November 2011. The company's annual accounts and consolidated accounts are included in this document on pages 5–32. 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 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, 26 January 2012

Ernst & Young AB

Erik Åström
Authorised Public Accountant

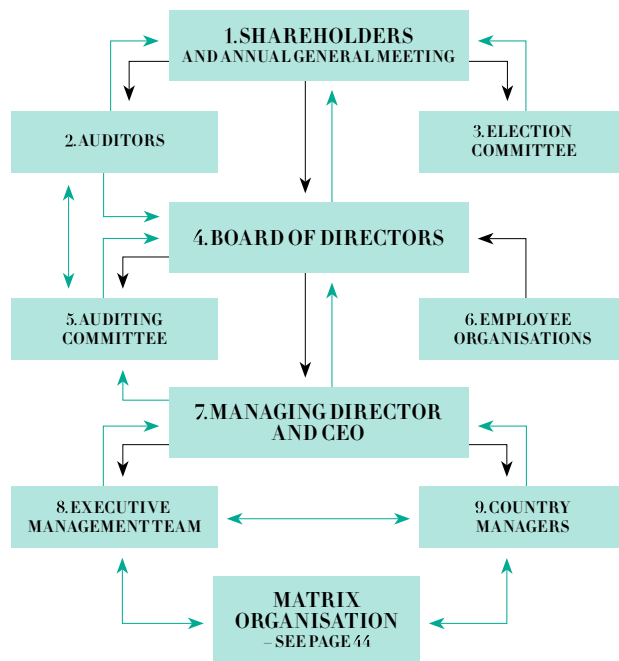
CORPORATE GOVERNANCE REPORT 2011

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 2011 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 items 3–6 of the Annual Accounts Act is included in the administration report on page 8 of H&M in Figures 2011 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 can be found 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.



→ REPORTS TO/PROVIDES INFORMATION
 → APPOINTS/ELECTS/PROPOSES

Deviation from section 2.4 of the Code:

– The Chairman of the Board is the chairman of the Election Committee. Reason for the deviation: The Election Committee appointed Chairman of the Board Stefan Persson as chairman of the Election Committee on the grounds that this is deemed an obvious choice in view of the ownership structure of H&M.

H&M's CORPORATE GOVERNANCE STRUCTURE

H&M's shareholders make the ultimate decision on the company's direction, since the shareholders at the Annual General Meeting appoint the Board of Directors and the Chairman of the Board. The Annual General Meeting also elects auditors, decides on the principles of the Election Committee and selects the members of this committee. The task of the Board of Directors is to manage H&M's affairs on behalf of the shareholders. The auditors report to the Annual General Meeting on their scrutiny. The Board of Directors establishes a work plan for the Board as well as instructions for the Managing Director. Auditing matters are dealt with in the Auditing Committee, which is the main channel of communication between the Board and the company's auditors. The Board of Directors appoints the Managing Director. The Managing Director in turn appoints the members of the executive management team and the country managers. H&M has a matrix organisation.

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
 - Code of Conduct
 - policies such as the Financing Policy and Communications Policy, guidelines and manuals

1. 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 ordinary general meeting (the Annual General Meeting) is convened once a year in order to carry out tasks such as adopting the annual accounts and consolidated accounts, discharging the members of the Board of Directors and the Managing Director from liability and deciding how the profit for the past financial year is to be allocated. The Annual General Meeting also decides on guidelines for remuneration to senior executives. In addition, the meeting decides on any amendments to the Articles of Association and elects the Board of Directors and, when necessary, auditors for the forthcoming period of office. Extraordinary general meetings can be held where there is a particular need to do so.

2. AUDITORS

The auditors are appointed by the shareholders at H&M's 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.

3. 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, fees to the Board and auditors, as well as 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.

4. 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.

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.

5. AUDITING COMMITTEE

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 auditors appointed by the Annual General Meeting attend the meetings of the Auditing Committee to report on their scrutiny of the Group's annual accounts, consolidated accounts, etc. 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, all of which have expertise in accounting or auditing. Two of the members are independent of 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.

6. EMPLOYEE ORGANISATIONS

Under Swedish law, the employees have the right to appoint employee representatives with deputies to the company's Board. These are ap-

pointed via employee organisations (trade unions). The trade unions appoint two Board members and two deputies to the Board of H&M.

7. 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, sales and profitability, marketing, expansion, development of the store network and of online 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.

8, 9. EXECUTIVE MANAGEMENT TEAM AND COUNTRY MANAGERS

H&M has a matrix organisation, which means that the members of the executive management team responsible for each department are responsible for that department's support, training and best practice, and for each country working efficiently in accordance with the policies and guidelines issued by head office. The country managers are responsible for sales, profitability and operations in their country, and thereby have overall responsibility for all the departments in their country. The country organisations are in turn divided into regions, with a number of stores in each region.

Internal control is evaluated annually by each central department, which checks that this department of the business in each country is working in accordance with the policies and guidelines laid down. The stores are in turn checked by internal store auditors.

READ MORE AT www.hm.com

To find out more about H&M's corporate governance visit www.hm.com/corporategovernance

Among other things, you will find:

- Previous corporate governance reports dating back to 2005
- Articles of Association
- Information on the Election Committee, Board of Directors, Managing Director, auditors, Auditing Committee, etc.
- Information and material from previous AGMs dating back to 2004
- Risks and uncertainties

SHAREHOLDERS AND ANNUAL GENERAL MEETING

H&M's class B share is listed on NASDAQ OMX Stockholm AB. At the end of the financial year H&M had 201,673 shareholders. 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).

H&M's largest shareholder is Stefan Persson and family, who via Ramsbury Invest AB hold all the class A shares, which represent 57.1 percent of the votes, as well as 393,049,043 class B shares, which represent 11.5 percent of the votes. This means that as at 30 November 2011 Stefan Persson and family represent 68.6 percent of the

votes and 35.5 percent of the total number of shares. Ramsbury Invest AB is thus the parent company of H & M Hennes & Mauritz AB.

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.

Information material from H&M's most recent Annual General Meetings as well as H&M's Extraordinary General Meeting in 2010 can be found on www.hm.com under the heading 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. H&M's e-mail address is also given for those shareholders who wish to submit their questions in advance to H&M.

ANNUAL GENERAL MEETING 2011

H&M's Annual General Meeting 2011 was held on 28 April in Victoriahallen at the Stockholm International Fairs. 1,498 shareholders were represented at the meeting, representing 82.3 percent of the votes and 63.5 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.
- Balance sheets and income statements for the parent company and for the Group were adopted.
- A dividend to shareholders of SEK 9.50 per share was approved.
- The Board members and the Managing Director were discharged from liability for the 2009/2010 financial year.
- The number of Board members elected by the meeting to serve until the next AGM was set at eight, with no deputies.
- All the ordinary Board members – Mia Brunell Livfors, Anders Dahlvig, Lottie Knutson, Sussi Kvart, Bo Lundquist, Stefan Persson, Melker Schörling and Christian Sievert – were re-elected by the AGM.
- Stefan Persson was re-elected as Chairman of the Board.
- The fees paid to Board members until the next AGM were set at SEK 4,850,000 in total, to be distributed as follows: Chairman of the Board SEK 1,350,000; Board members SEK 450,000; members of the Auditing Committee an extra SEK 100,000; and the chairman of the Auditing Committee an extra SEK 150,000.
- The proposed principles for the Election Committee were approved and members of the Election Committee were elected.
- The amendment of the Articles of Association, with a view to adapting the Articles to amendments in the Swedish Companies Act, was approved.
- 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 state-

ment concerning the proposed allocation of profits, the Managing Director's speech 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
2011	82.3	63.5

COMPOSITION AND WORK OF THE ELECTION COMMITTEE IN 2011/2012

The members of the Election Committee were elected by the 2011 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 2011, 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 2011" under the heading Election Committee in the Corporate Governance section at www.hm.com.

The composition of the Election Committee following the 2011 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

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. The Election Committee elected at the 2010 AGM presented its proposals to the 2011 AGM. The Election Committee provided the following grounds for its proposed composition of the Board before the 2011 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".

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2011

NAME	YEAR ELECTED	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES (\$EK) ³⁾	BOARD MEETINGS	AUDITING COMMITTEE	SHAREHOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson, Chairman	1979	No	No	1,425,000	6/6	4/4		194,400,000 ⁴⁾ 393,049,043 ⁵⁾
Mia Brunell Livfors	2008	Yes	Yes	375,000	5/6			600 ⁶⁾
Anders Dahlvig	2010	Yes	Yes	375,000	6/6		9,000	
Lottie Knutson	2006	Yes	Yes	375,000	6/6		1,400	
Sussi Kvart	1998	Yes	Yes	450,000	6/6	4/4	4,400	1,700
Bo Lundquist	1995	Yes	Yes	500,000	6/6	4/4		100,000 ⁷⁾
Melker Schörling	1998	Yes	Yes	375,000	6/6			228,000 ⁸⁾
Christian Sievert	2010	Yes	Yes	375,000	6/6		50,000	600
Marianne Broman, ⁹⁾ employee rep.	1995				3/6		140	290
Margareta Welinder, employee rep.	2007				6/6			
Agneta Ramberg, ⁹⁾ employee rep.	1997				5/6			
Marie Björstedt, ⁹⁾ deputy employee rep.	2011				4/6			
Tina Jäderberg, deputy employee rep.	2007				6/6			

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 2010 Annual General Meeting. This means that the fees relate to the period until the next AGM is held, i.e. for the period 29 April 2010 to 28 April 2011. The amount was paid out after the 2011 AGM.

4) Class A shares owned through Ramsbury Invest AB.

5) Class B shares owned through Ramsbury Invest AB.

6) Shares held together with related parties.

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

8) Shares owned through Melker Schörling AB.

9) Employee representative Marianne Broman retired in 2011. Former deputy employee representative Agneta Ramberg succeeded Marianne Broman as employee representative at the 2011 AGM and Marie Björstedt became the new deputy employee representative.

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

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

Since the 2011 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, the election of a chairman for the meeting and fees for Board members.

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

ANNUAL GENERAL MEETING 2012

H&M's Annual General Meeting 2012 will be held on Thursday 3 May in Victoriahallen at the Stockholm International Fairs. To register to attend the 2012 AGM, see H&M in Figures 2011 page 50 or visit www.hm.com/agm.

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 2012 AGM.

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.

THE BOARD OF DIRECTORS

Since the 2011 AGM the Board has consisted of eight ordinary members elected by the AGM and no deputies. There are also two employee representatives, with two deputies for these positions. The Board is comprised of seven women and five men. Only the employee representatives are employed by the company. The 2011 AGM re-elected all the Board members and Stefan Persson was re-elected as Chairman of the Board.

For facts about H&M's Board members, see pages 42–43. The Board members are to devote the time and attention that their assignment for H&M requires. New Board members receive intro-

ductory 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 2010/2011

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

The Board's attendance 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 2011.

During the year the Board addressed and discussed the following matters:

- The company's financial situation, with sales, costs and results as the main focus.
- Decisions on the interim reports, full year report, annual accounts and consolidated accounts, as well as the corporate governance report. Accounting and auditing matters are prepared within the Auditing Committee and reported to the Board (see next section).
- Investments for the coming financial year.
- Guidelines for remuneration to senior executives.
- Expansion strategy, aims and new markets.
- Among other things, the Managing Director reported on developments in H&M's various markets including the new markets of Romania, Croatia, Singapore, Jordan and Morocco, the customer offering, buying work, the level of stock-in-trade, marketing, online sales, organisational changes, expansion and developments relating to the more recent concepts – COS, Monki, Weekday, Cheap Monday and H&M Home.
- The dividend proposal to the AGM of SEK 9.50 per share for the 2009/2010 financial year.
- Decision to continue with the present model for monitoring internal control – see page 45.
- Examination of the executive management team's updated risk assessment.
- Decisions were taken during the year on updated policy documents such as the work plan and information policy.
- Production, buying processes, the environment and sustainability.
- 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 2009/2010, auditor Erik Åström gave an account of the year's audit work.

THE AUDITING COMMITTEE IN 2010/2011

Since the statutory meeting held in conjunction with the 2011 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 2011.

Ernst & Young attended the Auditing Committee meetings and reported on the auditing assignments. The meetings were also attended by CFO Jyrki Tervonen and Chief Accountant Anders Jonasson, among others. The Committee's meetings are minuted and the minutes are then distributed to the Board members. During the year the Auditing Committee addressed the following matters, among others:

- The company's financial reporting, including interim reports, the corporate governance report and 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.
- The significance of the European debt crisis for the company.
- The company's internal pricing model and tax issues.
- Ernst & Young provided the Committee with information on the results of its scrutiny as well as the scope of the audit.
- Among other things, the following functions also gave presentations/provided information on their work: Production, Security, Human Resources and Transfer Pricing.
- The introduction of new bribery legislation in the UK in 2011 and in 2012 also in Sweden.

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 above). More information is available in the section on internal control over financial reporting.

AUDITORS

At the 2009 AGM the 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 the audit.

As previously, the 2011 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 listed companies such as Hakon Invest and Svenska Handelsbanken, as well as for IKEA Sweden and NASDAQ OMX.

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

AUDIT FEES (SEK M)

	GROUP		PARENT COMPANY	
	2011	2010	2011	2010
Ernst & Young				
Audit assignments	15.5	15.9	2.5	2.4
Other assignments	1.3	1.1	0.1	0.1
Tax consultancy	11.4	10.9	0.1	0.1
Other auditors				
Audit assignments	3.3	3.2	—	—
TOTAL	31.5	31.1	2.7	2.6

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 US and the UK. Between the years 2006 and 2009 he was also a member of the Board of H & M Hennes & Mauritz AB.

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 is a shareholder in Ramsbury Invest AB, and also personally holds 12,136,289 class B shares in H&M.

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 heads of department on the executive management team are responsible.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

In accordance with the Swedish Companies Act the 2011 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 2011 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 2011 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.

Before the 2011 Annual General Meeting the Board carried out an assessment of the guidelines for remuneration of senior executives that were adopted by the 2010 AGM. The results of this assessment were published on the website in good time before the 2011 AGM.



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

MARIE BJÖRSTEDT
*Deputy employee
representative*

TINA JÄDERBERG
*Deputy employee
representative*

MELKER SCHÖRLING
Board member

MIA BRUNELL LIVFORS
Board member

ANDERS DAHLVIG
Board member



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

LOTTIE KNUTSON
Board member

MARGARETA WELINDER
Employee representative

CHRISTIAN SIEVERT
Board member

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

AGNETA RAMBERG
Employee representative

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 following boards since:

2006 Metro International S.A., Tele2 AB
Transcom WorldWide S.A., Korsnäs AB
2007 Modern Times Group MTG AB
Millicom International Cellular S.A.
2008 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
and Resurs Bank 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 the Swedish School of Sport and Health Sciences (GIH) Stockholm, Shareville AB, Club Consulting AB and Gothenburg School of Gymnastics. Member of the boards of Teknikmagasinet AB, Athlete Sports Academy Sweden AB and the Anders Wall Foundation's Professorial Chair in Entrepreneurship.

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 LM Ericsson, Mexico.
1975–1979 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 Advisor AB, a venture capital company.

OTHER SIGNIFICANT BOARD ASSIGNMENTS

Member of the boards of AB Segulah, Segulah Advisor AB, Gunnebo Industrier, Kemetyl, CCS Healthcare and S:t Eriks.

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.

AGNETA RAMBERG

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

MARGARETA WELINDER

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

MARIE BJÖRSTEDT

Deputy employee representative on the H&M Board since 2011. Born 1957.

TINA JÄDERBERG

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

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 man-

agement 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 the work within their function in each country being efficient (the vertical arrows). The country managers are responsible for sales and profitability in their country and thereby have overall responsibility for all the functions within their operations (the horizontal arrows). The country organisations are in turn divided into regions, with a number of stores in each region.

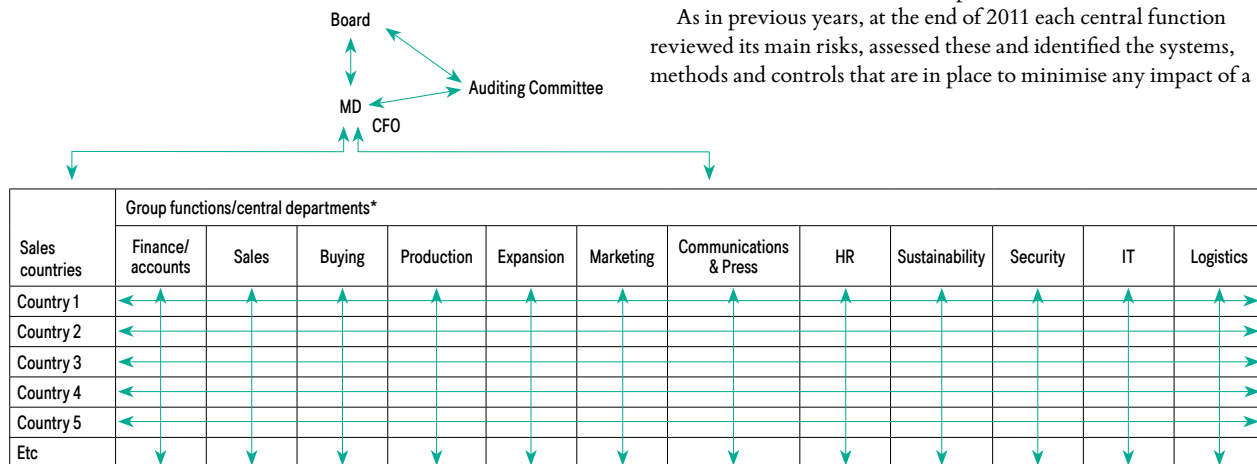
All the companies within the H&M Group – apart from Weekday Brands, which is engaged in wholesale operations – have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which facilitates internal control and comparisons between the various companies.

There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the Group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated to the respective departments 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.

As in previous years, at the end of 2011 each central function reviewed its main risks, assessed these and identified the systems, methods and controls that are in place to minimise any impact of a



* 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.

risk. This information was compiled at Group level into an overall risk analysis and was discussed with each function with a view to gaining an overall picture of the main risks within the company.

The risk analyses for operational risks and for risks within the financial reporting were then dealt with in the Auditing Committee and thereafter communicated to the Board.

For a description of H&M's operational risks see the Administration Report, pages 8–9, and for the financial risks see Note 2 Financial risks on page 22 in H&M in Figures 2011 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, monthly accounts and financial reports.

IT systems are scrutinised regularly during the year to ensure the validity of H&M's IT systems with respect to financial reporting. In 2011 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 are updated on an ongoing basis. This takes place primarily within each central function and is communicated to the sales countries by e-mail and via the 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

Prior to the work to assess internal control in 2011, the issues were studied at Group level to ascertain what could be improved and updated in the functions' working materials. This work resulted in updated checklists – both general and department-specific lists, as well as a summary template – for the central functions to use in their audits in 2011.

As part of the company's 2011 internal control work the central departments carried out assessments of their respective functions in

the sales countries based partly on general issues and partly on department-specific issues, using the COSO model.

This work resulted in a plan of action for each central department containing the areas that should be improved to further strengthen internal control, not only in respect of each country but also for the central function. The functions also followed up on the assessments made in the previous year. It is felt that the way in which H&M assesses internal control is firmly rooted within the organisation. It is an aid and a control by which the central functions can ensure that their respective departments in the sales countries are working in a uniform and desirable way. The assessment of internal control also allows each sales country to provide valuable and constructive feedback to the central function regarding where there is room for improvement at central level. An important part of the internal control work is the feedback to the country management (country manager and country controller) which the central function provides based on the results of the evaluation in each country. This is done with a view to being transparent and ensuring that the countries apply best practice.

Internal shop controllers perform annual checks at the stores 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, this model – which is applied by the central departments such as Accounts, Communications, Security, Logistics, Production, etc. in the sales countries – and 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 2012.

Stockholm, January 2012

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 financial year 1 December 2010 to 30 November 2011 on pages 34–45. 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 2012

Ernst & Young AB

Erik Åström
Authorised Public Accountant



Top
€9.95

ALL FOR CHILDREN

FIVE YEAR SUMMARY

1 DECEMBER - 30 NOVEMBER

THE FINANCIAL YEAR	2011	2010	2009	2008	2007
Sales including VAT, SEK m	128,810	126,966	118,697	104,041	92,123
Sales excluding VAT, SEK m	109,999	108,483	101,393	88,532	78,346
Change from previous year, %	+1	+7	+15	+13	+15
Operating profit, SEK m	20,379	24,659	21,644	20,138	18,382
Operating margin, %	18.5	22.7	21.3	22.7	23.5
Depreciation for the year, SEK m	3,262	3,061	2,830	2,202	1,814
Profit after financial items, SEK m	20,942	25,008	22,103	21,190	19,170
Profit after tax, SEK m	15,821	18,681	16,384	15,294	13,588
Liquid funds and short-term investments, SEK m	21,277	24,858	22,025	22,726	20,964
Stock-in-trade, SEK m	13,819	11,487	10,240	8,500	7,969
Equity, SEK m	44,104	44,172	40,613	36,950	32,093
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	9.56	11.29	9.90	9.24	8.21
Shareholders' equity per share, SEK*	26.65	26.69	24.54	22.33	19.39
Cash flow from current operations per share, SEK*	10.53	13.19	10.86	10.86	9.29
Dividend per share, SEK	9.50**	9.50	8.00	7.75	7.00
Return on equity, %	35.8	44.1	42.2	44.3	45.4
Return on capital employed, %	47.1	58.7	56.7	61.1	63.7
Share of risk-bearing capital, %	74.9	76.2	78.5	75.7	78.5
Equity/assets ratio, %	73.3	74.6	74.7	72.1	76.9
Total number of stores	2,472	2,206	1,988	1,738	1,522
Average number of employees	64,874	59,440	53,476	53,430	47,029

* Before and after dilution. Number of shares has been adjusted for all periods due to the 2-for-1 share split effected by H&M in 2010.

** Proposed by the Board of Directors.

For definitions of key ratios see page 31.

THE H&M SHARE

KEY RATIOS PER SHARE	2011	2010	2009	2008	2007
Shareholders' equity per share, SEK	26.65	26.69	24.54	22.33	19.39
Earnings per share, SEK	9.56	11.29	9.90	9.24	8.21
Change from previous year, %	-15	+14	+7	+13	+26
Dividend per share, SEK	9.50*	9.50	8.00	7.75	7.00
Market price on 30 November, SEK	214.00	237.40	206.15	149.00	199.50
P/E ratio	22	21	21	16	24

* Board's proposal.

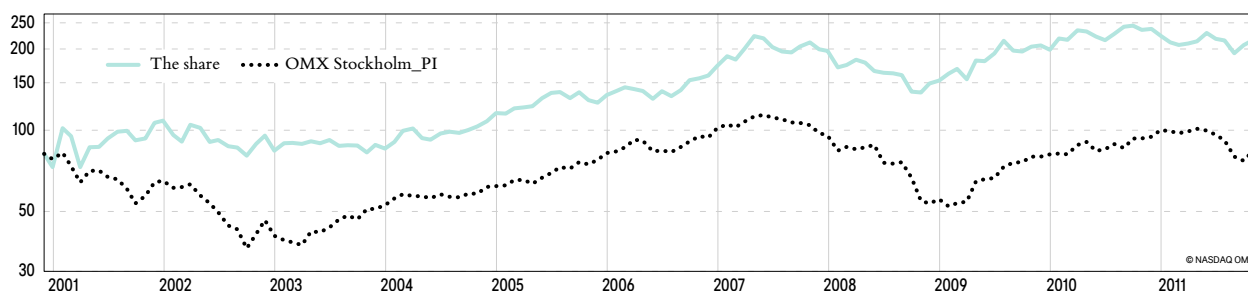
In 2010 H&M implemented a 2-for-1 share split. The years 2007–2009 in the table above have therefore been adjusted for the new number of shares.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2010

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1–500	152,012	75.4	24,414,806	1.5	161
501–1,000	24,011	11.9	19,142,349	1.2	797
1,001–5,000	20,157	10.0	44,711,744	2.7	2,218
5,001–10,000	2,571	1.3	18,921,235	1.1	7,359
10,001–15,000	756	0.4	9,453,211	0.6	12,504
15,001–20,000	483	0.2	8,603,351	0.5	17,812
20,001–	1,683	0.8	1,529,825,304	92.4	908,987
Total	201,673	100	1,655,072,000	100	8,207

MAJOR SHAREHOLDERS, 30 NOVEMBER 2011

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
Stefan Persson and family	623,849,332	69.71	37.69
Lottie Tham and family	88,080,400	2.59	5.32
Alecta Pensionsförsäkring	61,840,000	1.82	3.74
Swedbank Robur fonder	43,338,695	1.27	2.62
AMF – Försäkring och Fonder	23,320,000	0.68	1.41
Handelsbanken fonder	22,045,860	0.65	1.33
Folksam	18,768,787	0.55	1.13
SEB Investment Management	16,635,216	0.49	1.01
Afa Försäkring	15,044,503	0.44	0.91
Jan Bengtsson	14,222,030	0.42	0.86



CONTACT DETAILS

HEAD OFFICE

H & M Hennes & Mauritz AB
Mäster Samuelsgatan 46A
106 38 Stockholm
Sweden
Telephone: +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
SUSTAINABILITY Helena Helmersson
EXPANSION Fredrik Olsson
BUSINESS DEVELOPMENT Björn Magnusson
NEW BUSINESS Pernilla Wohlfahrt
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 2011 comes in two parts, Part 1: H&M in words and pictures 2011, and Part 2: H&M in figures 2011 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 Terry Richardson
MODEL Mathias Lauridsen
GARMENT Blazer in organic cotton, H&M Conscious collection

The annual report is printed
on FSC® certified paper.



ANNUAL GENERAL MEETING

The Annual General Meeting 2012 will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Thursday 3 May at 3 p.m.

Shareholders who are registered in the share register print-out as of Thursday 26 April 2012 and give notice of their intention to attend the AGM no later than Thursday 26 April 2012 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 26 April 2012.

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/agm

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 2011 of SEK 9.50 per share. The Board of Directors has proposed 8 May 2012 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 11 May 2012. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 3 May 2012.

FINANCIAL INFORMATION

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

29 March 2012	Three-month report
3 May 2012	Annual General Meeting 2012, Victoriahallen, Stockholm International Fairs at 3 p.m.
20 June 2012	Six-month report
27 September 2012	Nine-month report
31 January 2013	Full-year report



Kimono jacket
€ 29.95

