



T-shirt
€9.95

H&M

ANNUAL REPORT

2012



Vest €14.95

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Sweater
€19.95

Our business concept

FASHION *and* QUALITY *at the* BEST PRICE

H&M is guided by strong values based on fundamental respect for the individual and belief in each person's ability to show initiative. Together, over 104,000 employees form a design-driven, creative and responsible global fashion company with a passion for fashion and an ambition to always exceed customer expectations. A drive for constant improvement is also part of the H&M spirit that has existed since the first store opened in 1947.

H&M's business concept is to offer fashion and quality at the best price. H&M should always have the best customer offering in each and every market. The collections are wide-ranging and varied, offering women, men, teenagers and children everything from timeless basics to the latest trends. Another element of this strong offering is that H&M should be the more sustainable choice.

Considerable resources are devoted to increasing sustainability. H&M does not own factories, but instead buys products from independent suppliers and works to bring about long-term improvements for people and the environment – in the supply chain, the garment lifecycle and the communities in which H&M is active.

In addition to sourcing the right product from the right market, other factors contribute to ensuring the best price in store: in-house design, no middlemen, large purchasing volumes, efficient logistics and cost-consciousness at every stage. Efficient decision-making and flexible assortment planning ensure that the product range is always adapted to the latest trends and customer expectations.

With a strong offering that appeals to customers around the world, H&M is able to grow successfully in all its existing markets as well as in new ones, with growth among all its brands and through new concepts. This expansion is long-term and self-financed. The goal is to increase the number of stores by 10–15 percent each year while at the same time increasing sales in comparable units.

Over
104,000
employees

2,776
stores

48
markets

Sales including VAT SEK

141
billion

Profit after tax SEK

16.9
billion

H&M *at a* GLANCE

The dedication always to exceed customers' expectations is fundamental to H&M – from idea and design, buying, production and logistics, to every store around the world and online.

CUSTOMERS

Everything H&M does begins with the customers; the goal is always to exceed their expectations. Of all ages and from all around the world, customers have different styles, dreams, and expectations, and are increasingly aware in their fashion choices; they are a source of continuous inspiration. H&M strives always to be attentive and to offer the best combination of fashion, quality and price.

In stores and online, fashion enthusiasts around the world communicate and interact with H&M – one of the world's highest-ranked brands and one of the leading fashion companies active in social media.

Over 13 million fans on Facebook.

2.5 million followers of H&M on Twitter.

PRODUCTION *and* LOGISTICS

H&M does not own any factories; products are sourced from independent suppliers that are close long-term partners of H&M. Customers must feel confident that everything they buy at H&M is designed, produced and distributed with the greatest consideration for people and the environment. H&M invests significant resources to increase sustainability in the supply chain and works actively to contribute to long-term improvement of conditions in sourcing countries. Efficient logistics and decision-making and flexible assortment planning ensure that the latest trends are always available in stores.

Around 800 independent suppliers.

H&M helped suppliers save 450 million litres of water in 2012.

Around 90 percent of all transport is by rail or sea.

IDEAS *and* DESIGN

H&M's design team, pattern makers and buyers work together to create a broad and varied range of inspiring fashion for all – women, men, teenagers and children – complete with shoes, accessories, cosmetics and even home textiles. Quality, sustainability and trend awareness are always in focus. Themes, colours, silhouettes and materials reflect the direction each new season takes. Collections offer items with a high fashion sense as well as classics and personal favourites. The diversity means that garments can be combined in numerous ways and worn during several seasons – thus extending their life cycle and contributing to increased sustainability.

Over 150 designers and pattern makers.

H&M is the world's largest consumer of organic cotton.

STORES *and* SHOP ONLINE

H&M offers customers inspiring shopping experiences in stores in 48 markets, as well as through a growing shop online. The store that opened in Västerås in 1947 has become a global fashion company. Expansion is long-term while maintaining quality, sustainability and high profitability. H&M stores must always be attractive and trendy, designed with an aim to use energy efficiently and materials that age well. Shopping online with H&M must be just as inviting, easy and inspiring – hm.com is now one of the most frequently visited fashion websites in the world.

During 2012 H&M opened 304 new stores net.

10 – 15% new stores net per year.

Fully mobile adapted H&M shop online.

OUR BRANDS

The H&M Group offers fashion from the H&M, COS, Monki, Weekday and Cheap Monday brands – from spring 2013 also from the completely new fashion brand & Other Stories – along with home textiles via H&M Home.

H&M *invests for* THE FUTURE

H&M is growing, is in a strong position and is making significant long-term investments in order to ensure sustainable development and build an even stronger company. Our objective is always to exceed our customers' expectations.

H&M is growing with new customers and employees around the world and continues to stand strong in a challenging market. We increased sales by 11 percent in local currencies and by one percent in comparable units in 2012, and we continued to gain market share. In 2012 the consumer climate was even more challenging in many markets than in 2011. H&M's good performance again proves that customers appreciate our offering of fashion and quality at the best price.

H&M offers a wide and varied range of inspiring collections. The breadth of the range means H&M is just as appreciated by customers in the major capitals as in small and mid-sized cities around the world. This is a strength that allows us to grow deeply in each market while at the same time expanding into new countries. In 2012 our global expansion continued and we opened 304 new stores net. Five new countries were added: Bulgaria, Malaysia, Latvia, Thailand and Mexico. Most new stores were opened in China and the US. Our global presence is strong, with more than 2,800 stores in 48 markets.

The online market is increasingly growing – growth is particularly strong for mobile shopping via smartphones and tablets. To meet this rapid development we launched a fully mobile-adapted H&M shop online in all our eight existing online markets in January 2013.



Karl-Johan Persson, CEO.

H&M's good performance again proves that customers appreciate our offering of fashion and quality at the best price. ”

Customer response has been very positive. In parallel, during autumn 2012 we intensified preparations for the future expansion of shop online to other markets of the Group. This summer we plan to launch H&M shop online in the US and we are looking forward very much to offering this opportunity to our customers in the world's largest online market.

LONG-TERM INVESTMENTS

We are currently in a period of significant investment, and have been so for some time. We are investing in online sales and IT, among other areas, at the same time as we are developing an entirely new fashion brand, & Other Stories, and broadening our product range. These long-term investments will generate revenue ahead and further strengthen H&M's position. Although profit for the year was burdened by these investments as well as by negative currency translation effects, profit after tax grew by SEK 1 billion, i.e. 7 percent, to SEK 16.9 billion.

THE H&M SPIRIT

At H&M we take a long-term view and our strong performance over the years has resulted in a strong financial position. In 2012 alone we created around 10,000 new jobs within the Group, and today we are more than 104,000 employees. I would like to thank everyone for their very valuable contributions and amazing teamwork again during the past year. As a workplace, H&M is characterised by strong values such as teamwork, openness, simplicity, entrepreneurial spirit, cost-consciousness and a pursuit for constant improvement. These common values are rooted in a respect for the individual and a belief in people and their own ability to use their initiative. The values sum up the H&M spirit, which has existed ever since the first store opened in 1947 and is still present everywhere in the company after many years of strong expansion.



H&M Conscious Actions Sustainability Report 2012 is available at hm.com/consciousactions2012.

SUSTAINABLE DEVELOPMENT

H&M should always have the best customer offering in each and every market and our goal is to always exceed customer expectations. Sustainability is becoming increasingly important and one element of our strong offering is being the more sustainable choice for our increasingly aware customers. Sustainability is therefore high on our daily agenda and has been an integral part of our operations for some time.

We invest substantial resources and work actively in order to promote social development and reduce environmental impact in the communities in which H&M is active, as well as to ensure sustainable development for H&M long term. To learn more about H&M's extensive sustainability work I encourage you to read the H&M Conscious Actions Sustainability Report 2012, which is available at hm.com/consciousactions2012.

LOOKING AHEAD

We expand with 10–15 percent new stores per year and plan to open around 325 new stores net in 2013, which means we will effectively be opening one new store per day. We will open stores in five new countries: Chile, Estonia, Lithuania, Serbia and,



H&M opened new stores worldwide, as for example in Miami Beach.

We are currently in a period of significant investment, and have been so for some time. We are investing in online sales and IT, among other areas, at the same time as we are developing an entirely new fashion brand, & Other Stories, and broadening our product range. These long-term investments will generate revenue ahead and further strengthen H&M's position.”



& Other Stories – great attention to detail and quality.



& Other Stories is launching in ten countries during spring 2013.

customers this entirely new fashion brand, which is launching this spring with stores in seven major cities in Europe and online shopping in ten European countries at stories.com. The brand & Other Stories offers women a wide range of shoes, bags, jewellery, beauty products, underwear and clothes. Made of carefully selected materials and designed with a great attention to detail, the collections have been very positively reviewed by the fashion press internationally.

We are looking forward to an exciting 2013 full of new opportunities. We have great respect for the macro-economic climate and how it may affect consumption in many of our markets, but we believe strongly in our offering and are convinced that H&M will continue to maintain its strong position.

Karl-Johan Persson, CEO
H & M Hennes & Mauritz AB
Stockholm, January 2013

via franchise, Indonesia. The store in Santiago de Chile will be H&M's first in South America as well as in the southern hemisphere, where we see great potential for H&M to grow. By the end of the year we will have more than 3,000 stores, and we are expanding all our brands: H&M, COS, Monki, Weekday, Cheap Monday and H&M Home.

We are also pleased to be adding yet another new brand, & Other Stories, to the H&M Group. We are very much looking forward to offering our

The YEAR in brief

H&M continued to welcome more new customers and employees throughout the world in 2012 – and it was yet another fascinating year filled with exceptional collections, more sustainable fashion and spectacular store openings.

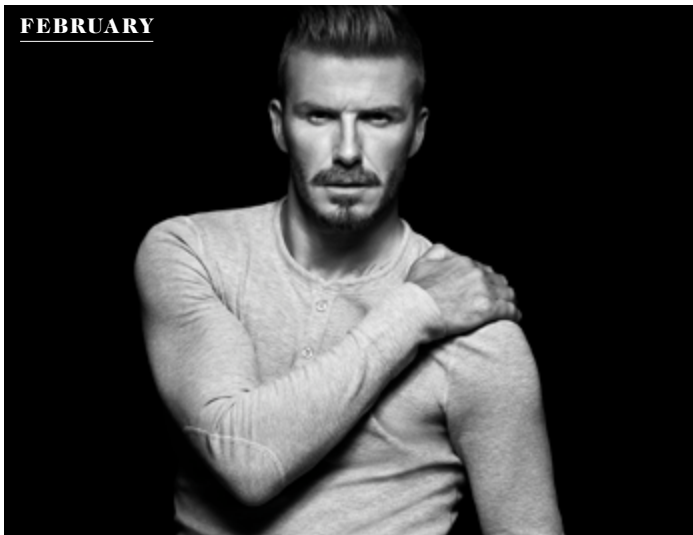
JANUARY



H&M NO.1 in ORGANIC COTTON

H&M starts yet another year as the world's largest consumer of organic cotton, according to Textile Exchange data showing H&M as No.1 since 2010.

FEBRUARY



DAVID BECKHAM BODYWEAR

David Beckham Bodywear for men was launched at H&M worldwide – a well-received collaboration producing new underwear each season.

MARCH



MARNI at H&M

MARNI at H&M offered an innovative collection designed by Marni founder Consuelo Castiglioni. Sofia Coppola directed the advertising campaign.

MARCH



BULGARIA FIRST of FIVE NEW countries

H&M opened in five new countries in 2012. The new store in Sofia, Bulgaria was first, and in all countries customer enthusiasm exceeded all expectations.



APRIL



H&M CONSCIOUS on the RED CARPET

H&M Conscious showed sustainability's potential with an exclusive party collection containing organic cotton, organic hemp and recycled polyester.

Amanda Seyfried and Justin Timberlake.



Michelle Williams.



MAY



COS in SIX NEW countries in 2012

COS opened in six new countries in 2012: Finland and Italy in May, then Poland, Hong Kong and Austria, and Kuwait via franchise.

JUNE



H&M for WATER

The H&M for Water beach collection raised funds for access to clean water. 25 percent of sales went to WaterAid's water and sanitary projects in Asia.

JULY



New H&M HOME KIDS

From July, the H&M Home interior textiles collection expanded to include a range for children and babies full of fun and mainly with organic cotton.

AUGUST



WEEKDAY in the NETHERLANDS

Weekday received a warm welcome from customers in the Netherlands, with its first store in Amsterdam at Rokin 84. Weekday has stores in six countries.



SEPTEMBER

H&M doesn't own factories but is a significant and responsible buyer. We contribute to over a million jobs in the sourcing countries, where we work to promote lasting improvements in working conditions for textile workers. ”

Karl-Johan Persson, CEO

**For HIGHER WAGES
in BANGLADESH**

CEO Karl-Johan Persson met with Bangladeshi PM Sheikh Hasina to urge higher minimum wages and annual wage reviews in the textile industry.



SEPTEMBER

**H&M in top
SUSTAINABILITY INDEX**

H&M is again listed in the Dow Jones Sustainability World Index and continues to be listed in the FTSE4Good and other sustainability indexes.



SEPTEMBER

**RAPID EXPANSION
in CHINA**

H&M is growing fast in China. The 100th mainland store opened in Nanning, and expansion is strong also in cities like Chengdu, Shenzhen and Shenyang.



SEPTEMBER

**MALAYSIA, LATVIA
and THAILAND**

H&M is expanding all over the world with its strong customer offering. New markets in September included Malaysia and Latvia, and Thailand via franchise.



OCTOBER

**Fashion joy:
ANNA DELLO RUSSO**

H&M's collaboration with legendary style icon Anna Dello Russo graced autumn with a luxurious and playful accessories collection.



OCTOBER

**ALL FOR CHILDREN
collection**

All for Children, a well-tailored children's collection, supported UNICEF's work to improve child education and health in Bangladesh.



OCTOBER

**MONKI expands
in ASIA**

Monki is growing in Asia, beginning in Hong Kong in 2010. Customers in mainland China enthusiastically received new stores in 2012.



NOVEMBER

**H&M opens
in MEXICO**

On 1 November the first H&M store in Latin America enjoyed an overwhelming reception by customers in Mexico City's Centro Santa Fé.

I'm awaiting the store opening with huge enthusiasm, the atmosphere here is euphoric. We expect so many happy customers, and we will greet each one with a lot of love! ”

*Doria Zubiaga, sales advisor,
H&M Mexico City*



NOVEMBER

**MAISON MARTIN
MARGIELA**

Revolutionary design for men and women. H&M presented an iconic collection in collaboration with cult fashion house Maison Martin Margiela.



Helena Christensen.



Kanye West.



FASHION *for* ALL

H&M's collections include everything from the hottest trends to the very best in basics – for women, men, children and teenagers. H&M's design team creates sustainable fashion for all, and always at the best price.

The new trends, the best basics and fashion favourites that always work – H&M's design department creates broad and varied collections for women, men, teenagers, children and babies.

The team behind the garments and accessories is large and diverse, representing many different age groups and nationalities. They draw inspiration from every corner of the globe and from a wide variety of sources. H&M's designers constantly seek new influences. The sources that inspire new fashion are diverse, including the cinema, art exhibitions, magazines, street fashion, trade shows and trend seminars. All these influences result in exciting and continuously updated collections in H&M's stores.

Diversity in the collections allows H&M's customers to mix and match according to their own personal style, taste and needs. H&M's garments offer numerous combinations and can be worn over several seasons. This in turn extends garment life cycles and contributes to increased sustainability, which is important to today's aware consumers. Sustainability is an integrated part of H&M's operations

and the goal is always to remain at the forefront in this regard. H&M is the world's largest consumer of organic cotton since 2010 and works actively to ensure that everything the customer finds in the store is manufactured under good working conditions, with the least possible impact on the environment. Every year H&M also offers collections with extra sustainability value under the "H&M Conscious" label. These collections include garments and accessories produced in more sustainable materials. H&M also creates collections under this label in cooperation with UNICEF to help with education and support for children and young people in developing countries, and in cooperation with WaterAid to promote access to clean water in areas where it is difficult to obtain.

H&M's offering is extended 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, urban designs.

Monki is playful and colourful, with strong graphic designs. Weekday is inspired by street fashion. Cheap Monday offers denim and the season's latest trends with a catwalk vibe. Spring 2013 means exciting news: the H&M Group is launching its new brand & Other Stories. This exciting new fashion brand offers shoes, bags, jewellery, cosmetics and clothing with an emphasis on quality materials and attention to detail.

THE GROUP

2,776
stores

48
markets



H&M

2,628
stores

48
markets

hm.com

OUR COLLECTIONS

Lincoln Road, Miami Beach.

LADIES

H&M's fashion for women is the largest of the collections. It comprises everything from the latest must-haves to updated fashion classics. From casual daywear to amazing party dresses, via relaxed leisure separates, high performance sportswear and contemporary maternity apparel – it's all here. 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**

Men looking to create contemporary, flexible wardrobes should always find what they need at H&M. The collection offers smart suits and shirts for work and festive occasions, easy everyday favourites, sports clothing, shoes and accessories. The collection includes the latest trends, tailored classics and comfortable leisurewear.

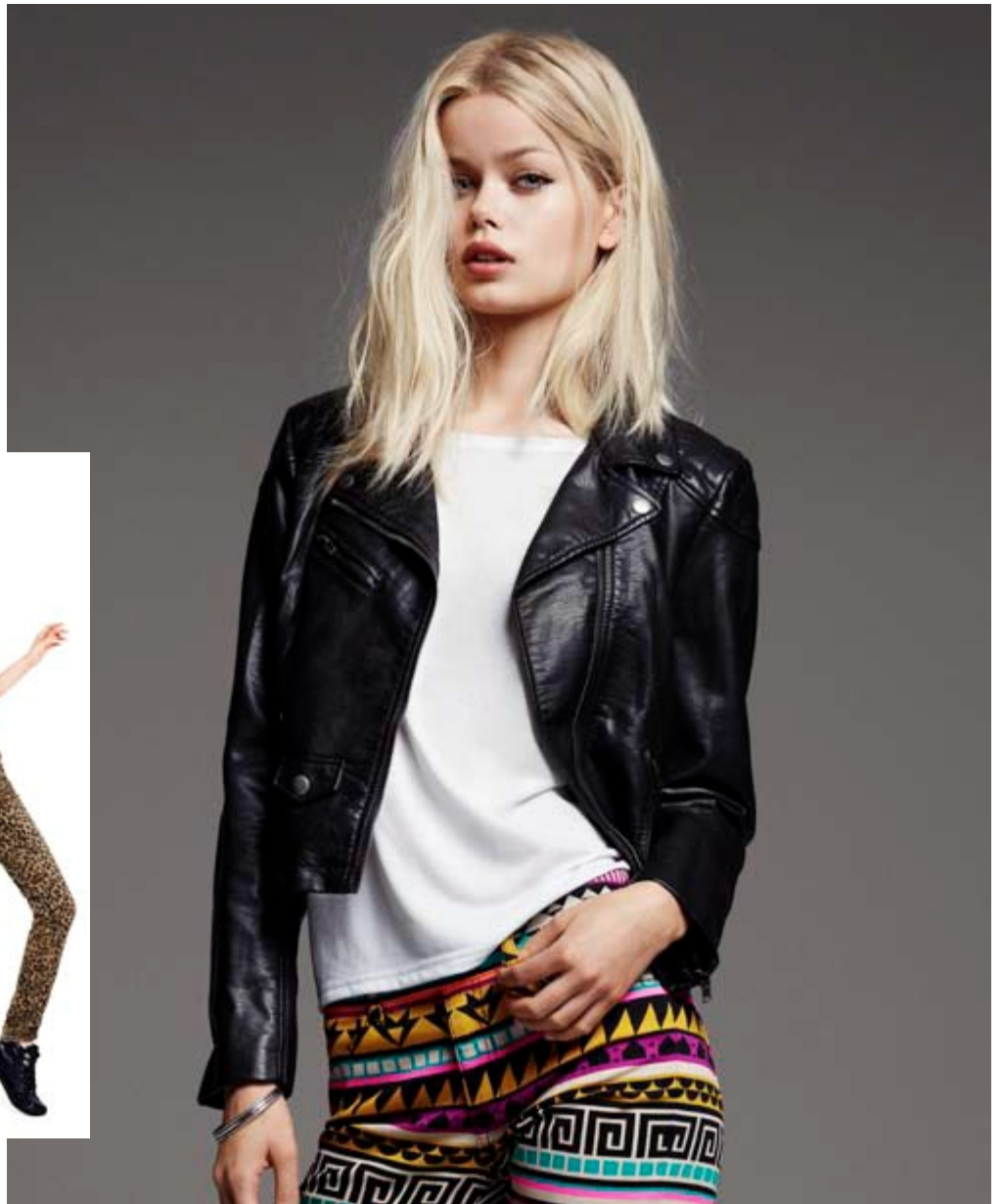


KIDS

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

DIVIDED

Fashion-conscious young men and women flock to H&M for up-to-the minute, functional clothing and accessories at Divided, covering the spectrum from relaxed basics with sporty influences to eye-catching party outfits that will please fashionistas of every age.





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, patterns and fabrics.

&DENIM

Denim is everywhere on the fashion scene and 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.



COSMETICS

Make-up and skincare are often essential in expressing one's personal style, and H&M provides everything required for the season's new looks. H&M's cosmetics are never tested on animals, and all of H&M's products fulfil at least the minimum requirements stipulated by the laws and regulations in H&M's sales markets.



ACCESSORIES

H&M offers diverse fashion to express individual and personal style. Customers can complete their fashion look with perfectly matched accessories – from scarves, belts, hats and jewellery to fashion footwear and bags for women, men, teenagers and children.

H&M HOME

H&M Home provides fashion for every room in the house. The collection offers towels, bed linen, curtains and other home textiles in trendy colours and prints, as well as home decor items in glass, metal and wood. H&M Home is sold online and in all eight markets where H&M has distance selling. In addition, customers can shop in H&M Home stores located in Stockholm, Norrköping, Helsinki, Copenhagen, Oslo, London, Amsterdam and Frankfurt.



9 stores

7 markets

hm.com

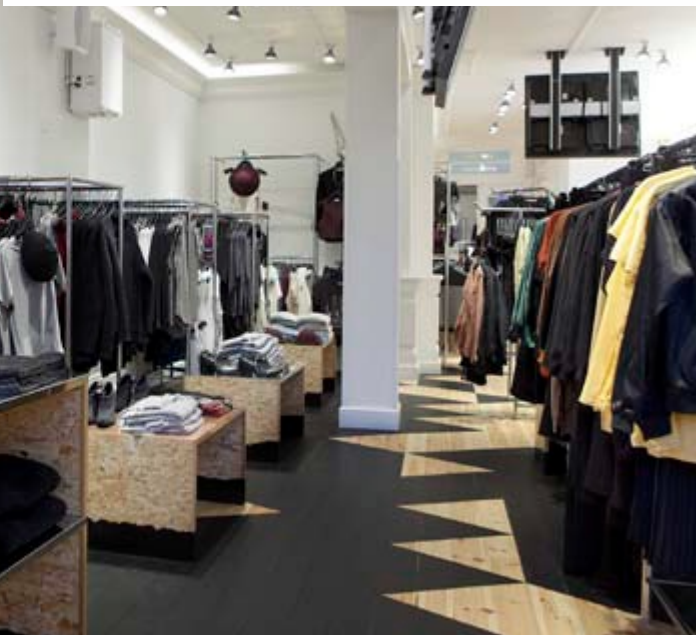
MTWTFSS WEEKDAY®

Weekday is a progressive multibrand concept with a strong focus on jeans. Own brands such as MTWTFSS Weekday, Weekday Store-made and Weekday Vintage are offered as well as external brands such as Cheap Monday, Rodebjer and Christophe Lemaire. Designer collaborations are also being featured, among previous collaborations are Stine Goya and Bruno Pieters. In addition to stores in six markets, shopping online is offered in 18 European markets.



OUR COLLECTIONS

Rokin 84, Amsterdam.



21
stores

6
markets

weekday.com



Carnaby Street, London.

4 stores

Approximately

2,000
retailers

More than

35
markets

cheapmonday.com



Cheap Monday's collections combine influences from street fashion and subculture with a catwalk vibe. The cornerstone of the collection is its denim range, which is always up to date, and clothing and accessories with high fashion content at prices to suit almost any budget. Cheap Monday is available through selected retailers around the world and from its own stores in Copenhagen and London.





Monki is synonymous with personal creativity and expression. The brand features individualistic streetwear collections aimed primarily at young women, but Monki is about style at any age. Here customers can find clothes, accessories and a store concept that is its own world, combined in an inspiring fashion experience characterised by storytelling, playfulness and colourful graphic design. Monki is available in stores in nine markets, and online in 18 European markets.



OUR COLLECTIONS



Hamngatan, Stockholm.

59 stores

9 markets

monki.com

COS

Modern, timeless, tactile and functional. Always exploring the concept of favouring style over fashion, COS appreciates high end design and premium quality that lives beyond the season across women's, men's and kids' wear. Merging traditional methods with new techniques and innovative fabrics, COS works hard to create fashion pieces for the contemporary wardrobe. COS is available in stores in 15 markets, and online in 18 European markets.



OUR COLLECTIONS

64 stores

15 markets

cosstores.com





& other Stories

The H&M Group's new fashion brand & Other Stories is launching in spring 2013. The brand is all about fashion, with particular focus on personal expression and styling, so that customers can create their own personal fashion statement. The brand offers an extensive selection of shoes, bags, jewellery and cosmetics, in addition to clothing. & Other Stories collections offer high quality and careful attention to details. & Other Stories will be available initially in stores in seven markets and online in ten markets.



& Other Stories is launching in ten European countries in spring 2013.

stories.com

H&M drives SUSTAINABLE development

H&M is working extensively to make the clothing industry more sustainable. Sustainability embraces the environment, ethics, human rights and anti-corruption, among other things. Substantial efforts are made to promote social development and reduce environmental impact. The aim is to create positive change in the communities in which H&M is active and to secure H&M's sustainable development long term.

H&M invests substantial resources in increased sustainability and works actively to develop sustainability throughout the entire product life cycle, from the first stages of design to the care recommendations given to customers when they buy H&M's garments. This focus on sustainability applies to everything: from using more sustainable materials – H&M is the world's largest consumer of organic cotton, for example – to broad initiatives to improve working conditions in the supply chain. The wide range of H&M's sustainability work includes (among many other things) responsible water management, use of renewable energy, increased energy efficiency in stores and offering customers in selected stores globally the possibility to hand in old clothes for reuse or recycling. In addition, H&M supports long-term social development in its sourcing countries.

These extensive efforts for sustainability have received a high ranking. H&M is included in some of the world's most notable sustainability rankings. In 2012 H&M once again qualified for the Dow Jones Sustainability Index World, which lists the companies leading the drive towards more sustainability.

Sustainability is a core element in H&M's business concept and strategy, so creating social improvement and minimising environmental impact are essential. H&M's business concept is to offer fashion and quality at the best price. H&M should always have the best

customer offering in each and every market. Customers' interest in sustainability continues to grow. Customers at H&M should feel confident that the ranges have been produced with respect for both people and the environment. To have the best possible customer offering, H&M must work tirelessly to live up to constantly increasing requirements. H&M should be the more sustainable alternative for increasingly aware fashion customers worldwide.

As a global retail company, H&M works as both buyer and seller in numerous markets. International trade plays a crucial role in the development



H&M buys from around 800 independent suppliers.

*H&M did
9,815
interviews with
workers in the
supply chain
in 2012 about
their working
conditions.*

of countries, since it provides economic growth and helps to lift individuals and nations out of poverty. H&M contributes to over a million jobs around the world. As a company H&M can use its size and status to influence social development in these countries in a positive way. This work can contribute long-term to better living conditions for many people, for example in Bangladesh, Cambodia, India and China.

H&M does not own any factories; instead, the company buys its products from approximately 800 independent suppliers, primarily in Asia and Europe, in countries where the textile industries offer considerable skill and experience. Cooperation with suppliers is both a close and a long-term relationship. Since the 1990s H&M has worked extensively to improve working conditions in the supply chain. H&M demands that, at the very minimum, all suppliers agree to observe the legal rights of their employees, and that suppliers live up to H&M's Code of Conduct. But H&M goes far beyond those demands. In promoting sustainability at the suppliers for example, H&M trains and educates both suppliers and their employees in many important areas such as workers' rights, health and safety. In addition, all suppliers must adhere to H&M's rigorous restrictions on chemicals – the toughest in the industry.

One of the basic requirements set out in the Code of Conduct is that factory workers must be paid at least the minimum wage guaranteed by law. The Code of Conduct also expresses a clear intent that the salary must enable the workers to support themselves and their families.

The suppliers who deliver to H&M produce goods for other brands as well, and factory workers' wages are the same regardless of the buyer and the final price set in the store. Several factors enable H&M to offer the best prices in its stores. In addition to buying the right product from the right market, H&M achieves the best price through in-house design, large purchasing volumes, no middlemen, cost consciousness at every step and efficient logistics.

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 more than a million jobs. ”



Dress including organic cotton and recycled polyester, from the H&M Conscious Exclusive Collection, spring 2012.



CEO Karl-Johan Persson
and Bangladeshi prime minister
Sheikh Hasina.

Wages are an industry-wide matter, so H&M works with other brands and unions in this area. For example, H&M worked with other clothing companies to convince the Bangladeshi government to increase minimum wages for the country's textile workers, and a pay rise was granted in 2010. Since then, H&M continues its efforts in this regard. During 2012 CEO Karl-Johan Persson visited Bangladeshi prime minister Sheikh Hasina and urged the government to implement increases and annual reviews of the country's minimum wage levels in the textile industry. In Bangladesh, as in other countries, H&M wants to see lasting improvements achieved through collective bargaining by workers and employers. Collective labour agreements would guarantee the same conditions for all textile workers, irrespective of the fashion company that buys the products. In Cambodia, H&M will start a project together with the Swedish trade union organisation IF Metall. The initiative provides education about the Swedish labour market model and effective negotiation methods, health and safety representatives and works councils.

By improving the dialogue between workers and employers and strengthening local textile workers' influence over their own working conditions, H&M wants to contribute to increased stability in the labour market. The textile industry is the motor that drives development in many countries, so H&M is working extensively to further increase existing skills and expertise in the industry.

H&M's sustainability work has led to significant progress in several areas. However, as with wages – a complex structural matter for the textile industry – many challenges remain. Overcoming these challenges demands the cooperation of many actors.

H&M can stay at the forefront by ensuring that every part of the company takes responsibility. For this reason, sustainability is not dealt with separately; the work to improve sustainability is part of every aspect of H&M's operations. Approximately 120 people work in the Sustainability Department, including 20 specialists who are responsible for developing a clear vision and direction for the entire company's sustainability efforts. The Sustainability Department also evaluates the effects of sustainability initiatives and provides support and expert advice to colleagues in the other departments. Around 100 people work in close cooperation with H&M's suppliers to ensure good working conditions and adherence to environmental requirements throughout the manufacturing process, as well as to support continual improvement in the area of sustainability.

The integration of sustainability work means that everyone at H&M works together, from a common vision

of ensuring that all of H&M's activities are conducted in an economically, socially and environmentally sustainable manner. This approach is essential to continued progress in the long term.

To put the vision into practice, H&M has formulated seven clear, long-term commitments upon which all H&M employees base their work. Each commitment is supported by multiple activities, under the name H&M Conscious Actions that cover the entire life cycle of the garments. The following section briefly describes the seven commitments and some of H&M's sustainability activities. A more detailed account can be found in H&M's Conscious Actions Sustainability Report 2012, available at hm.com/consciousactions2012.

1. PROVIDE FASHION FOR CONSCIOUS CUSTOMERS

H&M continually increases its development of products made of environmentally smart materials. Since 2010 H&M has been the world's largest consumer of organic cotton. The target is for all of the cotton H&M uses to come from

> H&M's complete sustainability report is available at hm.com. The report complies with guidelines on sustainability reporting issued by the Global Reporting Initiative (GRI). Also available at hm.com/conscious are H&M's sustainability, human rights and product policies, as well as the Code of Conduct, Chemical Restrictions and Code of Ethics.



All for Children, H&M's autumn collection.

more sustainable sources by the year 2020. During 2012 H&M increased its use of these types of cotton from 7.6 percent to 11.4 percent. Cotton from more sustainable sources includes organic cotton, recycled cotton and cotton grown under the Better Cotton Initiative (BCI), a project established to drive social and environmental work in the traditional cotton-growing industry.

H&M seeks to encourage conscious choices. The H&M Conscious label comprises special collections in environmentally smarter materials such as recycled polyester, recycled wool and organic hemp, as well as collections from which a portion of the proceeds goes to social development projects. For example, part of the proceeds from sales of the All for Children clothing collection goes to UNICEF's



Supplier in Jilong Huidong, in the Guangdong Province of China.

efforts to help children in developing countries. Sales of the H&M for Water swimwear collection contribute to WaterAid's work to increase access to clean water in areas where this precious commodity is scarce.

2. CHOOSE AND REWARD RESPONSIBLE PARTNERS

H&M applies specific methods to select the best possible suppliers and then helps to support their development on a long-term basis. Suppliers are evaluated based on how well they live up to H&M's social and environmental standards.

3. BE ETHICAL

H&M has a solemn duty always to act with integrity. The company operates according to strong values centred on a fundamental respect for every individual. To further underline its commitment to respect human rights, H&M has introduced a new human rights policy. This policy builds on the UN guiding principles on business and human rights. 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 cooperation partners, and also to customers in their contact with H&M. H&M rejects all forms of discrimination.

H&M condemns all forms of corruption and the Code of Ethics describes how employees should act in their dealings with the company, suppliers and other business partners. H&M's partners also promise to adhere to a corresponding policy. H&M is also a Corporate Supporter Member of Transparency International Sweden since January 2013. Transparency International is an independent global organisation combating corruption in all its forms and working for greater transparency in both private and public sectors.

4. BE CLIMATE SMART

To be climate smart, H&M strives to be as energy efficient as possible, to use as much renewable energy as possible and to inspire ideas for how to reduce environmental impact throughout the product life cycle. Stores account for approximately 90 percent of H&M's energy use, and the goal is to reduce energy consumption in the stores by 20 percent per square metre by the year 2020 compared with 2007. The long-term goal is that all electricity H&M uses shall come from renewable sources. H&M intends to break a trend: the climate effects of the company's own operations shall decrease in absolute terms no later than the year 2015. Nevertheless, as much as a third



H&M works actively to promote fair working conditions in the supply chain.

of a garment's environmental impact comes from cleaning and caring for it. H&M gives customers advice and instructions for more environmentally sound laundering and care.

5. REDUCE, REUSE, RECYCLE

Environmental impact can be limited by using resources wisely and avoiding waste at every step of the product life cycle. H&M is the first fashion company to introduce a global clothing collecting initiative. Beginning in 2013, customers can hand in clothing to selected stores in all 48 H&M countries. All types of clothing – regardless of brand or condition – will be accepted. The collected garments will be handled by H&M's partner I:Collect, which provides the infrastructure to recycle textiles so they can be reused.

6. USE NATURAL RESOURCES RESPONSIBLY

To increase sustainability, H&M undertakes to use natural resources in a responsible manner. In 2012 H&M entered into a three-year partnership with WWF with the commitment to contribute to responsible water use in every aspect of the product life cycle. H&M aims to minimize risks in the company's operations, to protect the environment and to secure the availability of water.

H&M has set stringent chemical restrictions, and updates these rules frequently. For example, H&M has prohibited the use of perfluorinated compounds (used to make fabrics water repellent) and from 1 January 2013 does not order any products

H&M's alliance with WWF is the first global water partnership of its kind, setting a new standard in the fashion industry. ”

**Jim Leape, Director General
WWF International**

containing perfluorinated compounds. H&M is working closely with other clothing companies to achieve the goal of eliminating harmful chemical waste in manufacturing by the year 2020.

7. STRENGTHEN COMMUNITIES

H&M works actively and strategically to create improved living conditions for many people. Health and education are important areas. One of many examples is the All for Children project. Since 2009 this partnership between H&M and UNICEF has provided children in cotton-growing areas in India with opportunities to attend school, as well as improved access to health care. H&M has expanded the UNICEF cooperation to include Bangladesh, with a contribution of approximately USD 8 million. The five-year project's goal is to improve access to education, basic life skills and social services for 40,000 children aged 3–14 in slum areas around Dhaka, the Bangladeshi capital.

H&M's projects helped suppliers save

450

million litres of water in 2012.

A DYNAMIC *workplace*

H&M's driving force is its belief in people and dedication always to exceed customer expectations. This creates a dynamic workplace where constant improvements and teamwork are the keys to success.

OUR EMPLOYEES

Strong, clear values guide the teamwork at H&M. These values comprise the H&M spirit, which is rooted in a fundamental respect for the individual and a firm belief in each person's ability to show initiative. Other common values that are important in H&M's culture include teamwork, being open-minded, entrepreneurial spirit, cost consciousness, simplicity and constant improvement. The H&M spirit has existed since the beginning when the first store opened in 1947 and creates a workplace that is attractive to employees who want to develop and find encouragement to achieve their full potential.

No career path is staked out in advance. Instead, for everyone at H&M, it's possible to grow and choose new directions depending on each person's individual strengths. Job rotation is used frequently. Of the employees in management positions the vast majority are internal recruits.

At H&M, each employee takes on individual responsibility from day one. What's most important is to have the right attitude and to like fashion. The rest can be learned. Symbolic leadership is a part of teamwork. At H&M, leadership is about being able to inspire, delegate, give feedback and motivate others. In colleagues who challenge themselves, new employees

see the possibilities for their own growth. Employees who are allowed to grow and develop become more committed and enjoy their work more, and contribute to a strong and stable organisation.

To encourage and recognise long-term dedication and further strengthen H&M's position as an attractive, global employer, in 2011 H&M established a reward and recognition programme – the H&M Incentive Program. All H&M employees, regardless of their position or salary level, are included in the programme according to the same basic principle.

The stores are the heart of H&M, and it's in the stores that customers find H&M's business concept: fashion and quality at the best price. Everything H&M does begins with the customer and the customer offering, so in-store experience is highly valued – regardless of the role an employee wants to take on. No matter what career directions H&M employees want to take, everyone must acquire experience by regularly working in-store to meet and interact with customers. There are more than 2,800 stores in the best and most attractive business locations the world over. These stores are dynamic workplaces where many roles interact, such as sales advisors, visual merchandisers and controllers.





Welcoming the customers; colleagues at the H&M store on Regent Street in London.

At H&M, I can grow as a person. Everything I give is given back to me. The people I work with believe in me and push me; it helps me to stretch my own boundaries.”



*Giada Scarafile
Sales Advisor*

The very nature of H&M's work demands many different roles. Many employees work in stores and online shopping, at area, country and production offices around the world. In addition, there are a great number of roles in departments such as design, buying, sustainability, marketing, logistics, interior design, human resources, IT and finance. As an ethical company, H&M strives to increase sustainability in all areas of

*H&M grew with
10,000
new
employees in
2012*

H&M's expansion gives me many different career paths to choose from.”



*Jonathan Stubbs
Visual Manager*

the business. Open, constructive dialogue with the trade unions and other labour organisations which employees voluntarily choose to represent them is also part of H&M's dedication to being a good employer.

H&M is growing across five continents with new employees and new customers. During 2012 alone employee numbers increased by around 10,000. Today, more than 104,000 dedicated people work for H&M around the world. H&M's strong customer offering is highly appreciated in all markets. This in turn means there is good potential for continued successful expansion for many years to come.

H&M is expanding into new countries in parallel with expansion in its existing markets; all its brands are growing, and new concepts are being created. At the same time, the ambition is always to be at the forefront of fashion and sustainability, on a global level. All these things mean that external recruitment needs are substantial and employees at H&M can choose from a variety of career opportunities.

H&M's successes are built on the common goal to always exceed customer expectations. Teamwork is an essential element in achieving this. Everyone on the team fulfils a specific function – whether it's opening the first new store in a new country, creating exciting collections, ensuring that the right garments get to the right place at the right time, or giving customers the best possible service, every day. Employees can make use of their various experiences, ages and backgrounds, and share ideas and expertise.



*Gladys David
Team Leader*

Everyone works together and helps one another, no matter what role they have in the company. We are truly a team.”

H&M has customers all over the world, and working in an H&M store means representing the H&M brand. With their many styles, dreams and expectations, the employees form a creative, customer-focused and responsible global company that offers fashion for everyone.



The stores are the heart of H&M.

Employees GROW *with* H&M

H&M is guided by strong values and is expanding all over the world. For the employees, this means unique opportunities for personal growth.

H&M's HEART AND SOUL

H&M strives to maintain an inclusive workplace environment that encourages diversity and equality – a workplace in which employees act with integrity, and treat one another with respect and dignity.

One of the keys to H&M's success is strong values. These values permeate every aspect of the company and guide employees in their work together throughout the Group. These common values make up the H&M spirit. They are rooted in a fundamental respect for each individual and a firm belief in each person's ability to show initiative. The H&M spirit has existed since the beginning when the first store opened in 1947.

The concepts of being flexible, humble and having a respectful and listening approach are interwoven into H&M's common values. This results in a workplace with effective decision-making, where everyone works together at a fast pace and relies on each individual's knowledge and capabilities.

Together, the values form a culture that makes H&M unique.

*We believe in
PEOPLE*

We are one TEAM

**STRAIGHTFORWARD
and OPEN-MINDED**

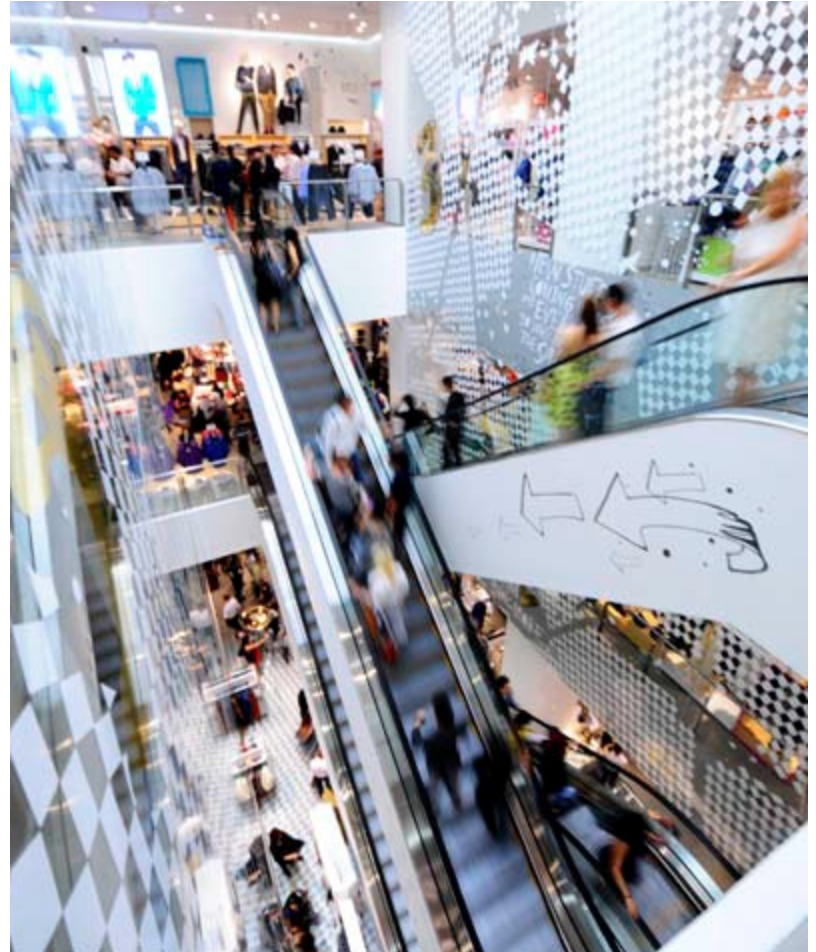
KEEP it SIMPLE

**ENTREPRENEURIAL
SPIRIT**

**Constant
IMPROVEMENT**

COST-CONSCIOUSNESS

> More information about career paths, work areas and H&M as an employer is available at hm.com



GREAT OPPORTUNITIES FOR EACH EMPLOYEE

Significant opportunities to grow and advance in one of the world's leading fashion companies.

Internal training and skills development that open the door to new career opportunities.

Feedback and open dialogue – the development of each employee is an integral part of H&M's development as a whole.

Respect for the individual – everyone receives the same opportunities to grow and develop.

H&M Incentive Program – a reward and recognition programme for all employees that encourages long-term commitment.

H&M's ambition is to be at the forefront of both fashion and sustainability – all employees can contribute to more sustainable fashion, today and in the future.

All H&M employees receive a discount whenever they shop at the H&M Group brands – anywhere in the world.

INCENTIVE PROGRAMME FOR ALL EMPLOYEES

The employees are the key to H&M's success and in order to show its appreciation H&M in 2011 started a long-term reward and recognition programme for all employees, the H&M Incentive Program.

The programme was initiated by Stefan Persson and family through the donation of just above 4 million H&M shares worth around SEK 1 billion to a Swedish foundation, Stiftelsen H&M Incentive Program.

The intention is to recognise and encourage long-term dedication and to further strengthen H&M as an attractive global employer. All employees of the 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 is taken into account in the qualification period, which is five years unless local rules require otherwise.

*More than
104,000
employees
worldwide.*

Centro Santa Fé, Mexico City.



Looking ahead to the opening in Mexico City.



EXPANSION - STORES AND ONLINE



Siam Paragon, Bangkok.



LOT 10, Bukit Bintang, Kuala Lumpur.

Lincoln Road, Miami Beach.



Lincoln Road, Miami Beach.

GLOBAL *expansion*

H&M is growing with quality, sustainability and high profitability. Through a compelling offering to customers everywhere in the world, good opportunities are created for many years of continued and successful expansion.



Galerija Centrs, Riga.



Lincoln Road, Miami Beach.

H&M offers inspiring shopping in stores and online, and attracts fashion enthusiasts the world over. The women's clothing store that opened in Västerås, Sweden in 1947 has grown into a global fashion leader with customers worldwide and with one of the world's highest-ranking brands.

H&M is growing with all its brands and with new concepts, and there is room for further expansion for the Group in all existing markets as well as in new countries. H&M is growing by 10–15 percent each year in terms of new stores, including COS, Monki, Weekday, Cheap Monday and H&M Home. From spring 2013 this expansion will include the new brand & Other Stories.

H&M offers fashion and quality at the best price. The broad range and variety of collections is a strength. Collections include everything from the latest trends to the very best in basics – for women, men, children and teenagers. H&M's fashion meets equal enthusiasm from its customers, whether it is on fashionable metropolitan boulevards, in shopping centres or in the high street in smaller cities.

In 2012 the Group stepped up the rate of expansion and opened 304 new stores net compared to the originally planned 275 stores. By the end of the financial year 2012, H&M had a total of 2,776 stores in 48 countries. New stores opened in markets around the world. Most new stores were opened in China and the US but Russia, Italy,

Poland, France, Spain and the UK were also large expansion markets.

In the past two years alone, H&M has opened in 10 new countries. In 2012 Bulgaria, Latvia, Malaysia, Thailand (via franchise) and Mexico opened their first H&M stores. Customer response has been enormously positive in all new markets, with thousands of expectant visitors queuing for the opportunity to shop on the day of the grand opening in each country. This response shows the intense interest in H&M.

Five new markets are planned also for 2013: Chile, Estonia, Lithuania, Serbia and (via franchise) Indonesia. With the opening in Santiago de Chile H&M takes the first step into the southern hemisphere. The two-floor store is situated in the very best business location, in the Costanera Center shopping mall, and is the first H&M store in South America. Just as in other parts of the world, there is great potential for continued expansion in this fashion-conscious region.

The global retail industry is constantly evolving – and as streetscapes change too, H&M always wants to be in the best location for business. By leasing store premises instead of owning them, H&M always has the flexibility to locate stores in the best shopping centres and at the most attractive street addresses.

All H&M stores are dedicated to being exciting and inviting, and must represent H&M's brand. That's why the stores are continuously updated.

Nevertheless, regardless of whether H&M builds new stores or renovates existing ones, sustainability is key for the company's business. For example, the right lighting creates an inspiring shopping environment and showcases the collections, and H&M continually seeks out the most energy-efficient and sustainable lighting solutions available. H&M's ambition is also to use longer-lasting materials. It should also be easy for the customers to contribute to increased sustainability in the stores. H&M is the first fashion company in the world to introduce a worldwide clothing collecting initiative. Beginning in 2013, customers can bring in used clothing to selected H&M stores in all 48 countries for reuse or recycle.

All the brands in the Group have their own identity, and this identity is echoed in each brand's stores. During 2012 COS opened stores in six new countries. Customer response far exceeded already high expectations. By the end of 2012 COS had 64 stores in 15 countries. In 2013 at least two new markets are planned, Norway and the United Arab Emirates. Monki has 59 stores in nine countries and is growing – for example in China, Japan and France. Weekday, present in six countries with 21 stores, will open in Japan while Cheap Monday will open in France. Other exciting news is that in spring 2013 H&M is launching the new brand & Other Stories in ten European countries. The first stores will open in Barcelona, Berlin, Copenhagen, London, Milano, Paris and Stockholm. In addition shop online is being launched at stories.com in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK.

& Other Stories is all about fine fabrics, striking details and particular focus on personal expression and styling. Customers can create their own personal fashion statement as the brand offers an extensive selection of shoes, bags, jewellery and cosmetics, in addition to clothing.

Lincoln Road, Miami Beach.



H&M offers a wide and varied range of inspiring fashion for everyone, and is growing with new stores the world over. There is room for further expansion for the Group in all existing markets as well as in new countries. ”

H&M's years of success and solid growth have resulted in a strong financial position. Expansion is financed entirely by the company's own resources. This provides the flexibility that allows H&M to make the most of business opportunities, and creates considerable potential for continued expansion in all brands for many years to come – always with a focus on quality, sustainability and continued high profitability.

Inspiring SHOPPING ONLINE

Trendsetting, appealing and interactive. As one of the world's most popular fashion websites, H&M offers customers inspiring shopping online.

The stores are not the only place customers can enjoy shopping with H&M. Online shopping should be as appealing, easy and fun as visiting a store, regardless of whether customers shop by tablet or smartphone, via apps or directly at hm.com.

H&M's interactive shop online offers easy navigation and is much appreciated by customers in all eight countries where H&M and H&M Home offer online shopping: Sweden, Norway, Denmark, Finland, Germany, the Netherlands, Austria and the UK. Since January 2013 H&M shop online is completely mobile-adapted. In the US, the world's largest retail market, H&M plans to offer online shopping from summer 2013.

Distance selling is a vital and growing complement to stores. COS,

Monki and Weekday offer online shopping in 18 European countries. The new H&M brand & Other Stories, which is launching in spring 2013, will be available both in stores and online. & Other Stories will offer shopping online at stories.com in ten European countries.

H&M's communication is global and hm.com is one of the world's most popular fashion websites. Fashion enthusiasts all over the world interact with H&M via social media and apps. H&M is also one of the leading fashion companies on Facebook, Twitter, Instagram, Google+ and YouTube, as well as on China's social networks Youku and Sina Weibo and Russia's VKontakte. Social media spreads the news further about H&M when the brand expands into new, exciting markets.

Fully mobile-adapted shop online at **hm.com**



The latest campaigns for every season featured at hm.com.



Trend reports from the world's hottest fashion destinations.



Styling with H&M accessories for an updated look.



Ways to wear it – inspiration by H&M Life.



Fashion for women, men, teenagers and children at hm.com.



H&M in 48 markets

H&M has a strong global presence. In 2012 alone, 304 new stores net were opened and five new markets were added.

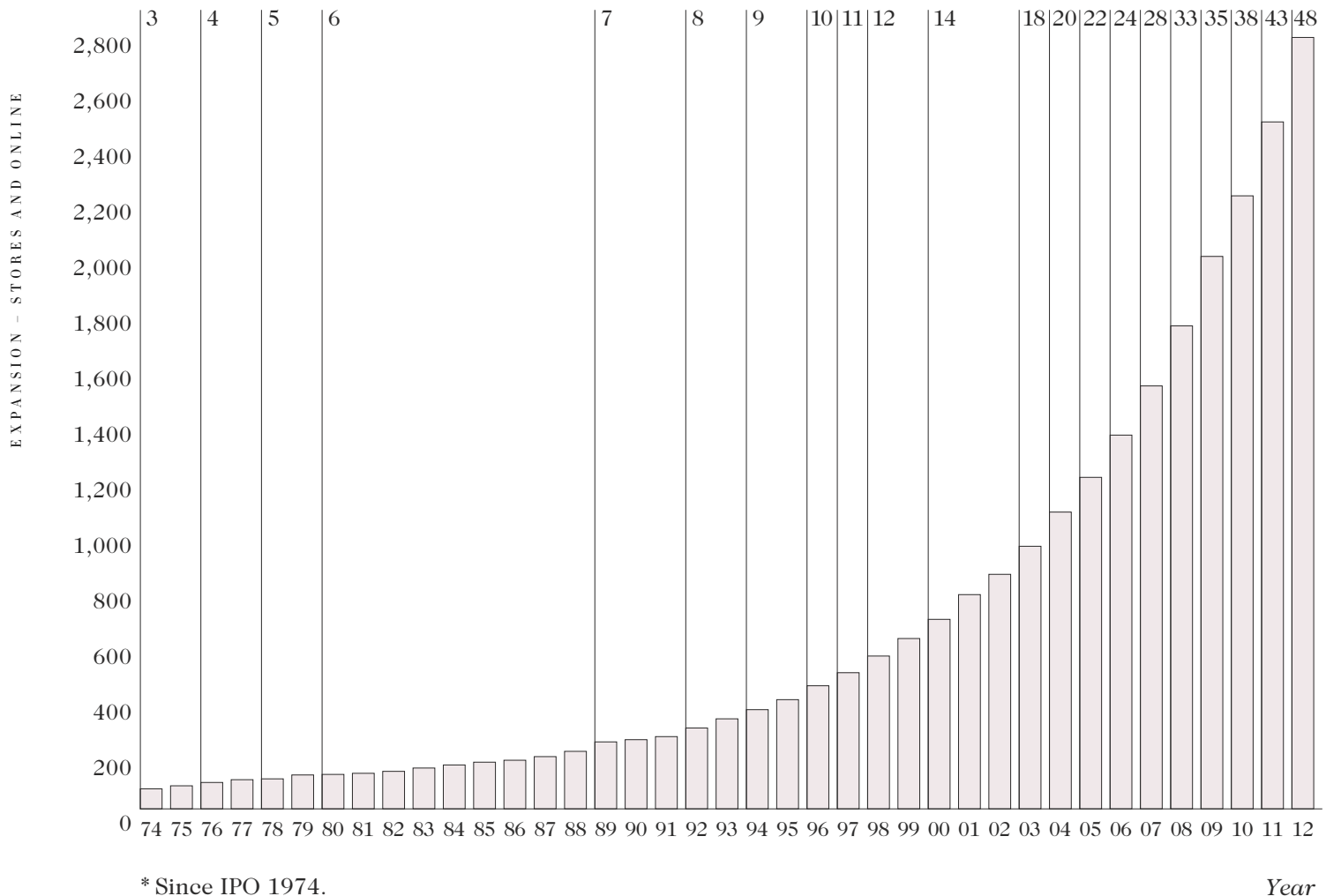


Centro Santa Fé, Mexico City.

Expansion 1974*– 2012

Number of stores

Number of markets



* Since IPO 1974.

Year

H&M is expanding globally and will have more than 3,000 stores before the end of 2013. ”

Karl-Johan Persson, CEO

MARKET OVERVIEW

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

Country	Sales 2012 incl. VAT (SEK m)	Sales 2011 incl. VAT (SEK m)	No. of stores 30 Nov 2012	New stores during the year	Closed stores during the year	Year established
Germany	30,303	29,721	406	22	10	1980
USA	12,550	9,691	269	39	3	2000
United Kingdom	10,413	9,227	226	18	5	1976
France	9,976	9,336	182	15	1	1998
Sweden	8,225	8,318	177	5	1	1947
Netherlands	6,688	6,995	124	7	1	1989
Switzerland	5,821	5,995	82	3	1	1978
Spain	5,807	5,828	146	16	2	2000
Norway	5,615	5,397	111	7		1964
China	5,411	3,598	134	52		2007
Italy	4,861	4,410	104	17		2003
Austria	4,782	4,793	68	3	1	1994
Denmark	4,297	4,195	94	5	1	1967
Belgium	3,308	3,157	70	6	2	1992
Canada	3,125	2,774	61	3		2004
Poland	2,947	2,747	103	14		2003
Japan	2,504	1,549	22	7		2008
Finland	2,429	2,379	53	8	2	1997
Russia	2,122	1,512	37	18		2009
Portugal	862	899	23			2003
Greece	841	764	25	3		2007
Czech Republic	769	722	31	7		2003
Romania	635	331	19	8		2011
Hungary	622	496	26	6		2005
Croatia	608	264	11	5		2011
South Korea	594	410	11	5		2010
Ireland	581	514	16	1		2005
Slovenia	485	500	12			2004
Turkey	443	309	11	3		2010
Singapore	409	111	2	1		2011
Luxembourg	374	385	10			1996
Slovakia	339	254	13	3		2007
Bulgaria	121		4	4		2012
Malaysia	84		2	2		2012
Mexico	47		1	1		2012
Latvia	36		2	2		2012
Franchise ¹⁾	1,914 ²⁾	1,229 ²⁾	88	23	5	2006
Total	140,948	128,810	2,776	339	35	

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



Tweed dress
€19.95

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 2011 to 30 November 2012, hereinafter referred to as the 2012 financial year.

BUSINESS

The H&M Group's business consists mainly of sales of clothing, accessories, footwear, cosmetics and home textiles to consumers.

The H&M Group offers fashion from the brands H&M, COS, Monki, Weekday and Cheap Monday, as well as home textiles from H&M Home. From spring 2013 a completely new fashion brand, & Other Stories, will also be a part of the H&M Group.

H&M's business concept is to offer fashion and quality at the best price, and its strategy is to always have the best customer offering in each individual market. Sustainability is becoming increasingly important and one element of H&M's strong offering is also that increasingly aware customers see H&M as the more sustainable option.

H&M is a design-driven, creative and responsible fashion company guided by strong values that are based on a fundamental respect for the individual and a belief in people's ability to use their initiative. With a focus on fashion and customers, and a shared aim among employees to always exceed customers' expectations, H&M 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 48 markets; 12 of these were operated on a franchise basis. The total number of stores at the end of the 2012 financial year was 2,776 including 88 franchise stores, 64 COS stores, 59 Monki stores, 21 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. H&M Home, the home textiles range, is sold via online and catalogue sales and also through stores in seven countries to date. Online sales for COS and Monki began in 18 countries in autumn 2011. In spring 2013 the Group will launch a completely new fashion brand, & Other Stories – for more information see the section Expansion and future development.

H&M's own designers work together 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 has its products manufactured by around 800 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 having in-house designers, buying in large purchasing volumes, having no middlemen, buying the right product from the right market, being cost-conscious in every part of the organisation and through efficient logistics.

SUSTAINABILITY

H&M is one of the world's leading fashion companies, and with that comes responsibilities. Consequently, H&M invests major resources in sustainability throughout its organisation. Efforts to bring about social improvement, to improve working conditions at suppliers' factories and to minimise environmental impact are closely linked to both H&M's business concept and its strategy. H&M's vision is for all its operations to be run in a way that is economically, socially and environmentally sustainable. H&M actively pursues extensive work to bring about improvements throughout the life cycle of the clothing and in the societies where H&M operates.

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, from the original design concept through to encouraging customers to care for their clothes better in order to extend the life of the garments. H&M's wide-ranging sustainability work also includes everything from responsible use of water resources, the use of renewable energy, improving energy efficiency in the stores through to working with other large companies in the clothing sector to exert a positive influence on wage levels in the production countries.

H&M is working to achieve long-term improvements for those employed by the suppliers that produce H&M products. H&M demands that each employee at every one of its suppliers is guaranteed at least their statutory rights and that the suppliers comply with H&M's Code of Conduct. That includes important issues such as wages, health and safety, etc. Around 100 expert sustainability specialists are based at H&M's production offices, working to support continual improvement in the area of sustainability and carrying out regular audits to ensure that the suppliers are abiding by H&M's Code of Conduct. 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 more environmentally, socially and economically sustainable. H&M was the world's largest user of organic cotton in 2011.

H&M's full sustainability report is published at hm.com/esr 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 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 104,000 employees. The average number of employees in the Group, converted to full-time positions, was 72,276 (64,874), of which 6,220 (5,855) are employed in Sweden.

Around 78 percent of the employees were women and 22 percent were men. Women held 74 percent of the positions of responsibility within the company, such as store managers and country managers.

SALES AND PROFITS

Sales including VAT increased by 11 percent, in local currencies, for the financial year. Sales in comparable units increased by 1 percent. Converted into SEK, sales including VAT increased to SEK 140,948 m (128,810). Sales excluding VAT increased to SEK 120,799 m (109,999).

The Group's gross profit for the 2012 financial year amounted to SEK 71,871 m (66,147), an increase of 9 percent. This corresponds to a gross margin of 59.5 percent (60.1).

Operating profit amounted to SEK 21,754 m (20,379). This represents an operating margin of 18.0 percent (18.5).

Operating profit for the 2012 financial year has been charged with depreciation amounting to SEK 3,705 m (3,262).

Consolidated net interest income was SEK 531 m (563).

Profit after financial items amounted to SEK 22,285 m (20,942).

The Group's profit for the 2012 financial year after applying a tax rate of 24.3 percent (24.5) was SEK 16,867 m (15,821), which represents earnings per share of SEK 10.19 (9.56), an increase of 7 percent.

The profit for the year represents a return on equity of 38.4 percent (35.8) and a return on capital employed of 50.3 percent (47.1).

COMMENTS ON PROFITS

H&M is present in 48 markets and the consumer climate in the fashion retail industry has varied a lot between the different countries during 2012. In this environment, H&M continued to gain market share thanks to its strong customer offering – fashion and quality at the best price. Sales increased by 11 percent in local currencies and by 1 percent in comparable units. Sales were strongest in countries such as the US, Canada, China and

Russia. Sales were also very good in the newly added H&M markets of Bulgaria, Latvia, Malaysia, Thailand and Mexico. It is mainly in southern Europe that consumption has been affected by the economic uncertainty, and this has also been reflected in H&M's sales in countries such as Greece, Spain, Portugal and Italy. Nonetheless, H&M continued to perform well compared to the market in these countries, where the Group sees further room for expansion.

The Group's other brands COS, Monki, Weekday and Cheap Monday also continue to expand. COS in particular, which has continued to exceed the company's high expectations, expanded rapidly with 19 new stores and six new countries. At the end of the 2012 financial year there were 64 COS stores in 15 countries and strong expansion is also planned for 2013. During 2012 the Group prepared for the establishment of a new fashion brand, & Other Stories, which will be launched initially in a total of ten European countries. In spring 2013 & Other Stories will open its first stores in Denmark, France, Germany, Italy, Spain, Sweden and the UK. & Other Stories will also be launched online at stories.com in these countries as well as in Belgium, Finland and the Netherlands.

The gross margin for the Group for the full-year amounted to 59.5 percent (60.1). H&M's gross margin is a result of many different factors, internal as well as external, and is also affected by the decisions that H&M makes in line with its strategy to always have the best customer offering in each individual market. External factors such as cotton prices, cost inflation and the US dollar, which is H&M's most significant purchasing currency, have altogether had a negative effect on purchasing costs for the year.

Markdowns in relation to sales were at the same level as in the previous year.

A total of 304 new stores net were opened in 2012, which was more than the originally planned 275 stores. The countries with the greatest net increase in store numbers during the year were China and the US, but Russia, Italy, Poland, France, Spain and the UK were also large expansion markets.

The online market is increasingly growing, with particularly strong growth in mobile shopping via smartphones and tablets. In January 2013 the Group launched a completely mobile-adapted H&M shop online in H&M's existing eight online markets in order to accommodate this rapid development. In parallel with this, in autumn 2012 H&M intensified work on the future rollout of H&M shop online to other markets in the Group. The launch of H&M shop online in the US was rescheduled for summer 2013, mainly because more time was needed to adapt H&M shop online for the US market, but also due to the increased investments in mobile-adapted shopping.

As a result, investments in online sales and IT continued to increase during the year; this also applies to the investments in developing & Other Stories and in broadening the product range. Many of these investments, which have not yet generated any revenue, aim to further strengthen H&M's position and to secure future expansion. Although this has resulted in cost increases for the Group, cost control remains good. Costs in comparable stores as a proportion of sales were at the same level as in the previous year.

Profit after tax for the year, which increased by 7 percent, was affected by the above-mentioned large long-term investments but also by negative currency translation effects of approximately SEK 290 m. The negative currency translation effects on both sales and profits for the year are related to the overall strengthening of the Swedish krona, particularly against the euro, compared to the previous year. Currency translation

effects arise when converting local currencies into SEK, H&M's reporting currency.

TAXES

For the 2012 financial year the tax rate was 24.3 percent (24.5). The final outcome of the tax rate depends on the results of the Group's various companies and the corporate tax rates in each country. The Swedish corporate tax rate was reduced from 26.3 percent to 22 percent as of 1 January 2013. The H&M Group's tax rate for the 2013 financial year is expected to be 23–24 percent.

PARENT COMPANY

The parent company's external sales amounted to SEK 30 m (24) for the 2012 financial year. Profit after financial items amounted to SEK 15,888 m (16,451). Investments in fixed assets amounted to SEK 125 m (119).

FINANCIAL POSITION AND CASH FLOW

Consolidated total assets as of 30 November 2012 amounted to SEK 60,173 m (60,188).

Current operations generated a positive cash flow of SEK 18,900 m (17,420). Among other things, cash flow was affected by dividends of SEK -15,723 m (-15,723), investments in fixed assets of SEK -6,827 m (-5,174) and by changes in short-term investments with a duration of four to twelve months of SEK 3,963 m (1,209). The Group's cash flow for the financial year amounted to SEK 276 m (-2,359). Liquid funds and short-term investments amounted to SEK 17,143 m (21,277).

The equity/assets ratio was 72.8 percent (73.3) and the share of risk-bearing capital was 76.1 percent (74.9).

Shareholders' equity apportioned on the outstanding 1,655,072,000 (1,655,072,000) shares as of 30 November 2012 was SEK 26.49 (26.65).

LIQUIDITY MANAGEMENT

In 2012 the longest investment period was 11 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 intact. The growth target is to increase the number of stores by 10–15 percent per year with continued high profitability, while at the same time increasing sales in comparable units.

For the 2013 financial year a net addition of around 325 new stores is planned. Most new stores during 2013 are planned to open in China and the US. There are also still great opportunities for expansion in markets such as Russia, Germany, the UK, Italy, Poland and France.

In 2013 H&M plans to open stores in the following five new countries: Chile, Estonia, Lithuania, Serbia and, via franchise, Indonesia.

H&M will open its first store in South America in Santiago de Chile during the first half of 2013. The store will be a flagship store in the best location in the Costanera Center shopping mall. In autumn 2013 the first H&M stores will open in Lithuania – one store in Vilnius and one in Klaipeda. During the autumn the first three H&M stores will open in Tallinn, Estonia along with the first two H&M stores in Belgrade in Serbia. During autumn 2013 the first H&M store in Jakarta, Indonesia will

open via franchise in cooperation with the franchisee J.S. Gill.

In summer 2013 H&M plans to launch its 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 store in Oslo, Norway and also in Dubai, UAE during spring 2013. Monki and Weekday will open their first stores in Japan during the spring, and Monki will also open its first store in Paris, France during the spring. Cheap Monday will open its first store in Paris, France in the autumn. In addition to this, Weekday will launch online shopping in 18 countries in 2013. H&M Home will also continue to expand.

The new fashion brand, & Other Stories, will launch its first collections in ten European countries during spring 2013. The first stores will open in Barcelona, Berlin, Copenhagen, London, Milan, Paris and Stockholm. In addition to this, online shopping at stories.com will be launched in Belgium, Denmark, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

At the Annual General Meeting on 3 May 2012 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 2013 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 senior executives 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 PROPOSALS TO THE 2013 AGM**- FOR GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES**

The Board's proposed guidelines for adoption at the 2013 AGM differ somewhat from the guidelines above.

The guidelines proposed to the 2013 AGM differ from the 2012 guidelines in respect of the section on variable remuneration. In other respects the proposed guidelines for senior executives are identical, other than that the number of countries included is more than 35.

The proposal is given below. In brief, it is proposed that the link to the increase in dividend is removed, that the target criteria are clearly defined and that the ceiling on the maximum bonus remains exactly the same as in previous years; just as previously, the sum is to be invested in H&M shares that are to be held for at least five years.

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 the fulfilment of targets in their respective areas of responsibility. The result is linked to the measurable profit targets (qualitative, quantitative, general, individual) set in advance within their respective areas of responsibility. These targets also include measurable targets for sustainability. The targets within each area of responsibility are aimed at promoting H&M's development in both the short and the long term.

For the Managing Director the maximum bonus is SEK 0.9 m net after tax. For other senior executives the maximum bonus is 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.

- FOR THE H&M INCENTIVE PROGRAM

The Board of Directors of H&M will submit a new proposal ahead of the 2013 Annual General Meeting for the basis on which future contributions are made to the H&M Incentive Program (HIP). Similar to the proposal to amend the guidelines for senior executives, the proposed change to HIP involves the following change: that the link between the programme and the increase in dividend shall no longer form a basis for future contributions to the HIP. More information on the proposal to change contributions to the HIP will be presented in the notice convening the 2013 Annual General Meeting and also on hm.com.

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 2012, 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 contribution, as a result of which Stefan Persson has no private shareholding in H&M as of 30 November 2012.

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 and thus affect the Group's sales. 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, embargoes, 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

More than half of the Group's sales are made in euros 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 2013 Annual General Meeting a dividend of SEK 9.50 per share (9.50), which is equivalent to 93 percent (99) of the Group's profit after tax.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the Annual General Meeting:	SEK 16,330,917,410
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 607,733,410
	SEK 16,330,917,410

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	2012	2011
Sales including VAT	140,948	128,810
Sales excluding VAT, Note 3, 4	120,799	109,999
Cost of goods sold, Note 6, 8	-48,928	-43,852
GROSS PROFIT	71,871	66,147
Selling expenses, Note 6, 8	-46,608	-42,517
Administrative expenses, Note 6, 8, 9	-3,509	-3,251
OPERATING PROFIT	21,754	20,379
Interest income	536	568
Interest expense	-5	-5
PROFIT AFTER FINANCIAL ITEMS	22,285	20,942
Tax, Note 10	-5,418	-5,121
PROFIT FOR THE YEAR	16,867	15,821
All profit for the year is attributable to the shareholders of the parent company H & M Hennes & Mauritz AB.		
Earnings per share, SEK*	10.19	9.56
Number of shares, thousands*	1,655,072	1,655,072

* Before and after dilution.

GROUP *statement of comprehensive income* { SEK M }

1 DECEMBER - 30 NOVEMBER	2012	2011
PROFIT FOR THE YEAR	16,867	15,821
Other comprehensive income		
Translation differences	-1,212	-35
Change in hedging reserves	-272	-113
Tax attributable to change in hedging reserves	71	30
OTHER COMPREHENSIVE INCOME	-1,413	-118
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,454	15,703

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

GROUP *balance sheet*

{SEK M}

30 NOVEMBER	2012	2011	30 NOVEMBER	2012	2011
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Intangible fixed assets			Share capital, Note 17	207	207
Brands, Note 11	255	302	Reserves	-1,900	-487
Customer relations, Note 11	71	84	Retained earnings	28,661	28,563
Leasehold rights, Note 11	537	585	Profit for the year	16,867	15,821
Capitalised expenditure, Note 11	631	-	TOTAL EQUITY	43,835	44,104
Goodwill, Note 11	64	64			
	1,558	1,035	LIABILITIES		
Tangible fixed assets			Long-term liabilities*		
Buildings and land, Note 12	805	804	Provisions for pensions, Note 18	377	377
Equipment, tools, fixtures and fittings, Note 12	18,326	16,589	Deferred tax liabilities, Note 10	1,951	950
	19,131	17,393		2,328	1,327
Long-term receivables	628	608	Current liabilities**		
Deferred tax receivables, Note 10	1,624	1,234	Accounts payable	4,234	4,307
			Tax liabilities	-	1,851
			Other liabilities	2,765	2,428
			Accrued expenses and prepaid income, Note 20	7,011	6,171
TOTAL FIXED ASSETS	22,941	20,270		14,010	14,757
CURRENT ASSETS			TOTAL LIABILITIES	16,338	16,084
Stock-in-trade	15,213	13,819			
Current receivables			TOTAL EQUITY AND LIABILITIES	60,173	60,188
Accounts receivable	2,207	2,337	Pledged assets and contingent liabilities, Note 22	-	-
Tax receivables	477	-			
Other receivables	1,056	1,375			
Prepaid expenses, Note 13	1,136	1,110			
	4,876	4,822			
Short-term investments, Note 14	2,995	6,958			
Liquid funds, Note 15	14,148	14,319			
TOTAL CURRENT ASSETS	37,232	39,918			
TOTAL ASSETS	60,173	60,188			

* Only provisions for pensions are interest-bearing.

** No current liabilities are interest-bearing.

GROUP changes in equity

{ SEK M }

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

	SHARE CAPITAL	TRANSLATION EFFECTS	HEDGING RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2011	207	-648	161	44,384	44,104
Profit for the year	–	–	–	16,867	16,867
Other comprehensive income					
Translation differences	–	-1,212	–	–	-1,212
Change in hedging reserves					
Reported in other comprehensive income	–	–	128	–	128
Transfer to income statement	–	–	-400	–	-400
Tax attributable to hedging reserves	–	–	71	–	71
Other comprehensive income	–	-1,212	-201	–	-1,413
Total comprehensive income	–	-1,212	-201	16,867	15,454
Dividend	–	–	–	-15,723	-15,723
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2012	207	-1,860	-40	45,528	43,835
	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.

GROUP *cash flow statement*

{SEK M}

1 DECEMBER - 30 NOVEMBER	2012	2011
Current operations		
Profit after financial items*	22,285	20,942
Provisions for pensions	10	120
Depreciation	3,705	3,262
Tax paid	-7,021	-5,666
Cash flow from current operations before changes in working capital	18,979	18,658
Cash flow from changes in working capital		
Current receivables	-8	-244
Stock-in-trade	-1,607	-2,331
Current liabilities	1,536	1,337
CASH FLOW FROM CURRENT OPERATIONS	18,900	17,420
Investment activities		
Investment in leasehold rights	-125	-71
Investments in other intangible assets	-631	-
Investment in buildings and land	-63	-157
Investment in equipment	-6,008	-4,946
Change in short-term investments, 4–12 months	3,963	1,209
Other investments	-37	-91
CASH FLOW FROM INVESTMENT ACTIVITIES	-2,901	-4,056
Financing activities		
Dividend	-15,723	-15,723
CASH FLOW FROM FINANCING ACTIVITIES	-15,723	-15,723
CASH FLOW FOR THE YEAR	276	-2,359
Liquid funds at beginning of the financial year	14,319	16,691
Cash flow for the year	276	-2,359
Exchange rate effect	-447	-13
Liquid funds at end of the financial year**	14,148	14,319

* Interest paid for the Group amounts to SEK 5 m (5). Interest received for the Group amounts to SEK 536 m (568).

** Liquid funds and short-term investments at the end of the financial year amounted to SEK 17,143 m (21,277).

PARENT COMPANY *income statement*

{ SEK M }

1 DECEMBER - 30 NOVEMBER	2012	2011
External sales excluding VAT	30	24
Internal sales excluding VAT, Note 5	7,271	6,958
GROSS PROFIT	7,301	6,982
Selling expenses, Note 6, 8	-2,788	-2,235
Administrative expenses, Note 6, 8, 9	-3,281	-2,671
OPERATING PROFIT	1,232	2,076
Dividend from subsidiaries	14,518	14,224
Interest income	139	151
Interest expense	-1	0
PROFIT AFTER FINANCIAL ITEMS	15,888	16,451
Year-end appropriations, Note 23	-328	-9
Tax, Note 10	-255	-596
PROFIT FOR THE YEAR	15,305	15,846

PARENT COMPANY *statement of comprehensive income* { SEK M }

1 DECEMBER - 30 NOVEMBER	2012	2011
PROFIT FOR THE YEAR	15,305	15,846
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	15,305	15,846

PARENT COMPANY *balance sheet*

{SEK M}

30 NOVEMBER	2012	2011	30 NOVEMBER	2012	2011
ASSETS			EQUITY AND LIABILITIES		
FIXED ASSETS			EQUITY		
Tangible fixed assets			Restricted equity		
Buildings and land, Note 12	47	45	Share capital, Note 17	207	207
Equipment, tools, fixtures and fittings, Note 12	412	396	Restricted reserves	88	88
	459	441		295	295
Financial fixed assets			Non-restricted equity		
Shares and participation rights, Note 24	588	590	Retained earnings	1,026	903
Receivables from subsidiaries	950	1,177	Profit for the year	15,305	15,846
Long-term receivables	13	13		16,331	16,749
Deferred tax receivables, Note 10	51	63			
	1,602	1,843	TOTAL EQUITY	16,626	17,044
TOTAL FIXED ASSETS	2,061	2,284	UNTAXED RESERVES, NOTE 25	456	128
CURRENT ASSETS			LIABILITIES		
Current receivables			Long-term liabilities		
Receivables from subsidiaries	12,412	10,628	Provisions for pensions, Note 18	229	240
Tax receivable	300	–	Current liabilities*		
Other receivables	43	33	Accounts payable	224	212
Prepaid expenses, Note 13	25	14	Tax liabilities	–	445
	12,780	10,675	Other liabilities	324	348
Short-term investments, Note 14	2,993	5,038	Accrued expenses and prepaid income, Note 20	280	258
Liquid funds, Note 15	305	678		828	1,263
TOTAL CURRENT ASSETS	16,078	16,391	TOTAL LIABILITIES	1,057	1,503
TOTAL ASSETS	18,139	18,675	TOTAL EQUITY AND LIABILITIES	18,139	18,675
			Pledged assets	–	–
			Contingent liabilities, Note 26	8,376	9,321

* No current liabilities are interest-bearing.

PARENT COMPANY *changes in equity*

{ SEK M }

	SHARE CAPITAL	RESTRICTED RESERVES	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
SHAREHOLDERS' EQUITY, 1 DECEMBER 2011	207	88	16,749	17,044
Profit for the year	-	-	15,305	15,305
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	15,305	15,305
Dividend	-	-	-15,723	-15,723
SHAREHOLDERS' EQUITY, 30 NOVEMBER 2012	207	88	16,331	16,626

	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

PARENT COMPANY *cash flow statement*

{ SEK M }

1 DECEMBER - 30 NOVEMBER	2012	2011
Current operations		
Profit after financial items*	15,888	16,451
Provisions for pensions	-11	17
Depreciation	107	95
Tax received/paid	-988	-523
Cash flow from current operations before changes in working capital	14,996	16,040
Cash flow from changes in working capital		
Current receivables	-1,805	-2,888
Current liabilities	10	-6
CASH FLOW FROM CURRENT OPERATIONS	13,201	13,146
Investment activities		
Investment in buildings and land	-6	-
Net investment in equipment	-119	-119
Adjustment of consideration/acquisition of subsidiaries	2	-10
Change in short-term investments, 4–12 months	2,045	3,129
Other investments	227	32
CASH FLOW FROM INVESTMENT ACTIVITIES	2,149	3,032
Financing activities		
Dividend	-15,723	-15,723
CASH FLOW FROM FINANCING ACTIVITIES	-15,723	-15,723
CASH FLOW FOR THE YEAR	-373	455
Liquid funds at beginning of the financial year	678	223
Cash flow for the year	-373	455
Liquid funds at end of the financial year**	305	678

* Interest paid for the parent company amounts to SEK 1 m (0). Interest received for the parent company amounts to SEK 139 m (151).

** Liquid funds and short-term investments at the end of the financial year amounted to SEK 3,298 m (5,716).

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 shares are 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 29 January 2013 and will be submitted to the Annual General Meeting for approval on 23 April 2013.

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

The parent company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2, Accounting for Legal Entities, which essentially means that IFRS is applied. In accordance with RFR 2, the parent company does not apply IAS 39 or IAS 38.57. Due to the link between reporting and taxation, year-end appropriations and untaxed reserves are reported in the parent company's financial statements.

With effect from the 2011/2012 financial year group contributions received by a parent company from subsidiaries are reported as financial income, while group contributions that a parent company provides to subsidiaries are 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 2011/2012 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 ex-

isting 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. This standard is to be applied to annual reporting periods beginning on or after 1 January 2013, but companies within the EU may wait until annual reporting periods beginning on or after 1 January 2014 before applying the standard. 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. This standard is to be applied to annual reporting periods beginning on or after 1 January 2013, but companies within the EU may wait until annual reporting periods beginning on or after 1 January 2014 before applying the standard. 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. 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. This standard is to be applied to annual reporting periods beginning on or after 1 January 2013 (will be applied for the first time to the 2013/2014 financial year). 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. 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.
 - 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 2012, there are no such 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 of the net identifiable assets of the acquired company at the time of acquisition, 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.

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.

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 accu-

mulated 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 tangible 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 lies with 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 reported in the balance sheet when the Group

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

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 the past financial year and the previous financial year 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 operating profit, 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 employees. 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 2012, Alecta's consolidation ratio was 123 percent (113). 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 foreseeable future. Deferred tax receivables for temporary differences and loss carry-forwards are recognised only to the extent it is likely that these will be able to be utilised.

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

CASH FLOW STATEMENT

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

SEGMENT REPORTING

The Group's business consists mainly of sales of clothing and cosmetics to consumers. Internal follow-up is carried out by country. In order to clearly present the information for different segments, the operations have until now been divided into three geographical regions: the Nordic region, Euro Zone Countries excluding Finland, and the Rest of the World. In order to better reflect the company's current geographical spread, with effect from 2013 reporting will be divided into the following three segments: Europe, Asia and North & South America. The parent company and other 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 17,143 m (21,277). The short term means that the risk of changes in value is limited. An in-

terest rate increase of 0.5 percentage units on this amount would increase interest income by SEK 86 m (106). 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 located 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 75 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 161 m (154).

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 euros, 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, 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 for-

eign 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's) 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 2012 totalled SEK 20,136 m (24,678) and corresponds to the book value of liquid assets of SEK 14,148 m (14,319), short-term investments of SEK 2,995 m (6,958), accounts receivable of SEK 2,207 m (2,337) and other SEK 786 m (1,064). Accounts receivable are divided between a large number of customers with low amounts per customer. The average debt was around SEK 2,000 (1,900). Bad debts during the year from accounts receivable were insignificant.

LIQUIDITY RISK

In view of the Group's good liquidity and good cash flow, H&M sees no need for any borrowing at the present time. The Group has no external borrowing as at the closing date.

3. SEGMENT REPORTING

	2012	2011
Nordic Region		
External net sales	16,555	16,343
Operating profit	619	614
Operating margin, %	3.7	3.8
Assets excluding tax receivables	5,812	6,301
Liabilities excluding tax liabilities	1,778	1,496
Investments	436	344
Depreciation	321	303
Eurozone excluding Finland		
External net sales	58,052	56,687
Operating profit	1,881	1,486
Operating margin, %	3.2	2.6
Assets excluding tax receivables	17,518	17,598
Liabilities excluding tax liabilities	3,837	3,556
Investments	1,951	1,796
Depreciation	1,518	1,450
Rest of the World		
External net sales	46,192	36,969
Operating profit	2,909	2,989
Operating margin, %	6.3	8.1
Assets excluding tax receivables	17,160	15,202
Liabilities excluding tax liabilities	3,822	3,110
Investments	3,576	2,543
Depreciation	1,607	1,274

	2012	2011
Group Functions		
Net sales to other segments	69,047	59,778
Operating profit	16,345	15,290
Operating margin, %	23.7	25.6
Assets excluding tax receivables	17,582	19,853
Liabilities excluding tax liabilities	4,950	5,121
Investments	864	491
Depreciation	259	235
Eliminations		
Net sales to other segments	-69,047	-59,778
Total		
External net sales	120,799	109,999
Operating profit	21,754	20,379
Operating margin, %	18.0	18.5
Assets excluding tax receivables	58,072	58,954
Liabilities excluding tax liabilities	14,387	13,283
Investments	6,827	5,174
Depreciation	3,705	3,262

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

The Group's tangible fixed assets amounted to SEK 19,131 m (17,393) as of 30 November 2012. The fixed assets are largely distributed between the countries in accordance with each country's level of sales.

4. NET SALES BY COUNTRY

	2012	NO. OF STORES 30 NOV. 2012	2011	NO. OF STORES 30 NOV. 2011
Sweden	6,625	177	6,704	173
Norway	4,495	111	4,322	104
Denmark	3,444	94	3,362	90
UK	8,968	226	7,921	213
Switzerland	5,389	82	5,553	80
Germany	25,499	406	24,997	394
Netherlands	5,608	124	5,885	118
Belgium	2,696	70	2,609	66
Austria	3,992	68	4,002	66
Luxembourg	374	10	345	10
Finland	1,987	53	1,948	47
France	8,341	182	7,806	168
USA	11,950	269	9,209	233
Spain	4,917	146	4,968	132
Poland	2,401	103	2,255	89
Czech Republic	642	31	603	24
Portugal	701	23	732	23
Italy	4,016	104	3,667	87
Canada	2,802	61	2,491	58
Slovenia	405	12	420	12
Ireland	495	16	441	15
Hungary	492	26	397	20
Slovakia	282	13	212	10
Greece	685	25	621	22
China	4,884	134	3,283	82
Japan	2,385	22	1,476	15
Russia	1,824	37	1,299	19
South Korea	540	11	373	6
Turkey	408	11	283	8
Romania	512	19	267	11
Croatia	488	11	215	6
Singapore	383	2	104	1
Bulgaria	101	4	-	-
Latvia	30	2	-	-
Malaysia	84	2	-	-
Mexico	40	1	-	-
Franchise	1,914	88	1,229	70
Total	120,799	2,776	109,999	2,472

5. ROYALTIES FROM GROUP COMPANIES

The parent company's internal sales consist of royalties from Group companies of SEK 7,271 m (6,958).

6. SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

2012	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	77	786	391	121	23
Subsidiaries	63	15,183	3,418	157	8
Group total	140	15,969	3,809	278	31

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

BOARD FEES

Board fees paid for the year as approved by the 2011 AGM amounted to SEK 4,850,000 (4,250,000). Board fees were paid as follows:

	SEK
Stefan Persson, Chairman	1,450,000
Mia Brunell Livfors	450,000
Anders Dahlvig	450,000
Lottie Knutson	450,000
Sussi Kvart	550,000
Bo Lundquist	600,000
Melker Schörling	450,000
Christian Sievert	450,000

The fees were paid as resolved at the 2011 Annual General Meeting. This means that the fees relate to the period until the next AGM is held; that is, for the period 28 April 2011 to 3 May 2012. The amounts were paid out after the 2012 AGM.

As of the AGM on 3 May 2012 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 OF SENIOR EXECUTIVES

Based on the resolution on guidelines adopted by the 2012 AGM. See Administration report pages 45–46.

REMUNERATION OF THE MANAGING DIRECTOR

Remuneration paid to the Managing Director for the 2012 financial year in the form of salary and benefits amounted to SEK 12.0 m (13.9), which included variable remuneration of SEK 0 m (2.1). Pension benefits for the 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 salary. Pension expenses amounted to SEK 3.6 m (3.5). 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 life-long pension equivalent to 50 percent of the same salary, amount to SEK 151.4 m (158.6). The change in the year's pension commitments entered as liabilities include actuarial gains of SEK 3.6 m (actuarial losses of SEK 19.5 m). Pension costs for the former Managing Director are included under "of which pensions to Board, MD, executive management".

REMUNERATION OF OTHER MEMBERS OF THE EXECUTIVE MANAGEMENT

Remuneration paid to other members of the executive management team in the form of salary and benefits were paid in the amount of SEK 58.9 m (61.9), which included variable remuneration of SEK 3.6 m (7.3). Pension expenses relating to other members of the executive management during the year amounted to SEK 16.9 m (14.6). At year-end 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.

During 2012 variable remuneration of SEK 3.9 m (6.1) was paid 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 previously 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.

At present the contribution to the H&M Incentive Program is usually based on 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. The Board of Directors will propose to the 2013 AGM that the basis for future contributions to the H&M Incentive Program be changed. For information refer to the Administration report.

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 expense will be recognised when the amount has been established and an obligation exists.

The first units in the foundation were awarded 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.

In 2012 no contribution (248) was made to the H&M Incentive Program because the 2012 dividend was unchanged from 2011, but since the HIP is a shareholder in H&M the foundation benefited from the dividend that was paid in 2012.

7. AVERAGE NUMBER OF EMPLOYEES

	2012		2011	
	Total	Male %	Total	Male %
Sweden	6,220	23	5,855	22
Norway	1,742	10	1,740	9
Denmark	1,433	8	1,397	8
UK	5,600	23	5,404	23
Switzerland	1,931	14	1,985	14
Germany	13,141	19	12,498	19
Netherlands	2,464	14	2,403	16
Belgium	1,912	25	1,836	25
Austria	1,873	10	1,906	9
Luxembourg	150	13	158	16
Finland	980	7	817	7
France	5,503	23	5,137	24
USA	6,538	35	5,096	34
Spain	3,306	17	3,209	18
Poland	4,685	18	4,099	19
Czech Republic	588	9	388	10
Portugal	585	17	582	15
Italy	2,300	27	2,158	27
Canada	1,189	21	1,142	22

	2012		2011	
	Total	Male %	Total	Male %
Slovenia	137	13	141	13
Ireland	264	16	258	18
Hungary	304	15	260	17
Slovakia	172	19	198	18
Greece	505	17	460	17
China	4,325	25	3,048	26
Japan	638	41	472	43
Russia	1,036	26	724	26
South Korea	351	30	286	29
Turkey	517	43	320	38
Romania	502	32	236	35
Croatia	264	9	124	13
Singapore	200	34	51	37
Bulgaria	102	27	–	–
Latvia	51	18	–	–
Malaysia	151	62	–	–
Mexico	32	53	–	–
Other countries	585	67	486	67
Group total	72,276	22	64,874	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, vehicles and capitalised development expenditure, based on 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. As at 30 November 2012 capitalised development expenditure has not yet been taken into use, and consequently no depreciation was reported in 2012.

No depreciation is applied to land values. Depreciation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Cost of goods sold	415	366	–	–
Selling expenses	3,065	2,698	–	–
Administrative expenses	225	198	107	95
Total	3,705	3,262	107	95

9. AUDIT FEES

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Ernst & Young				
Audit assignments	17.3	15.5	2.7	2.5
Auditing other than audit assignments	1.8	1.3	0.3	0.1
Tax consultancy	10.5	11.4	0.1	0.1
Other auditors				
Audit assignments	2.8	3.3	–	–
Total	32.4	31.5	3.1	2.7

10. TAX	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
<i>Tax expense (-) / tax receivable (+):</i>				
Current tax				
Tax expense for the period	-4,660	-5,281	-231	-600
Adjusted tax expense for previous years	20	98	-1	-
Total	-4,640	-5,183	-232	-600
Deferred tax receivable (+) / tax expense (-) in respect of				
Temporary differences in stock-in-trade	226	188	-	-
Loss carry-forward	36	-47	-	-
Pension provisions	-	14	-13	4
Tax allocation reserve	-798	-	-	-
Intangible fixed assets	-123	16	-	-
Tangible fixed assets	-201	-83	-	-
Other temporary differences	-37	-26	-	-
Effect of changed tax rate in Sweden	119	-	-10	-
Total	-778	62	-23	4
Total	-5,418	-5,121	-255	-596
<i>Reconciliation between current tax rate and effective tax rate:</i>				
Expected tax expense according to the Swedish tax rate of 26.3%	-5,861	-5,508	-4,083	-4,324
Effect of changed tax rate in Sweden	119	-	-10	-
Difference in foreign tax rates	409	425	-	-
Non-deductible/non-taxable	-97	-152	21	-13
Other	-8	16	-	-
Tax for previous years	20	98	-1	-
Tax-free dividend subsidiaries	-	-	3,818	3,741
Total	-5,418	-5,121	-255	-596
Reported deferred tax receivable relates to:				
Pensions	108	108	51	63
Tangible fixed assets	61	14	-	-
Loss carry-forward in subsidiaries	36	-	-	-
Temporary differences in stock-in-trade	1,089	851	-	-
Hedging reserves	17	14	-	-
Other temporary differences	313	247	-	-
Total	1,624	1,234	51	63
Reported deferred tax expense relates to:				
Intangible fixed assets	224	100		
Tangible fixed assets	751	503		
Stock-in-trade	268	256		
Tax allocation reserve	668	-		
Hedging reserves	-	80		
Other temporary differences	40	11		
Total	1,951	950		

As of the closing date, the Group has no loss carry-forward other than the reported deferred taxes receivable. As a result of the change in the Swedish corporate tax rate from 26.3 percent to 22 percent that was passed in November 2012 and will apply to the financial year commencing after 1 January 2013 the relevant reported values for deferred tax have been restated. Deferred tax that is expected to be reversed by 30 November 2013 has been calculated using the current tax rate.

11. INTANGIBLE FIXED ASSETS

	GROUP	
	2012	2011
Brand*		
Opening acquisition cost	470	470
Acquisitions during the year	-	-
Closing acquisition cost	470	470
Opening amortisation	-168	-121
Amortisation for the year	-47	-47
Closing accumulated amortisation	-215	-168
Closing book value	255	302
Customer relations*		
Opening acquisition cost	131	131
Acquisitions during the year	-	-
Closing acquisition cost	131	131
Opening amortisation	-47	-34
Amortisation for the year	-13	-13
Closing accumulated amortisation	-60	-47
Closing book value	71	84
Leasehold rights		
Opening acquisition cost	1,074	1,115
Acquisitions during the year	125	71
Sales/disposals	-45	-99
Translation effects	-60	-13
Closing acquisition cost	1,094	1,074
Opening amortisation	-489	-427
Sales/disposals	28	63
Amortisation for the year	-125	-123
Translation effects	29	-2
Closing accumulated amortisation	-557	-489
Closing book value	537	585
Capitalised expenditure**		
Opening acquisition cost	-	-
Acquisitions during the year	631	-
Closing acquisition cost	631	0
Goodwill*		
Opening book value	64	64
Adjusted consideration/additional consideration	-	-
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.

** Capitalised expenditure refers mainly to IT-related investments.

A goodwill impairment test was carried out at the end of 2012. 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 16 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	
	2012	2011	2012	2011
Buildings				
Opening acquisition cost	959	781	105	105
Acquisitions during the year	30	157	6	-
Sales/disposals	-	-	-	-
Translation effects	-41	21	-	-
Closing acquisition cost	948	959	111	105
Opening depreciation	-252	-220	-63	-60
Sales/disposals	-	-	-	-
Depreciation for the year	-28	-26	-4	-3
Translation effects	11	-6	-	-
Closing accumulated depreciation	-269	-252	-67	-63
Closing book value	679	707	44	42
Land				
Opening acquisition cost	97	95	3	3
Acquisitions during the year	33	-	-	-
Sales/disposals	-	-	-	-
Translation effects	-4	2	-	-
Closing book value	126	97	3	3
Equipment				
Opening acquisition cost	28,085	24,632	700	756
Acquisitions during the year	6,008	4,946	119	119
Sales/disposals	-1,678	-1,518	-43	-175
Translation effects	-1,111	25	-	-
Closing acquisition cost	31,304	28,085	776	700
Opening depreciation	-11,496	-9,819	-304	-387
Sales/disposals	1,545	1,404	43	175
Depreciation for the year	-3,492	-3,053	-103	-92
Translation effects	465	-28	-	-
Closing accumulated depreciation	-12,978	-11,496	-364	-304
Closing book value	18,326	16,589	412	396

The Group has no significant leasing agreements other than the rental agreements for rented premises entered into on normal market terms. Rental costs for the 2012 financial year amounted to SEK 14,056 m (12,993), of which sales-based rent amounted to SEK 1,541 m (1,232).

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	10,080 (9,942)
Rental commitments in next 2–5 years	27,800 (28,085)
Rental commitments more than five years ahead	17,440 (18,273)

13. PREPAID EXPENSES

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Prepaid rent	796	769	9	7
Other items	340	341	16	7
Total	1,136	1,110	25	14

14. SHORT-TERM INVESTMENTS

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Short-term investments, 4–12 months	2,995	6,958	2,993	5,038
Total	2,995	6,958	2,993	5,038

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 1.97 and 2.59 percent. The difference in interest rate depends mainly on the currency in which the funds are invested.

15. LIQUID FUNDS

	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Cash and bank balances	9,566	5,739	305	177
Short-term investments, 0–3 months	4,582	8,580	0	501
Total	14,148	14,319	305	678

Investments are made on market terms and the interest rates are between 0.10 and 8.25 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.	
	2012	2011	2012	2011	2012	2011
SELL/BUY						
NOK/SEK	-8	-2	411	371	4	4
GBP/SEK	9	-26	1,355	1,276	4	4
DKK/SEK	-2	0	440	415	4	4
CHF/SEK	-2	22	579	626	4	3
EUR/SEK	-48	3	8,434	8,669	4	4
PLN/SEK	-18	22	437	364	4	4
USD/SEK	34	-68	2,017	1,407	4	4
CAD/SEK	3	-4	320	307	4	4
JPY/SEK	25	-7	428	128	4	3
SEK/USD	-66	365	9,665	9,441	2	2
SEK/EUR	9	1	1,018	1,099	2	2
Total	-64	306	25,104	24,103		

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 158 m (456), which is reported under Other current receivables. Forward contracts with a negative market value amount to SEK 222 m (150), which is reported under Other current liabilities. Of the outstanding forward contracts, losses of SEK 10 m were transferred to the income statement when hedged transactions occurred for these contracts. The residual fair value of SEK 54 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		
	2012	2011	2010	2012	2011	2010
Capitalised value of defined benefit obligations	989	951	348	256	271	252
Fair value of managed assets	-612	-574	-91	-27	-31	-29
Provision for pension obligations recorded in the balance sheet	377	377	257	229	240	223
Opening balance, 1 December	377	257	254	240	223	211
Adjustment of opening balance*	-	64	-	-	-	-
Adjusted opening balance	377	321	254	240	223	211
Reported pension expenses, net	61	120	33	7	33	28
Premiums paid	-40	-43	-13	-2	-1	-3
Pensions paid out	-21	-21	-17	-16	-15	-13
Recorded amount of defined benefit obligations, 30 November	377	377	257	229	240	223

*The 2011 change in the capitalised value of defined benefit obligations and the fair value of managed assets was mainly due to the fact that up to and including 2010 the pension plan in Switzerland had been 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 in 2010, the commitment would have amounted to SEK 64 m. This effect, adjusted by deferred tax, was recognised in 2011 as an adjustment of opening shareholders' equity.

The amounts recorded as pension expenses include the following items:

Expenses for service during the current year	45	55	16	3	5	9
Interest expense	25	29	12	9	8	8
Expected return on managed assets	-14	-19	-3	-1	-1	-1
Actuarial gains (-) and losses (+)	16	51	7	-4	21	6
Reductions/adjustments gains (-) and losses (+)	-3	0	-10	0	0	-4
Recognised past service cost	-2	0	13	0	0	10
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	-6	4	-2	-	-	-
Reported pension expenses, net	61	120	33	7	33	28

The cost of defined contribution pension plans amounts to SEK 279 m (240).

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

Discount rate	2.30%	2.77%	3.25%	3.00%	3.25%	3.25%
Expected return on managed assets	1.66%	1.73%	3.12%	2.00%	2.25%	3.25%
Future salary increases	2.60%	2.72%	4.73%	5.00%	5.00%	5.00%
Future pension increases (inflation)	0.80%	0.83%	2.00%	2.00%	2.00%	2.00%

19. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2012	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	-	628	-	-	628
Accounts receivable	2,207	-	-	-	2,207
Other receivables	-	-	158	-	158
Short-term investments	-	2,995	-	-	2,995
Liquid funds	9,566	4,582	-	-	14,148
Total financial assets	11,773	8,205	158	-	20,136
Accounts payable	-	-	-	4,234	4,234
Other liabilities	-	-	222	-	222
Total financial liabilities	-	-	222	4,234	4,456
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	5,739	8,580	-	-	14,319
Total financial assets	8,076	16,146	456	-	24,678
Accounts payable	-	-	-	4,307	4,307
Other liabilities	-	-	150	-	150
Total financial liabilities	-	-	150	4,307	4,457

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	
	2012	2011	2012	2011
Holiday pay liability	744	672	92	67
Social security costs	481	440	86	71
Payroll liability	615	544	24	18
Costs relating to premises	2,869	2,078	0	0
Other accrued overheads	2,302	2,437	78	102
Total	7,011	6,171	280	258

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 256 m (227) for the financial year.

Karl-Johan Persson received remuneration in the form of salary and benefits amounting to SEK 12.0 m (13.9), which included variable remuneration of SEK 0 m (2.1), for work carried out during the 2012 financial year as Managing Director of H & M Hennes & Mauritz AB.

22. CONTINGENT LIABILITIES

The Group is sometimes involved in various types of disputes, but it is assessed that no current disputes will have any significant impact on the Group's results.

23. APPROPRIATIONS

	PARENT COMPANY	
	2012	2011
Reversal of tax allocation reserve	–	–
Depreciation in excess of plan	-23	-9
Provision for tax allocation reserve	-305	–
Total	-328	-9

24. PARTICIPATIONS IN GROUP COMPANIES

All Group companies are wholly-owned.

2012	Corporate ID number	No. of shares	Book value	Domicile
Parent company shareholdings				
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			588.4	

2012	Corporate ID number	Domicile
Subsidiaries' holdings		
H & M Hennes & Mauritz AS		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes & Mauritz Ltd		UK
H & M Hennes & Mauritz SA		Switzerland
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		Germany
H & M Hennes & Mauritz Logistics AB Co. KG		Germany
H & M Hennes & Mauritz online shop AB & Co. KG		Germany
H & M Hennes & Mauritz Holding B.V.		Netherlands
H & M Hennes & Mauritz Netherlands B.V.		Netherlands
H & M Hennes & Mauritz Management B.V.		Netherlands
H & M Hennes & Mauritz Belgium NV		Belgium
H & M Hennes & Mauritz Logistics GBC NV		Belgium
H & M Hennes & Mauritz GesmbH		Austria
H & M Hennes & Mauritz Oy		Finland
H & M Hennes & Mauritz SARL		France
H & M Hennes & Mauritz Logistics GBC		France
H & M Hennes & Mauritz LLP		USA
Hennes & Mauritz SL		Spain
H & M Hennes & Mauritz sp. z.o.o.		Poland
H & M Hennes & Mauritz Logistics sp. z.o.o.		Poland
H & M Hennes & Mauritz CZ. s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portugal
H & M Hennes & Mauritz S.r.l.		Italy
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz Far East Ltd		Hong Kong
Puls Trading Far East Ltd		Hong Kong
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong
H & M Hennes & Mauritz Ltd		Hong Kong
Hennes & Mauritz (Shanghai) Commercial Ltd Co		China
H & M Hennes & Mauritz (Shanghai) Trading Ltd Co		China
H & M Hennes & Mauritz (Shanghai) Garment Company Ltd		China
H & M Hennes & Mauritz SK s.r.e.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
H & M Hennes & Mauritz LLP		Russia
H & M Hennes & Mauritz TR Tekstil ltd sirketi		Turkey
H & M Hennes & Mauritz Ltd		South Korea
H & M Hennes & Mauritz SRL		Romania
H & M Hennes & Mauritz d.o.o. za trgovinu		Croatia
H & M Hennes & Mauritz PTE Ltd		Singapore
H & M Hennes & Mauritz EOOD		Bulgaria
Weekday Brands AB	556675-8438	Sweden
FaBric Sales AB & Co. KG Germany		Germany
Fabric Sales Hong Kong Limited		Hong Kong
H & M Hennes & Mauritz S.A de C.V.		Mexico
H & M Hennes & Mauritz Management S.A de C.V.		Mexico

2012	Domicile
H & M Hennes & Mauritz Servicios S.A de C.V.	Mexico
H & M Hennes & Mauritz Support S.A de C.V.	Mexico
H & M Hennes & Mauritz SIA	Latvia
H & M Retail SDN BHD	Malaysia
H & M Hennes & Mauritz SpA	Chile
H & M Hennes & Mauritz OÜ	Estonia
H & M Hennes & Mauritz UAB	Lithuania
H & M Hennes & Mauritz d.o.o.	Serbia

25. UNTAXED RESERVES

	PARENT COMPANY	
	2012	2011
Depreciation in excess of plan	151	128
Tax allocation reserve	305	-
Total	456	128

26. CONTINGENT LIABILITIES

	PARENT COMPANY	
	2012	2011
Parent company's lease guarantees	8,376	9,321
Total	8,376	9,321

27. KEY RATIO DEFINITIONS

Return on equity

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

Return on capital employed

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

Share of risk-bearing capital

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

Equity/assets ratio

Shareholders' equity in relation to the balance sheet total.

Equity per share

Shareholders' equity divided by number of shares.

P/E ratio

Price per share divided by earnings per share.

Comparable units

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

Signing of THE ANNUAL REPORT

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

Stockholm, 29 January 2013

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

MARIE BJÖRSTEDT
Board member

MARGARETA WELINDER
Board member

KARL-JOHAN PERSSON
Managing Director

Our audit report was submitted on 30 January 2013

Ernst & Young AB

Erik Åström
Authorised Public Accountant

AUDITOR'S report

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated accounts of H & M Hennes & Mauritz AB for the financial year 1 December 2011 to 30 November 2012 on pages 43–70.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the annual accounts and the consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers the aspects of internal control that are relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 November 2012 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 November 2012 and of its financial performance and cash flows for the year in accordance with

International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the Annual General Meeting adopts the income statement and balance sheet for the parent company and the group.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of H & M Hennes & Mauritz AB for the financial year from 1 December 2011 to 30 November 2012.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

We recommend to the Annual General Meeting that the profit be appropriated 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, 30 January 2013
Ernst & Young AB

Erik Åström
Authorised Public Accountant

CORPORATE GOVERNANCE REPORT

H & M Hennes & Mauritz AB 2012

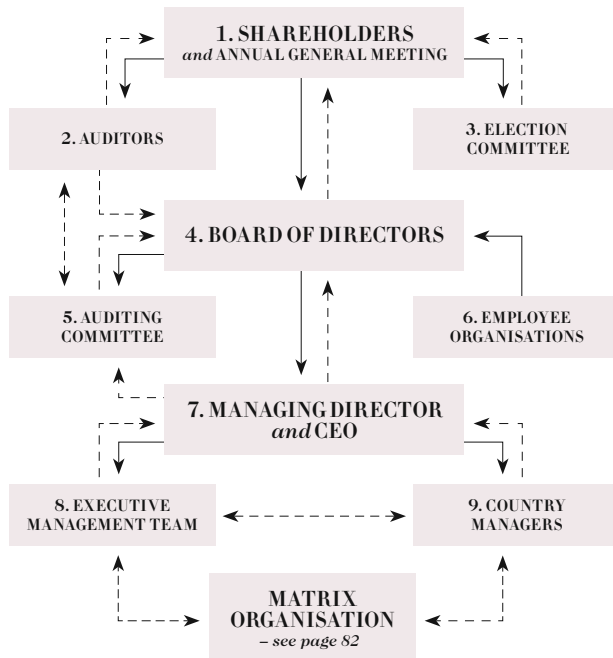
Good corporate governance is about ensuring that companies are managed as efficiently as possible in the interests of the shareholders.

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 at www.bolagsstyrning.se). This corporate governance report for 2012 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 46 of the H&M Annual Report 2012 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 84.

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.

COMPLIANCE WITH REGULATIONS

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



--> REPORTS TO/PROVIDES INFORMATION
 —> APPOINTS/ELECTS/PROPOSES

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

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.

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 proposed 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

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. 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 updated when needed but is established at least 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 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 for H&M 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. All the members are independent of the company, its management and the company's 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 appointed 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 daily 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 here:

- 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 193,878 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 of 30 November 2012, Stefan Persson and family via Ramsbury Invest AB 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 2011 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 2012

H&M's Annual General Meeting 2012 was held on 3 May in Victoriahallen at the Stockholm International Fairs in Stockholm. 1,721 shareholders were represented at the meeting, representing 83.3 percent of the votes and 65.7 percent of the capital. H&M's Board of Directors, executive management and Election Committee as well as the company's auditors attended the meeting.

The main resolutions passed were the following:

- Lawyer Eva Hägg 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 2010/2011 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 5,025,000 in total, to be distributed as follows: Chairman of the Board SEK 1,350,000; Board members SEK 475,000; 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 proposed guidelines for remuneration to senior executives were approved.

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

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

YEAR	% OF VOTES	% OF CAPITAL
2008	80.9	60.7
2009	81.3	61.5
2010	81.9	62.7
2011	82.3	63.5
2012	83.3	65.7

COMPOSITION AND WORK OF THE ELECTION COMMITTEE IN 2012/2013

The members of the Election Committee were elected by the 2012 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 29 February 2012, 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 2012" under the heading Election Committee in the Corporate Governance section at www.hm.com.

The composition of the Election Committee following the 2012 AGM was:

- Stefan Persson, Chairman of the Board
- Lottie Tham
- Liselott Ledin, Alecta
- Jan Andersson, Swedbank Robur Fonder
- Anders Oscarsson, 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 2011 AGM presented its proposals to the 2012 AGM. The Election Committee provided the following grounds for its proposed composition of the Board before the 2012 AGM:

"The Election Committee judges that the proposed composition of the Board of Directors accords well with section 4.1 of the Swedish Code of Corporate Governance, i.e. that the proposed Board is characterised by diversity and breadth of expertise, experience, background and equal gender distribution. It is felt that the proposed composition of the Board more than satisfies the requirements made of expertise and experience, taking into account the company's operations and future development.

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

Since the 2012 AGM the Election Committee has held one meeting at which minutes were taken and the Committee was

COMPOSITION OF THE BOARD AND ATTENDANCE IN 2012

NAME	YEAR ELECTED	INDEPENDENT ¹⁾	INDEPENDENT ²⁾	FEES (SEK) ³⁾	BOARD MEETINGS	AUDITING COMMITTEE	SHAREHOLDING	SHARES HELD BY RELATED PARTIES
Stefan Persson, Chairman	1979	No	No	1,350,000	6/6	1/4 ⁴⁾		194,400,000 ⁵⁾ 393,049,043 ⁶⁾
Mia Brunell Livfors	2008	Yes	Yes	450,000	6/6			600 ⁷⁾
Anders Dahlvig	2010	Yes	Yes	450,000	6/6		17,510	
Lottie Knutson	2006	Yes	Yes	450,000	6/6		1,400	
Sussi Kvart	1998	Yes	Yes	550,000	6/6	4/4	4,400	1,700
Bo Lundquist	1995	Yes	Yes	600,000	5/6	3/4		100,000 ⁸⁾
Melker Schörling	1998	Yes	Yes	450,000	5/6			228,000 ⁹⁾
Christian Sievert	2010	Yes	Yes	450,000	6/6	3/4 ⁴⁾	50,000	600
Marie Björstedt, ¹⁰⁾ employee rep.	2011				6/6			
Margareta Welinder, employee rep.	2007				6/6			
Agneta Ramberg, ¹⁰⁾ employee rep.	1997				2/6			
Ingrid Godin, ¹⁰⁾ deputy employee rep.	2012				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 2011 Annual General Meeting. This means that the fees relate to the period until the next AGM is held, i.e. for the period 28 April 2011 to 3 May 2012. The amount was paid out after the 2012 AGM.

4) At the statutory Board meeting Christian Sievert was elected to supersede Stefan Persson as a member of the Auditing Committee.

5) Class A shares owned through Ramsbury Invest AB.

6) Class B shares owned through Ramsbury Invest AB.

7) Shares held together with related parties.

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

9) Shares owned through Melker Schörling AB.

10) Employee representative Agneta Ramberg retired in 2012. Former deputy employee representative Marie Björstedt succeeded Agneta Ramberg as employee representative at the 2012 AGM and Ingrid Godin became the new deputy employee representative.

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

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, fees for Board members and the election of auditors. No fees were paid to the Election Committee's chairman or to any of the other members of the Election Committee.

The Election Committee's work in preparation for the next AGM is not yet complete and more information will be presented before and at the 2013 AGM.

ANNUAL GENERAL MEETING 2013

H&M's Annual General Meeting 2013 will be held on Tuesday 23 April 2013 in Victoriahallen at the Stockholm International Fairs in Stockholm. To register to attend the 2013 AGM, see H&M Annual Report 2012 page 90 or visit www.hm.com/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 2012 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.

For facts about H&M's Board members, see pages 80–81. The Board members are to devote the time and attention that their assignment for H&M requires. New Board members receive introductory training which, among other things, includes meetings with the heads of various functions.

During the financial year H&M normally holds six regular Board meetings, one of which is the statutory Board meeting. Extraordinary Board meetings are held when the need arises. The Managing Director attends all Board meetings, except when

the Managing Director's terms and conditions are 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 2012

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 2012.

During the year the Board addressed and discussed the following matters, among other things:

- The company's financial situation, with sales, costs and results as the main focus.
- Investments for the coming financial year, such as new stores, online business, IT developments, etc.
- Expansion strategy, aims and new markets and the number of refurbishments.
- Strategic matters within the Group's sustainability work were discussed and dealt with.
- The executive management team's updated risk assessment.
- During the year the Board also discussed strategic matters such as competition, external factors and development opportunities. For example, the debt crisis in Europe was discussed and contingency plans were produced; macroeconomic conditions in China and the US were also discussed in relation to H&M's business.

Among other things, the Managing Director reported on:

- developments in H&M's various markets based on the general market situation, price levels/competition and H&M's customer offering in each market. Expansion and developments in the new markets of Bulgaria, Latvia, Malaysia, Mexico and the new franchise market Thailand,
- buying work and production, the environment and sustainability, the level of stock-in-trade, marketing, developments in online business and IT, organisational changes, expansion and developments relating to the other brands: COS, Monki, Weekday, Cheap Monday and H&M Home, and also the development of the new brand & Other Stories which is to be launched in spring 2013.

Among other things, the Board decided the following:

- 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.
- The dividend proposal to the AGM of SEK 9.50 per share for the 2010/2011 financial year.
- Proposal to the AGM concerning guidelines for remuneration to senior executives.
- Decision to continue with the present model for monitoring internal control.
- Decisions were taken during the year on policy documents such as the updated financial policy and updated work plan.

In connection with the Board's review of the proposed Annual Report for 2012, auditor Erik Åström gave an account of the year's audit work.

THE AUDITING COMMITTEE IN 2012

Since the statutory meeting held in conjunction with the 2012 AGM, the Auditing Committee has consisted of chairman Bo Lundquist and members Sussi Kvart and Christian Sievert. The committee held four meetings at which minutes were taken in 2011/2012.

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.
- Compliance with the Group's internal control and risk management processes and review of the overall risk analysis for the Group. Among other things, the following functions also gave presentations/provided information on their work: Security, Sustainability, Human Resources, Transfer Pricing, Online and IT.
- The significance of the European debt crisis for the company was discussed.
- The company's internal pricing model and tax issues.
- New bribery legislation in Sweden and the UK. Updating of the Code of Ethics and its implementation in view of new bribery legislation.
- The European Commission's Green Paper on the statutory audit.
- Ernst & Young provided the Committee with information on the results of its scrutiny as well as the scope of the audit.
- The Auditing Committee finds that it is clear which assignments Ernst & Young takes on in addition to auditing and sees no reason to question the accounting firm's impartiality. H&M also buys other consulting services from other accounting firms.

FINANCIAL REPORTING

H&M's financial reporting is carried out in compliance with the laws and other rules 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. 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 2012 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 for H&M in addition to the audit.

Authorised Public Accountant Erik Åström conducts auditing assignments for companies such as Svenska Handelsbanken, as well as for NASDAQ OMX.

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

AUDIT FEES (SEK M)	GROUP		PARENT COMPANY	
	2012	2011	2012	2011
Ernst & Young				
Audit assignments	17.3	15.5	2.7	2.5
Auditing other than audit assignments	1.8	1.3	0.3	0.1
Tax consultancy	10.5	11.4	0.1	0.1
Other auditors				
Audit assignments	2.8	3.3	–	–
TOTAL	32.4	31.5	3.1	2.7

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 Persson holds a BA in Business Administration from the European Business School in London.

Karl-Johan Persson currently has external board assignments for, among others, the Swedish Chamber of Commerce in the UK, Ramsbury Invest AB 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 2012 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 pages 45–46 of the H&M Annual Report 2012.

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 2012 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 2012 Annual General Meeting the Board carried out an assessment of the application of the guidelines for remuneration to senior executives that were adopted by the 2011 AGM. The results of this assessment were published on the website in good time before the 2012 AGM.



CHRISTIAN SIEVERT
*Board member and
member of the
Auditing Committee*

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

INGRID GODIN
*Deputy employee
representative*

MIA BRUNELL LIVFORS
Board member

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

MARIE BJÖRSTEDT
Employee representative



LOTTIE KNUTSON
Board member

TINA JÄDERBERG
*Deputy employee
representative*

MELKER SCHÖRLING
Board member

STEFAN PERSSON
Chairman of the Board

MARGARETA WELINDER
Employee representative

ANDERS DAHLVIG
Board member

FACTS *on* BOARD MEMBERS

STEFAN PERSSON

Chairman of the Board. Born 1947.

PRIMARY OCCUPATION

Chairman of the Board of H&M.

OTHER SIGNIFICANT BOARD ASSIGNMENTS

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

EDUCATION

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 CEO 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 Transecom 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 CFO 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, Resurs Bank AB and Pret A Manger.

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 Kwart 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), Shareville AB, Club Consulting AB and Gothenburg School of Gymnastics. Member of the boards of Teknikmagasinet AB and the Anders Wall Foundation for Free Enterprise.

EDUCATION

MSc in Engineering from Chalmers University of Technology, Gothenburg, 1968.

WORK EXPERIENCE

1970–1974 Administrative Director, Luleå University.
1975–1978 Divisional Manager, SSAB.
1978–1982 Sales Manager, Sandvik.
1982–1984 Managing Director, Bulten.
1984–1990 Vice President, Trelleborg.
1991–1998 Managing Director and CEO, 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 and member of the Auditing Committee.
Born 1969.

PRIMARY OCCUPATION

CEO of Segulah Advisor AB, a venture capital company.

OTHER SIGNIFICANT BOARD ASSIGNMENTS

Member of the boards of Segulah Advisor AB, AB Segulah, Gunnebo Industrier, Kemetyl, CCS Healthcare and St. Erik's.

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.

MARGARETA WELINDER

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

MARIE BJÖRSTEDT

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

INGRID GODIN

Deputy employee representative on the H&M Board since 2012.
Born 1959.

TINA JÄDERBERG

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

INTERNAL CONTROL

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, to ensure reliable financial reporting and to ensure compliance with applicable laws and regulations.

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.

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 the following five components: control environment, risk assessment, control activities, information and communication as well as monitoring.

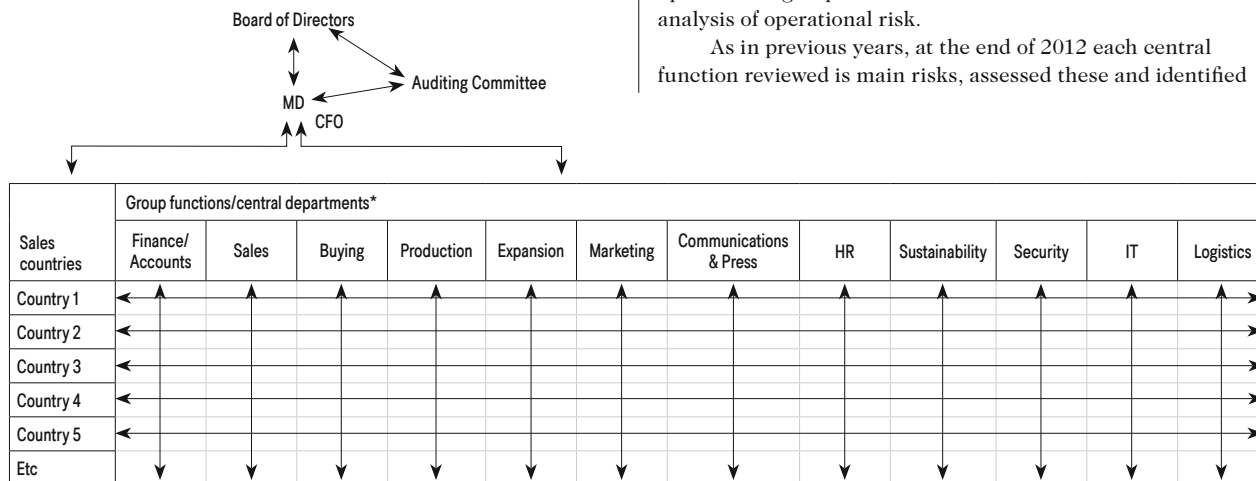
CONTROL ENVIRONMENT

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; an ethical 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



* 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.

described in the Board’s formal work plan. The executive management team and the Auditing Committee report regularly to the Board based on established routines.

- The company’s organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Values and global guidelines, policies, routines 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 importance of maintaining 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 organisation is 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 risk of errors within its financial reporting. At the end of each financial year the analysis of the main risks within financial reporting is updated in a group-wide document. The same is done for the analysis of operational risk.

As in previous years, at the end of 2012 each central function reviewed is main risks, assessed these and identified

the systems, methods and controls that are in place to minimise any impact of the risks. This information was compiled at Group level into an overall risk analysis and was discussed with the functions with a view to gaining an overall picture of the main risks within the company.

The risk analyses for operational risks and the risks within 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 46–47, and for risks within financial reporting see Note 2 Financial risks on page 60 of the H&M Annual Report 2012.

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 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 2012 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

In 2012 an examination of internal control issues was carried out at Group level to ascertain what could be improved and updated in the functions' working materials for 2013. This work was carried out in cooperation with the functions and resulted in updated checklists – both general and department-specific – for the central functions to use in their audits in 2013.

In 2012 Group functions/the central departments carried out assessments of internal control within their respective functions in the sales countries based partly on general issues and partly on department-specific issues, using the COSO model.

The 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. Within the production organisation there is a firm control and monitoring process for the internal routines that are brought together in the Routine Handbook.

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 maintains 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 2013.

Stockholm, January 2013

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.

AUDITOR'S 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 2011 to 30 November 2012 on pages 72–83. 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 reasonable 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.

OPINION

In our opinion, a corporate governance report has been prepared and its content is consistent with the annual report and the consolidated accounts.

Stockholm, 30 January 2013

Ernst & Young AB

Erik Åström
Authorised Public Accountant



T-Shirt
€ 9.95

FIVE YEAR summary

1 DECEMBER - 30 NOVEMBER

THE FINANCIAL YEAR	2012	2011	2010	2009	2008
Sales including VAT, SEK m	140,948	128,810	126,966	118,697	104,041
Sales excluding VAT, SEK m	120,799	109,999	108,483	101,393	88,532
Change from previous year, %	+10	+1	+7	+15	+13
Operating profit, SEK m	21,754	20,379	24,659	21,644	20,138
Operating margin, %	18.0	18.5	22.7	21.3	22.7
Depreciation for the year, SEK m	3,705	3,262	3,061	2,830	2,202
Profit after financial items, SEK m	22,285	20,942	25,008	22,103	21,190
Profit after tax, SEK m	16,867	15,821	18,681	16,384	15,294
Liquid funds and short-term investments, SEK m	17,143	21,277	24,858	22,025	22,726
Stock-in-trade, SEK m	15,213	13,819	11,487	10,240	8,500
Equity, SEK m	43,835	44,104	44,172	40,613	36,950
Number of shares, thousands*	1,655,072	1,655,072	1,655,072	1,655,072	1,655,072
Earnings per share, SEK*	10.19	9.56	11.29	9.90	9.24
Shareholders' equity per share, SEK*	26.49	26.65	26.69	24.54	22.33
Cash flow from current operations per share, SEK*	11.42	10.53	13.19	10.86	10.86
Dividend per share, SEK	9,50**	9.50	9.50	8.00	7.75
Return on equity, %	38.4	35.8	44.1	42.2	44.3
Return on capital employed, %	50.3	47.1	58.7	56.7	61.1
Share of risk-bearing capital, %	76.1	74.9	76.2	78.5	75.7
Equity/assets ratio, %	72.8	73.3	74.6	74.7	72.1
Total number of stores	2,776	2,472	2,206	1,988	1,738
Average number of employees	72,276	64,874	59,440	53,476	53,430

* 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 69.

THE H&M share

KEY RATIOS PER SHARE	2012	2011	2010	2009	2008
Shareholders' equity per share, SEK	26.49	26.65	26.69	24.54	22.33
Earnings per share, SEK	10.19	9.56	11.29	9.90	9.24
Change from previous year, %	+7	-15	+14	+7	+13
Dividend per share, SEK	9.50*	9.50	9.50	8.00	7.75
Market price on 30 November, SEK	215.90	214.00	237.40	206.15	149.00
P/E ratio	21	22	21	21	16

* Board's proposal.

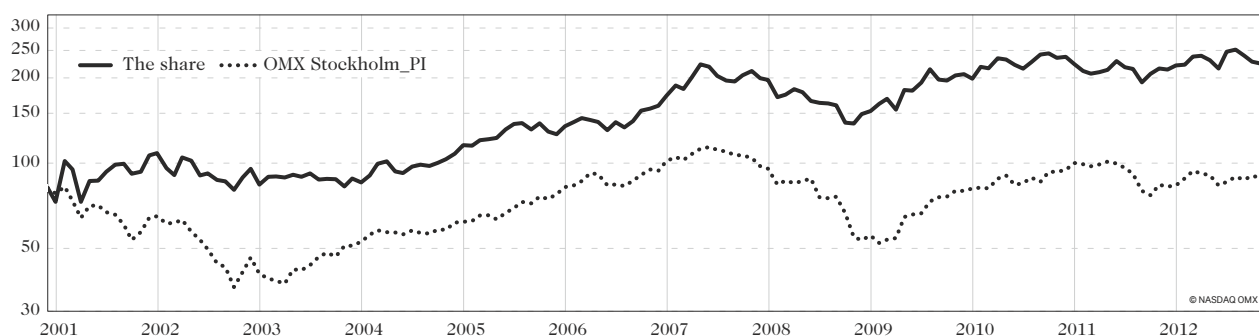
In 2010 H&M implemented a 2-for-1 share split. The years 2008–2009 in the table above have therefore been adjusted for the new number of shares.

DISTRIBUTION OF SHARES, 30 NOVEMBER 2012

SHAREHOLDING	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%	AVERAGE SHARES PER SHAREHOLDER
1–500	147,547	76.1	23,274,401	1.4	158
501–1,000	22,280	11.5	17,762,588	1.1	797
1,001–5,000	18,992	9.8	42,097,109	2.5	2,217
5,001–10,000	2,448	1.3	17,990,923	1.1	7,349
10,001–15,000	715	0.4	8,980,045	0.5	12,560
15,001–20,000	443	0.2	7,919,364	0.5	17,877
20,001–	1,453	0.7	1,537,047,570	92.9	1,057,844
Total	193,878	100	1,655,072,000	100	8,537

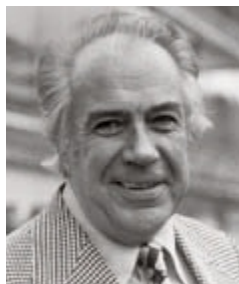
MAJOR SHAREHOLDERS, 30 NOVEMBER 2012

	NO. OF SHARES	% OF VOTING RIGHTS	% OF TOTAL SHARES
The Persson family and related companies	623,849,332	69.71	37.69
Lottie Tham and family	88,080,400	2.59	5.32
Alecta Pensionsförsäkring	64,840,000	1.90	3.92
Swedbank Robur fonder	45,988,720	1.35	2.78
AMF - Försäkring och Fonder	31,569,030	0.93	1.91
Afa Försäkring	16,288,140	0.48	0.98
SEB Investment Management	15,705,376	0.46	0.95
Fjärde AP-fonden (Fourth Swedish National Pension Fund)	15,657,489	0.46	0.95
Handelsbanken Fonder	15,299,666	0.45	0.92
Jan Bengtsson	14,222,030	0.42	0.86



H&M's HISTORY

- 1947 The first store opens in Västerås, selling women's clothing. The store is called Hennes.
- 1952 Hennes opens in Stockholm.
- 1964 The first store outside Sweden opens in Norway.
- 1968 Founder Erling Persson buys Mauritz Widforss, a hunting and fishing equipment store. Sales of men's and children's clothing begin. The name is changed to Hennes & Mauritz.
- 1974 H&M is listed on the Stockholm Stock Exchange.
- 1976 The first store outside Scandinavia opens in London in the UK.
- 1977 Impuls stores are launched. Sales of cosmetics begin.
- 1980s Stores open in Germany and the Netherlands. H&M acquires the mail order company Rowells.
- 1990s Progress continues in Europe with the opening of the first store in France in 1998. Newspaper and magazine advertising is complemented by outdoor advertising featuring famous models. In 1998 H&M online shopping begins.
- 2000 The first US store opens on Fifth Avenue in New York. The same year stores open in Spain. In subsequent years, H&M opens in more European markets.
- 2004 H&M initiates designer collaborations starting with Karl Lagerfeld. More collaborations follow with Stella McCartney, Viktor & Rolf, Madonna, Roberto Cavalli, Comme des Garçons, Matthew Williamson, Jimmy Choo, Sonia Rykiel, Lanvin, Versace, Marni, David Beckham, Anna Dello Russo and Maison Martin Margiela.
- 2006 A major expansion of online and catalogue sales begins with the Netherlands as the first market outside the Nordic region. The first stores in the Middle East open via franchise.
- 2007 The first Asian stores open in Hong Kong and Shanghai. In the same year, the new concept store COS is launched. The expansion of online and catalogue sales continues with the inclusion of Germany and Austria.
- 2008 H&M opens its first Japanese store in Tokyo and acquires fashion firm FaBric Scandinavien AB, which comprises the brands Weekday, Monki and Cheap Monday.
- 2009 The first H&M stores in Russia open. 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.
- 2010 The first H&M stores in South Korea and Turkey open. Israel becomes a new franchise market. Online shopping starts in the UK. H&M Home stores open outside Sweden. Monki moves into Asia with a store in Hong Kong. H&M becomes the world's largest consumer of organic cotton and will continue to increase its use of this material.
- 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. The H&M Incentive Program – a reward and recognition programme for all employees – starts. COS and Monki launch online shopping in 18 countries.
- 2012 H&M opens in Bulgaria, Latvia, Malaysia and Mexico, and via franchise in Thailand. COS opens in Finland, Italy, Poland, Hong Kong and Austria, and opens via franchise in Kuwait. The Monki brand grows in China and Weekday opens in the Netherlands.
- 2013 The first H&M store in the southern hemisphere opens in Chile. H&M also opens in Estonia, Lithuania and Serbia. Indonesia becomes a new franchise market. H&M plans to introduce online shopping in the US. The & Other Stories brand is launched in ten countries. COS, Monki, Weekday and Cheap Monday to open in new countries. Weekday starts online shopping. Global clothing collecting initiative starts in selected stores.



In 1947 Hennes women's clothing store opened in Västerås, Sweden. Today the H&M Group offers fashion for everyone under the brands of H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories, along with interior textiles for the home at H&M Home. ”

> Read all about H&M's collections, brands, markets, sustainability work, employees and much more at hm.com.



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	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> CEO Karl-Johan Persson FINANCE Jyrki Tervonen ACCOUNTS Anders Jonasson SALES Daniel Ervér BUYING Stina Westerstad DESIGN Ann-Sofie Johansson PRODUCTION Karl Gunnar Fägerlin SUSTAINABILITY Helena Helmersson EXPANSION Fredrik Olsson </td> <td style="vertical-align: top; width: 50%;"> BUSINESS DEVELOPMENT Björn Magnusson NEW BUSINESS Pernilla Wohlfahrt MARKETING/BRAND Anna Tillberg Pantzar COMMUNICATIONS Kristina Stenvinkel INVESTOR RELATIONS Nils Vingé HUMAN RESOURCES Sanna Lindberg IT Kjell-Olof Nilsson LOGISTICS Jonas Guldstrand SECURITY Cenneth Cederholm </td> </tr> </table>	CEO Karl-Johan Persson FINANCE Jyrki Tervonen ACCOUNTS Anders Jonasson SALES Daniel Ervér BUYING Stina Westerstad DESIGN Ann-Sofie Johansson PRODUCTION Karl Gunnar Fägerlin 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 Vingé HUMAN RESOURCES Sanna Lindberg IT Kjell-Olof Nilsson LOGISTICS Jonas Guldstrand SECURITY Cenneth Cederholm
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DISTRIBUTION POLICY	H&M sends out the printed version of the Annual Report 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 .		

ANNUAL GENERAL MEETING

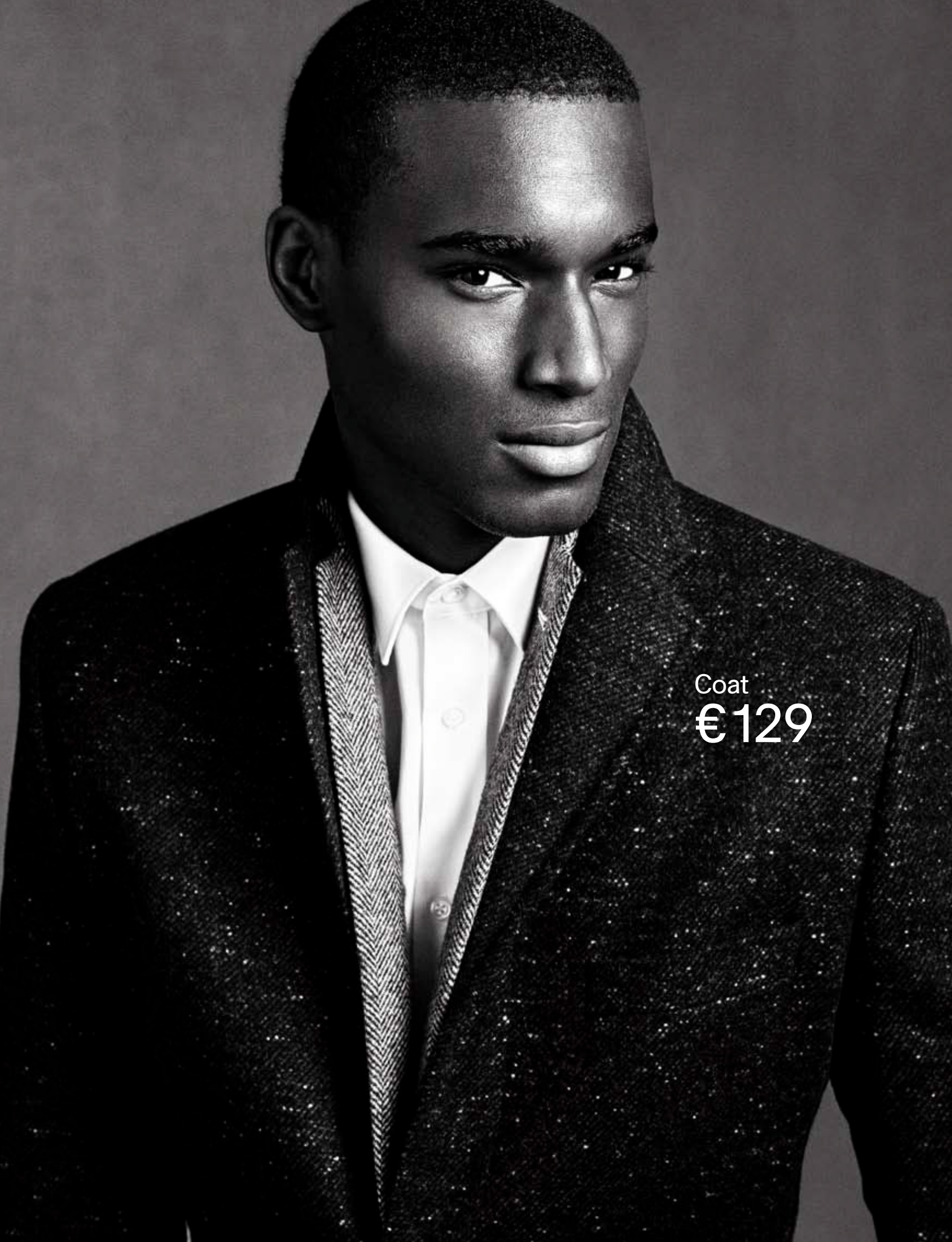
TIME AND PLACE	<p>The Annual General Meeting 2013 will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Tuesday 23 April at 3 p.m.</p> <p>Shareholders who are registered in the share register print-out as of Wednesday 17 April 2013 and give notice of their intention to attend the AGM no later than Wednesday 17 April 2013 will be entitled to participate in the AGM.</p>		
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 17 April 2013.		
NOTICE OF ATTENDANCE	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> 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: </td> <td style="vertical-align: top; width: 50%;"> 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 </td> </tr> </table> <p>Shareholders must provide their name, civil identity number and telephone number (daytime) when providing notice of their intention to participate.</p>	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
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DIVIDEND	The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting a dividend for 2012 of SEK 9.50 per share. The Board of Directors has proposed 26 April 2013 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 2 May 2013. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 23 April 2013.		

FINANCIAL INFORMATION

CALENDAR	H & M Hennes & Mauritz AB will provide the following information:
21 March 2013	Three-month report
23 April 2013	Annual General Meeting 2013, Victoriahallen, Stockholm International Fairs at 3 p.m.
19 June 2013	Six-month report
26 September 2013	Nine-month report
30 January 2014	Full-year report

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