



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

Dress €39.95

H&M 2010

in figures

38 *markets*

2,206 *stores*

87,000 *employees*

sales including VAT SEK 127 *billion*

profit after tax SEK 18.7 *billion*



Blouse € 9.95

Autumn 2010
Women



Dress
€ 19.95

*Autumn 2010
Christmas*



Jacket € 99

Autumn 2010
Men

A full-page photograph of three models walking through shallow ocean waves. The model on the left wears a bright pink bikini with a halter-style top and a matching bottom. The middle model wears a bikini with a leopard print pattern. The model on the right wears a bikini with horizontal stripes in multiple colors. All three models have wet hair and are splashing water, which is captured in mid-air around their legs. The background shows a clear blue sky and the ocean.

Bikini top
€ 4.95



*Summer 2010
Beach*



"HONEY I'M HOME!"

Dress
€ 149

Autumn 2010
Lanvin for H&M



Hoodie jacket
€ 9.95

Autumn 2010
Divided



Shirt
€ 14.95

Spring 2011
Children

FASHION & QUALITY *at the best price*

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

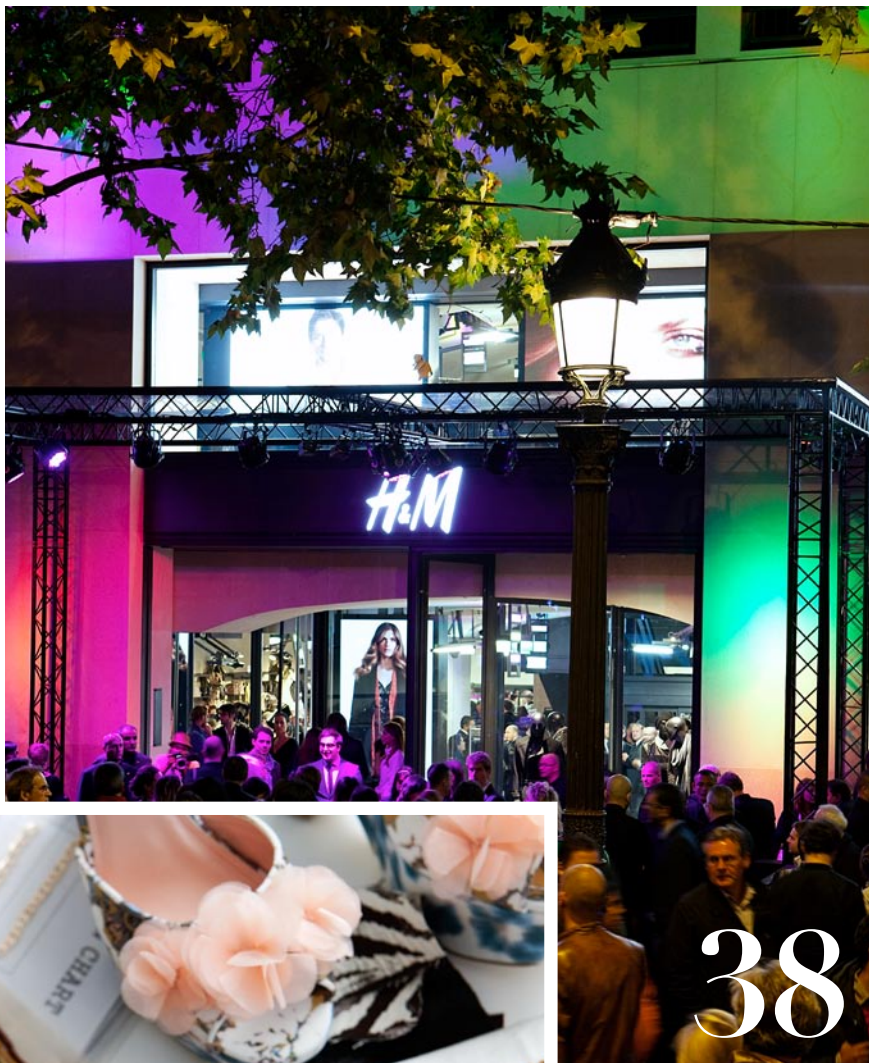
H&M's in-house designers create a wide and varied range for everyone who loves fashion, whatever their age. Quality is a key concept, right through from first idea to customer. H&M aims to constantly meet or exceed customers' expectations.

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

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

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

INDEX



38

20

PART I

H&M IN WORDS AND PICTURES 2010

- 11 BUSINESS CONCEPT, GOALS AND STRATEGY**
H&M's business concept is to offer fashion and quality at the best price.
- 14 CEO LETTER 2010** Karl-Johan Persson comments on an even better customer offering.
- 16 H&M 2010 IN BRIEF** New markets, stores and collections.
- 20 CREATING THE H&M COLLECTIONS** An eye for the latest trends, classics and new environmentally adapted materials. H&M has the flair and intuition to create a broad range of fashion for everyone.
- 24 OUR COLLECTIONS** Fashion for women, men, children and teenagers from H&M, COS, Monki, Weekday, Cheap Monday and H&M Home.
- 32 OUR RESPONSIBILITY** Consideration for the environment and people at every stage.
- 38 H&M IS GROWING** Expansion with quality across four continents.
- 40 OPENINGS AND LAUNCHES** Exciting new shopping experiences in Seoul, Las Vegas and Paris.
- 44 COME ON IN** New products, a flair for fashion and environmentally smarter solutions in H&M stores.
- 46 MEETING H&M CUSTOMERS** What the people who shop at H&M think.
- 47 H&M ONLINE** Shopping, inspiration and information on the net, and H&M in social media.
- 48 OUR COLLEAGUES** Employees are the key to H&M's success.
- 51 MARKETS AND FIGURES** 2,206 stores in 38 countries. H&M continues to grow.
- 56 HISTORY** From the first store in 1947 to a global fashion company.

PART II

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



48



16



24



40



32

AN EVEN BETTER CUSTOMER OFFERING

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

H&M 2010 *in brief*



ROMANTIC & sustainable

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



TURKEY – AN EXCITING *new market*

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

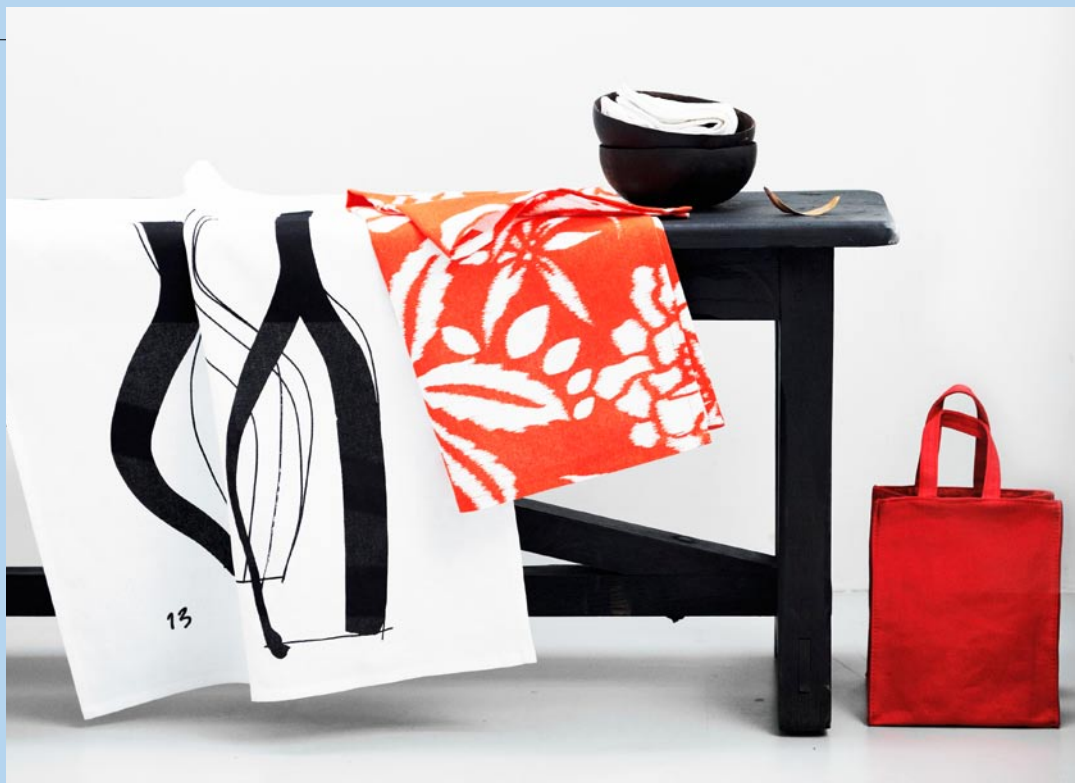


H&M Shop Online COMES TO THE UK

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

Welcome to H&M HOME

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



H&M COMES to South Korea...

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



...and Monki TO HONG KONG

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

COS OPENS *new stores*

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

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



BETTER COTTON – *on 2020 target*

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



COLOURFUL SPRING *with Sonia Rykiel*

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

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



LANVIN ♥ H&M

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

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

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



INCENTIVE PROGRAMME *for all employees*

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

OPENINGS *in Israel*

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





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

FASHION FOR EVERYONE

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

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

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

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

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

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

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

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

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

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



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



Detailed mood boards showing seasonal influences.



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

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

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

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

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

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

FASHION AGAINST AIDS

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

EXCITING NEWS - FASHION AT H&M IN 2011

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

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

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

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

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

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

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

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

dream he created to a wider public.”

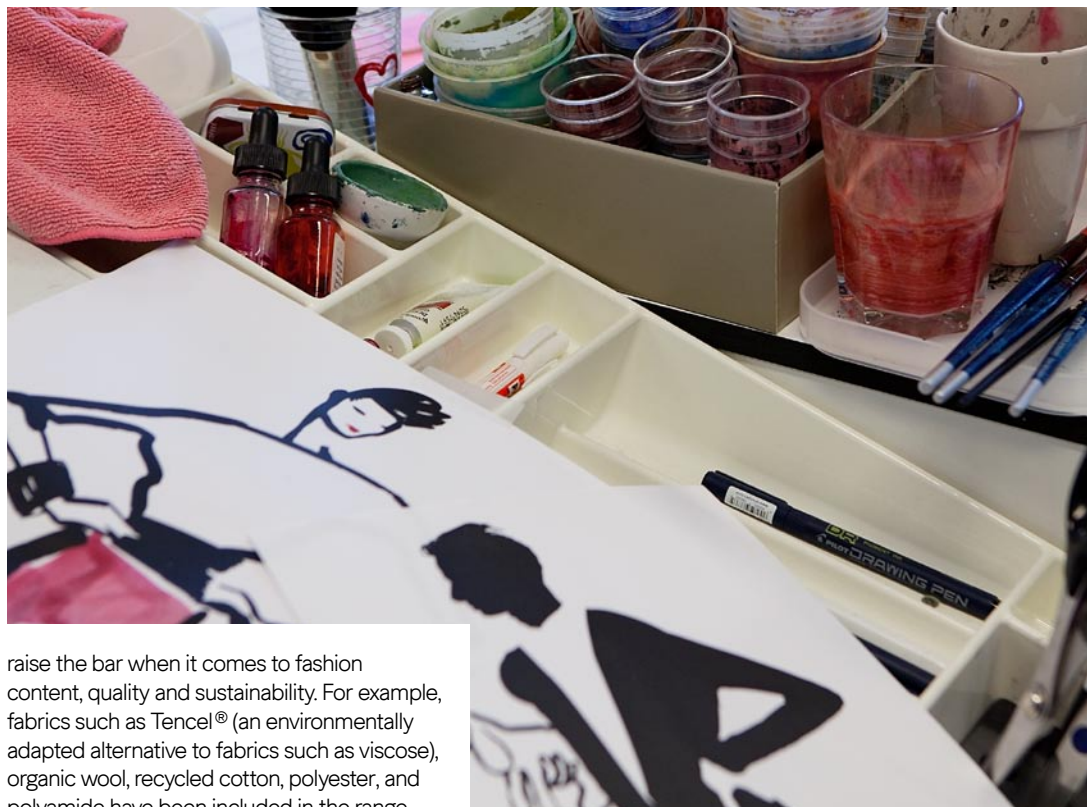
Menswear was also part of the collaboration, with a focus on design and detailing, encompassing signature Lanvin cuts.

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

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

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

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



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

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

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

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

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

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

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



Malin Sone and Love Bertilsson get inspiration.



Our COLLECTIONS

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

WOMEN

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



MEN

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



&DENIM

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



CHILDREN

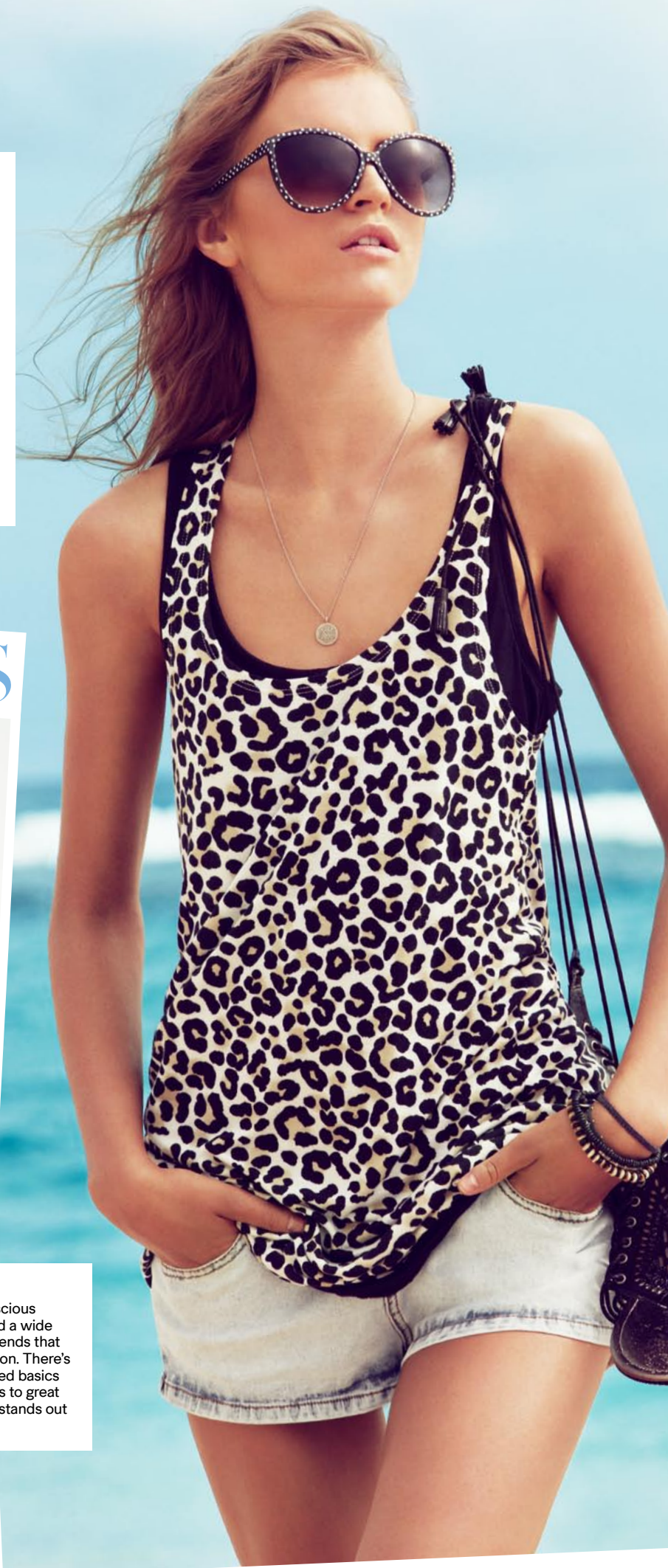
The children's department offers everything from trendy trousers to pretty dresses for babies and children up to 14 years. Children's clothes at H&M are up-to-date, comfortable and always tested with great care to ensure that they meet our stringent safety and sustainability standards. Fabrics are soft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

Our COLLECTIONS



DIVIDED

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





MONKI

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



WEEKDAY

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



COS

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



CHEAP MONDAY

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

Our
COLLECTIONS





H&M HOME

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



H&M HOME

– FASHION FOR YOUR HOME

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

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

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

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

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

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

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



UNDERWEAR

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



ACCESSORIES

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



COSMETICS

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

QUOTES ON H&M



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

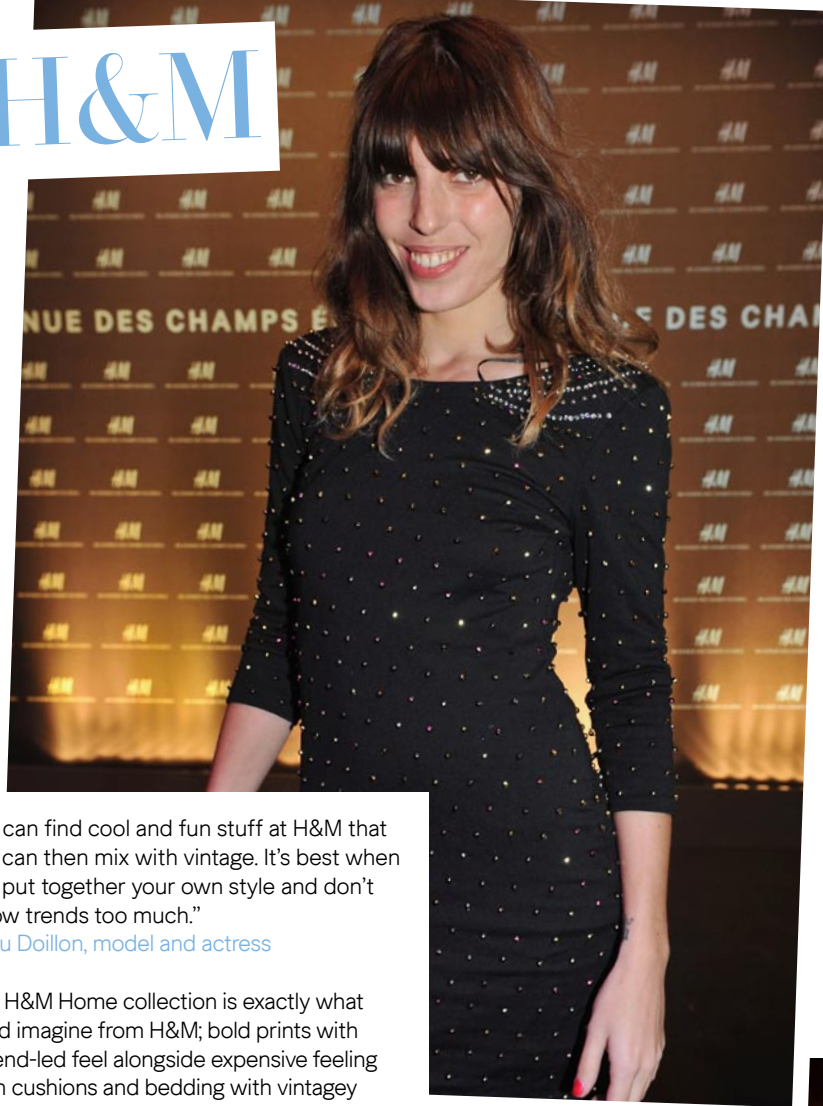
– Susie Bubble, [blogger](#)

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

– Wendy Lam, [Nitrolicious](#)

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

– Sofia Coppola, [director](#)



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

– Lou Doillon, [model and actress](#)

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

– Jessica Vince, [Grazia Daily](#)

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

– Bryanboy, [blogger](#)



SUSTAINABILITY AND THE BEST PRICE

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

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

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

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

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

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

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



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

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

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

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

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





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

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

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

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

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

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

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

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

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

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



Hoodie jacket
€ 9.95



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

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

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



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

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

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

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

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

H&M CONSCIOUS*

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

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

Read more on www.hm.com/sustainability

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

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

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

BETTER COTTON

TO MAKE TRADITIONAL COTTON GROWING MORE SUSTAINABLE

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

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

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

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

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

TARGET - MORE SUSTAINABLE COTTON

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

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

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



continuously improve their working methods.

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

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

OUR SUSTAINABILITY POLICY

- * H&M's business concept is to offer fashion and quality at the best price. Quality also means that the products have to be manufactured in a way that is environmentally and socially sustainable. Like all H&M's activity, our CSR work is based on a drive for continuous improvement.
- * We have a responsibility towards everyone who contributes to our success, including those who are not employees of H&M. That is why we work closely with our suppliers to develop a long-term sustainable social and environmental standard in the factories that manufacture H&M's products.
- * We have to ensure that our employees' human rights are not violated, and the same applies to employees of our suppliers and other co-operation partners, and to our customers in their contact with H&M.
- * We apply the precautionary principle in our environmental work and have adopted a preventative approach with the substitution of hazardous chemicals.
- * We strive to use resources as efficiently as possible and to minimise waste. By adopting new technologies and methods, we can work preventatively to minimise our environmental footprint through improved production processes and our choice of materials. We must continually review the company's goals and strategies to reduce the company's impact on the climate.
- * Our decisions are based on careful consideration, where shorter or longer term environmental benefits are weighed up in order to ensure that we choose solutions that are sustainable in the long term.
- * We want to be a good global citizen and act responsibly in our business relations. We take a clear stand against all forms of corruption. We engage in dialogue with our various stakeholders to build trust in our operations within the environment we rely on for our long-term success.

OUR CODE OF CONDUCT

H&M introduced a new Code of Conduct on 1 January 2010. Like its 1997 predecessor, it is based on the UN Convention on the Rights of the Child and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

The Code has been updated to reflect experiences over the last 12 years, and is directed at everyone who has a business relationship with H&M. Above all there have been developments on environmental issues, the concept of suppliers has broadened, and the way we do business with suppliers has changed into more of a dialogue.

Read more on www.hm.com/sustainability

SUSTAINABILITY REPORT 2010

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

OUR PRODUCT POLICY

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

JEANS

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

ANGORA

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

DOWN AND FEATHERS

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

FUR

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

LEATHER

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

MERINO WOOL

- * H&M does not accept mulesing.

SHELLS

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

SILK

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

WOOD

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

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

WELL-DEVELOPED SYSTEM FOR PRODUCT RECALL

Despite having a well-developed system for product safety, occasionally products that fall short of H&M's standards reach stores. There is a special recall procedure to ensure that these products can be rapidly recalled. In 2010 no products were recalled.

WHAT HAPPENS WHEN A PRODUCT IS RECALLED

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

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

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



Peter Yang (right) visiting a supplier.

WORKING TOGETHER – FOR BETTER CONDITIONS

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

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

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

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

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



Jonah Wigerhäll in Shanghai.

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

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

He cites a jeans washer as an example:

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

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

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

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

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

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

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

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



LOWER THE TEMPERATURE

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

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

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

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

Read more at www.hm.com/care

GLOBAL EXPANSION — WITH QUALITY

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

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

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

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

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

H&M IS GROWING ALL OVER THE WORLD

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

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

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

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

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

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

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



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





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

The largest H&M store is in Las Vegas.



OPENINGS AND LAUNCHES 2010



H&M in Forum Shops, Las Vegas.

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

– Hilary Alexander, The Daily Telegraph



H&M customers in Harlem, New York.



Store opening in Osaka.



Elisa Sednaoui at the opening on Champs-Élysées.



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

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



Party for all in Las Vegas.



Sonia Rykiel pour H&M in Amsterdam.

STORES AROUND *the world*

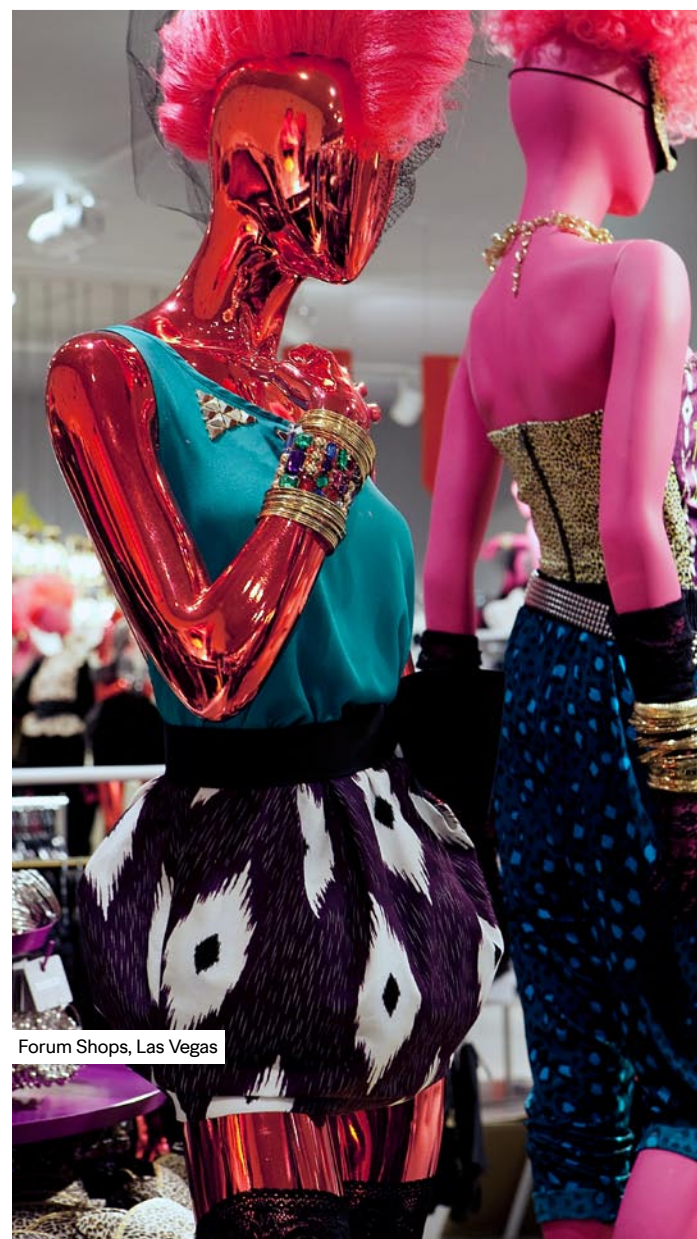


"H&M HAS BEEN FOCUSING ON CREATING AN EVEN BETTER EXPERIENCE IN EVERY SINGLE STORE, WHETHER ACROSS FOUR CONTINENTS OR ON WWW.HM.COM."

Forum Shops, Las Vegas



Dam, Amsterdam



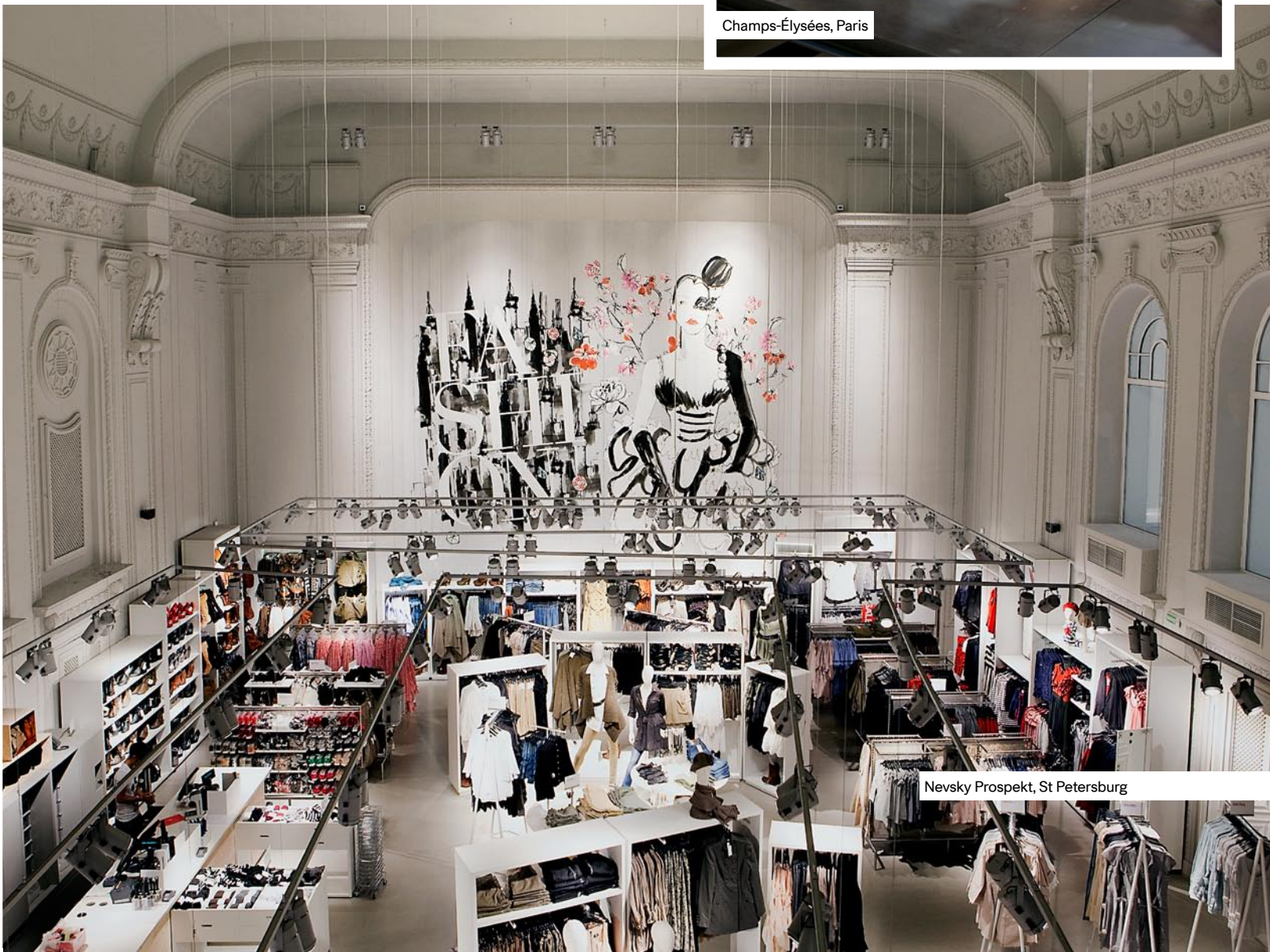
Forum Shops, Las Vegas



Nevsky Prospekt, St Petersburg



Champs-Élysées, Paris



Nevsky Prospekt, St Petersburg

AN EVEN BETTER SHOPPING EXPERIENCE

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

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

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

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

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

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

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

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

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

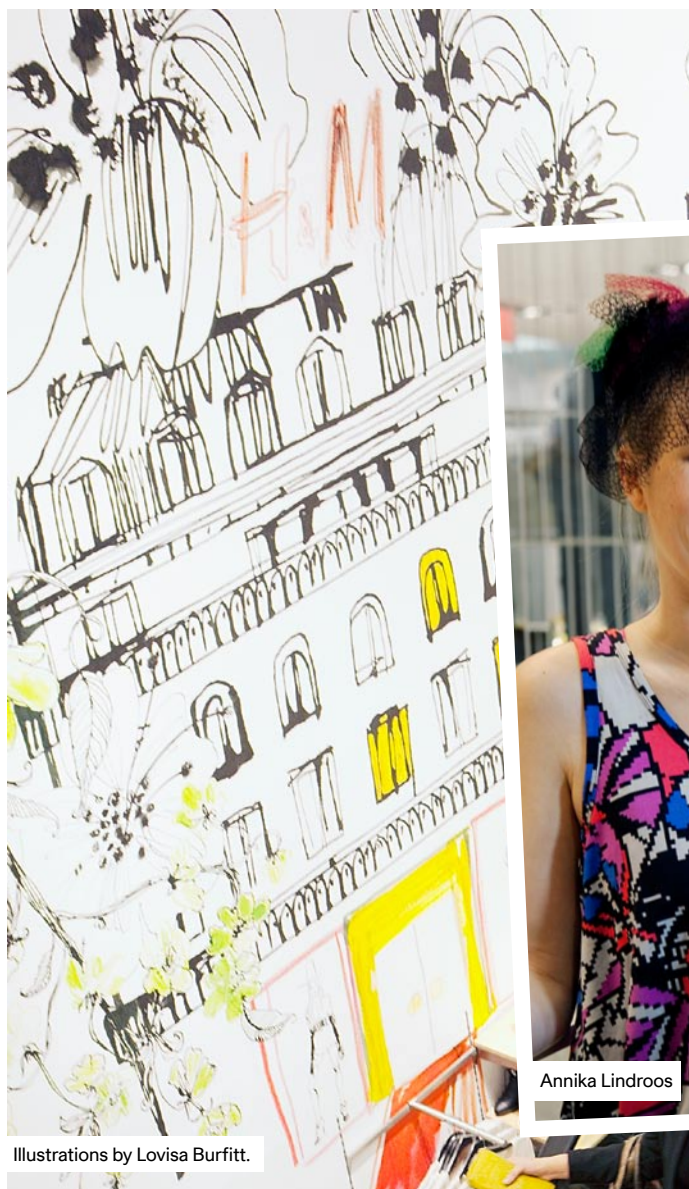
Interior of the new H&M store in Las Vegas.



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

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

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



Illustrations by Lovisa Burfitt.



Annika Lindroos



Frances Armenta

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

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

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

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

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

MEETING H&M CUSTOMERS



Las Vegas

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



Hong Kong

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

Stockholm

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



Amsterdam

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

St Petersburg

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



SHOPPING AND INSPIRATION WITH H&M ONLINE

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

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

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

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

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

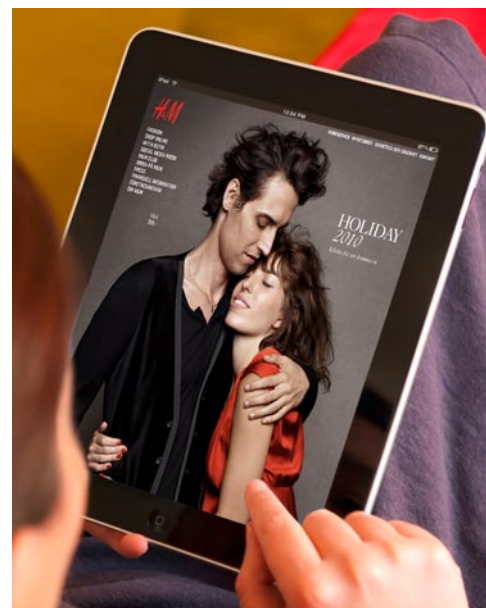
In the website's "dressing room" customers can find everything from styling tips to suggestions for complete outfits, and mix and match clothes and accessories from H&M's entire range.

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

H&M Shop Online and catalogues are

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

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



A WORLD OF OPPORTUNITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Murat Tuter, store manager in Utrecht.



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





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



Anna at the H&M office in Hong Kong.

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

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

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

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

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

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

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

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

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

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

H&M INCENTIVE PROGRAM

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

CAREER PATHS WITHIN H&M

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

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



H&M IN 38 MARKETS

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

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

strong sales development during the year.

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

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

MARKET OVERVIEW

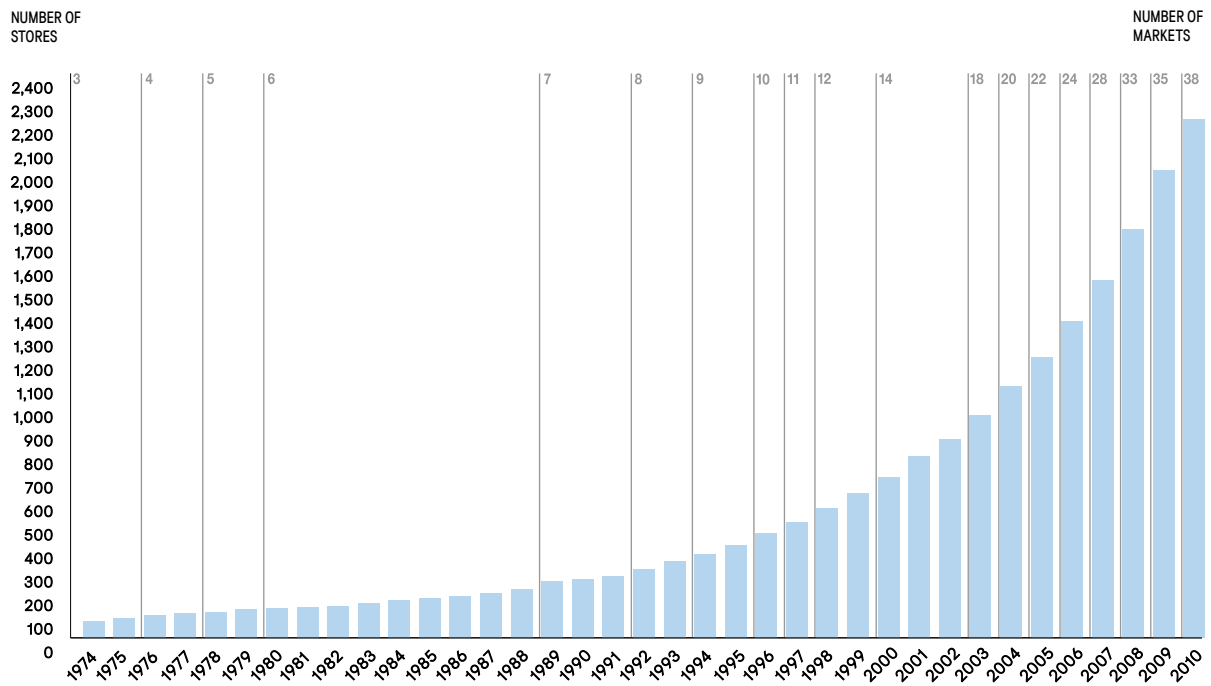
SALES INCLUDING VAT PER COUNTRY AND NUMBER OF STORES, FINANCIAL YEAR 1 DECEMBER - 30 NOVEMBER

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

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



EXPANSION 1974*- 2010



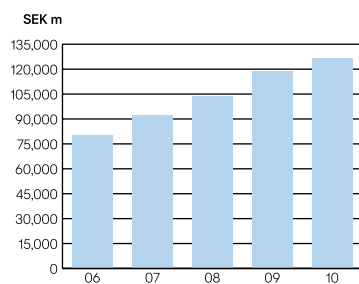
* Since IPO 1974.



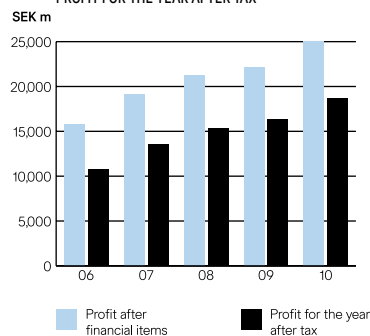


SALES, PROFIT, DIVIDENDS

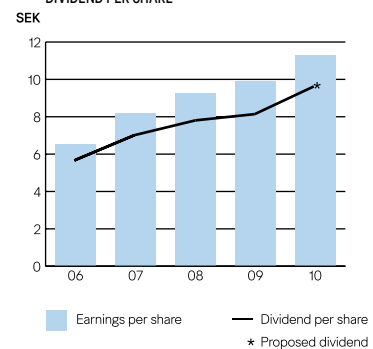
SALES DEVELOPMENT INCLUDING VAT



PROFIT AFTER FINANCIAL ITEMS/
PROFIT FOR THE YEAR AFTER TAX



EARNINGS PER SHARE/
DIVIDEND PER SHARE**



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

H&M 2010 IN FIGURES

SUMMARY

At the end of the financial year the H&M Group had a total of 2,206 stores of which: 35 COS stores, 48 Monki stores, 18 Weekday stores and one Cheap Monday store. 50 H&M stores are operated as franchises in the Middle East.

H&M offers fashion in stores, on the internet and through catalogues. There are H&M stores in 38 markets. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany, Austria and the UK.

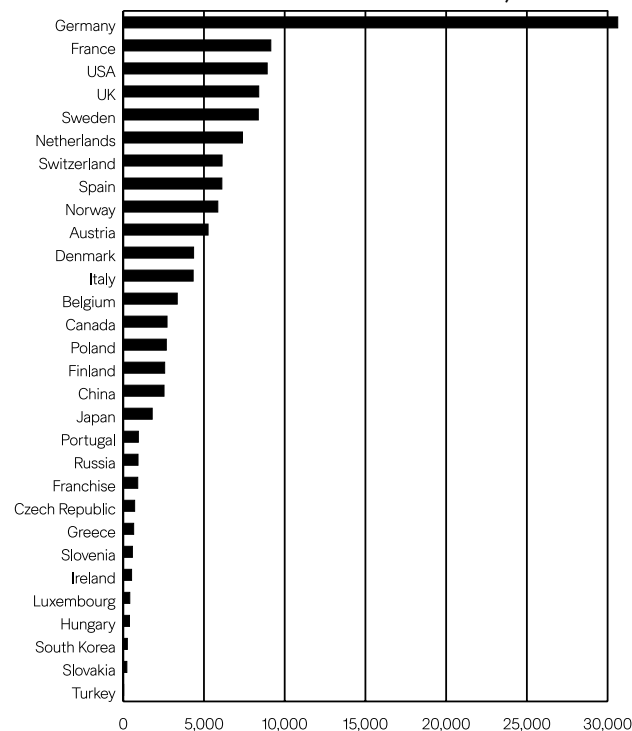
In 2010, 243 stores were opened and 25 were closed. This makes a net addition of 218 stores.

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

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

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

SALES INCLUDING VAT BY COUNTRY 2010, SEK M



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

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

H&M's HISTORY

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

1947

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

1952

Hennes opens in Stockholm.

1964

The first store outside Sweden opens in Norway.

1968

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

1974

H&M is listed on the Stockholm Stock Exchange.

1976

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

1977

Impuls stores are launched. Sales of cosmetics begin.

1980s

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

1990s

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

2000

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

2004

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

2006

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

2007

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

2008

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

2009

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

2010

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

2011

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



MTWTFSS
WEEKDAY



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INVESTOR RELATIONS Nils Vinge
HUMAN RESOURCES Sanna Lindberg
IT Kjell-Olof Nilsson
LOGISTICS Jonas Guldstrand
SECURITY Cenneth Cederholm

DISTRIBUTION POLICY

The H&M Annual Report 2010 comes in two parts, Part 1: H&M in Words and Pictures 2010, and Part 2: H&M in Figures 2010 including the Annual Accounts and Consolidated Accounts.

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

COVER

PHOTOGRAPHY Sølve Sundsbø
MODEL Natasha Poly
GARMENT Recycled polyester dress, H&M Conscious Collection

The annual report is printed
on FSC® certified paper.





Skirt € 19.95

