

H&M

ANNUAL REPORT PART 1

H&M in words and pictures 2009



Dress €39.95

H&M 2009


35 *markets*

1,988 *stores*

76,000 *employees*

sales including VAT SEK 118.7 billion

profit after tax SEK 16.4 billion

A woman with blonde hair and blue eyes is smiling broadly, wearing a black leather motorcycle-style jacket. She is holding the collar of the jacket with her right hand. The background is plain white.

Jacket
€ 39.95

Autumn 2009
Women



Denim jacket
€ 14.95

Spring 2010
Women



Knitted hat
€ 4.90

*Spring 2010
Divided*



Autumn 2009
Jimmy Choo for H&M



Shoes €79.95




Blouse €14.90

Spring 2009
Children



Jumper € 39.95

*Spring 2010
Sonia Rykiel pour H&M*

A woman with long, dark, wavy hair is shown from the chest up, wearing a light-colored, long-sleeved blouse. She is looking slightly to the right of the camera. She is wearing a large, multi-strand necklace made of wooden or bamboo beads and a large, textured, light-colored pendant. The background is plain white.

Blouse

€ 34.95

Spring 2010
Women

FASHION & QUALITY *at the* BEST PRICE

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

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

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

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

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

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



16



34



20



26



36



INDEX



42



PART 1

H&M IN WORDS AND PICTURES 2009

- 11** BUSINESS CONCEPT, GOALS AND STRATEGY *H&M's business concept is simple: to offer fashion and quality at the best price.*
- 14** CEO LETTER *Karl-Johan Persson looks back on his initial exciting time as CEO and reflects on the future.*
- 16** H&M 2009 IN BRIEF *New concepts, stores, projects and collections – important events in the past year.*
- 20** OUR COLLECTIONS *Individual style and new materials inspired H&M's designers in 2009.*
- 26** FROM IDEA TO STORE *Creativity, sustainability and planning. How an H&M garment comes to life.*
- 32** STORE OPENINGS *In 2009 H&M arrived in new cities such as Moscow, Beijing and Beirut.*
- 36** MEETING CUSTOMERS *H&M stores should be inviting and inspiring.*
- 42** OUR COLLEAGUES *Committed employees are H&M's best asset.*
- 46** OUR RESPONSIBILITY *Consideration for the environment and people at every stage.*
- 51** MARKETS & FIGURES *H&M continues to grow. In 2009 there were stores in 35 markets. Financial information and key figures.*
- 56** HISTORY *In 1947 the first store opened in Västerås, Sweden. Today H&M is a global company with around 76,000 employees.*
- 58** CONTACT DETAILS *and distribution policy.*

PART 2

H&M IN FIGURES 2009 *including the Annual Accounts and Consolidated Accounts*

CEO REFLECTS ON 2009

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

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

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

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

“WE ARE CONSTANTLY STRIVING TO EXCEED CUSTOMERS' EXPECTATIONS.”

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

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



CEO Karl-Johan Persson

began to sell home textiles.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

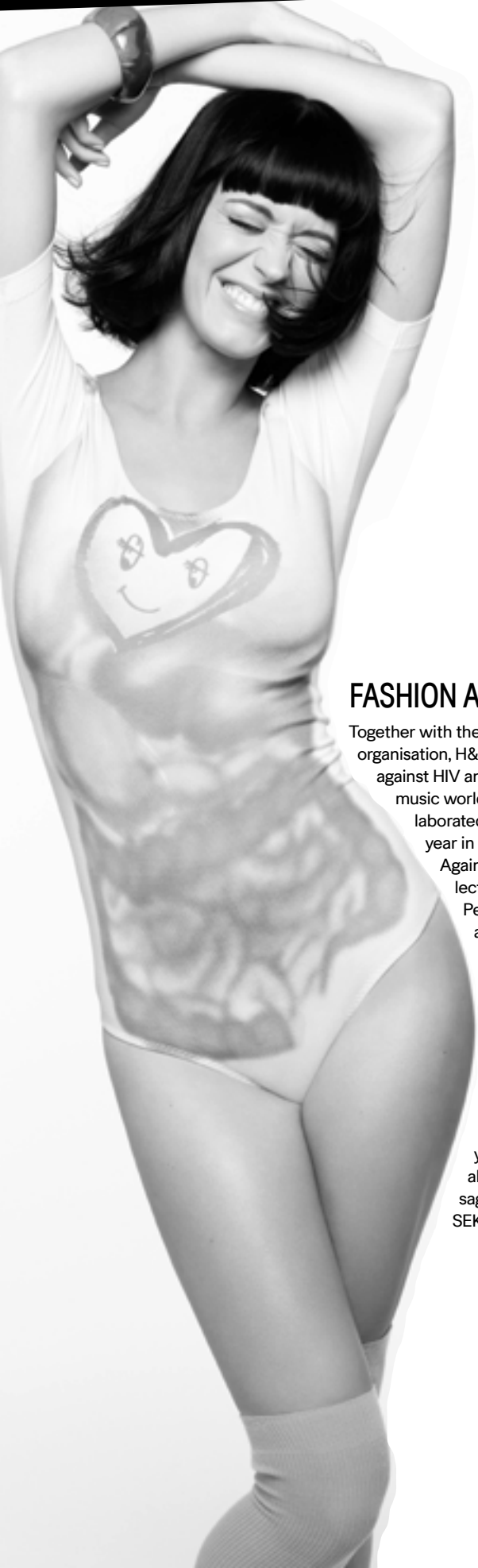
Customer surveys conducted in all our markets show that we have strengthened our position from already high levels.

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



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

H&M 2009 *in brief*



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

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

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

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



FASHION AGAINST AIDS

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

ALL FOR CHILDREN

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

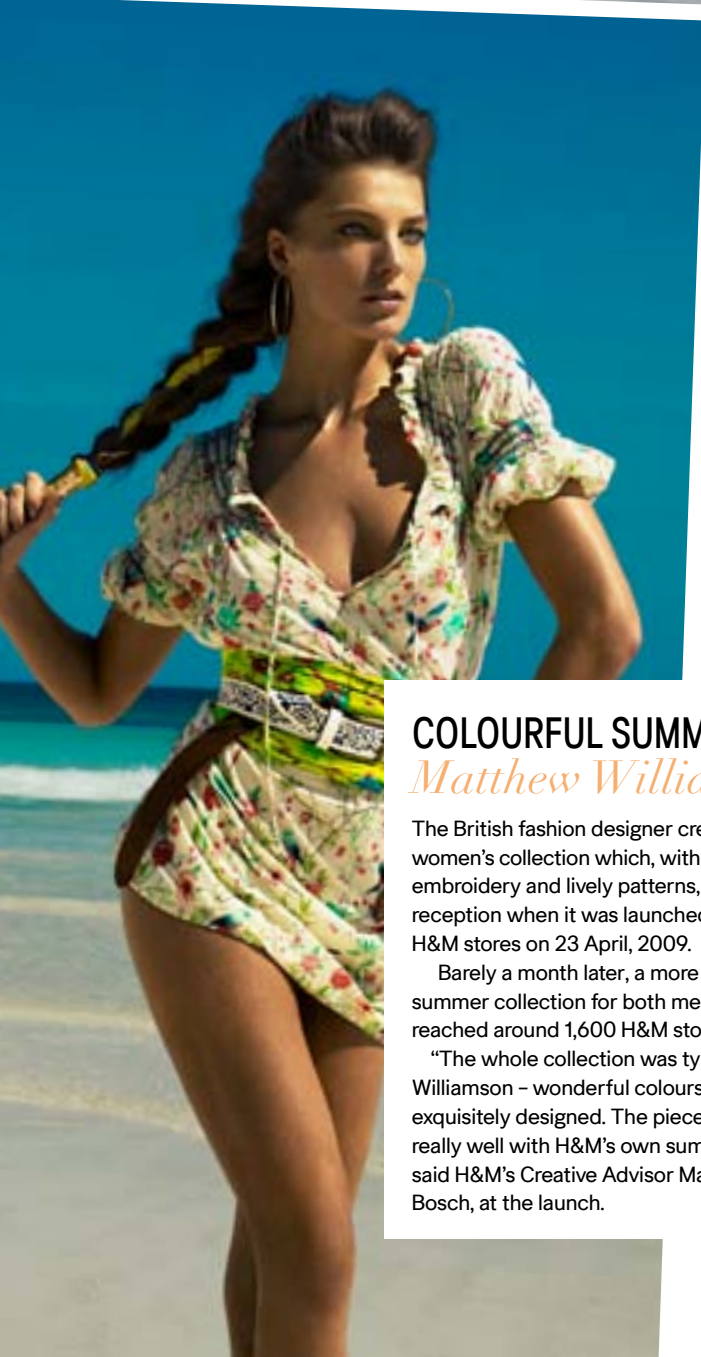


H&M HOME

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

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

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



COLOURFUL SUMMER WITH *Matthew Williamson*

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

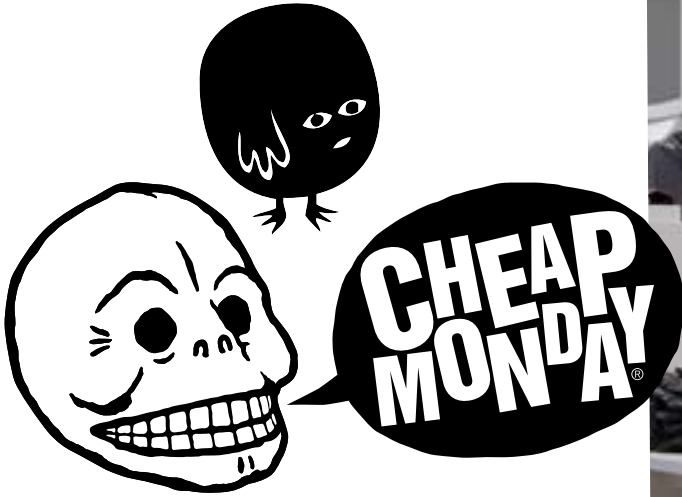
Barely a month later, a more comprehensive summer collection for both men and women reached around 1,600 H&M stores.

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



H&M arrives IN LEBANON

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



WEEKDAY AND MONKI
now also in Germany

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

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



COS *in the fashion capital*

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

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

Expansion
CONTINUES IN JAPAN

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



SONIA RYKIEL *pour H&M*

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

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



The first stores **IN MOSCOW**

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

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

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

H&M OPENS *in Beijing*

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



H&M FASHION

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

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

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

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

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

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

“For example, we can have one romantic,

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

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

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

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

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

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

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

Ann-Sofie Johansson, Head of Design



Head of Design Ann-Sofie Johansson

for a while before coming back.

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

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

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

Fashion is not just about the new and



SHOES - THE PERFECT ACCESSORY

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

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

“We update our basics regularly.

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

2009 WAS FULL of exciting new fashions for customers of all different ages in all different styles. One of the most written about collections was the all-black, slightly more luxurious autumn range in Divided Exclusive, with both 80s and 90s influences. Materials were sophisticated and exclusive, such as silk velvet, silk, sequins and real suede and leather.

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

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

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

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

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

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

DIVIDED EXCLUSIVE

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





MEN

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

OUR COLLECTIONS
Items containing organic cotton are available in every department.

WOMEN

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



CHILDREN

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



COSMETICS

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

&DENIM

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



DIVIDED

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





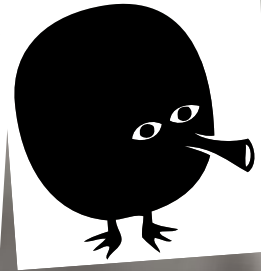
MONKI
 Monki is a clothing brand, a store concept – and a whole universe to fashion-conscious women. Today there are stores in large and medium-sized cities in Sweden, Denmark, Norway and Germany.



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

WEEKDAY

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



COS - COLLECTION OF STYLE

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



CHEAP MONDAY

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



QUOTES ON H&M

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

Helena Christensen, model and photographer

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

Gabrielle Reece, volleyball professional and model

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

Hayden Panettiere, actress

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

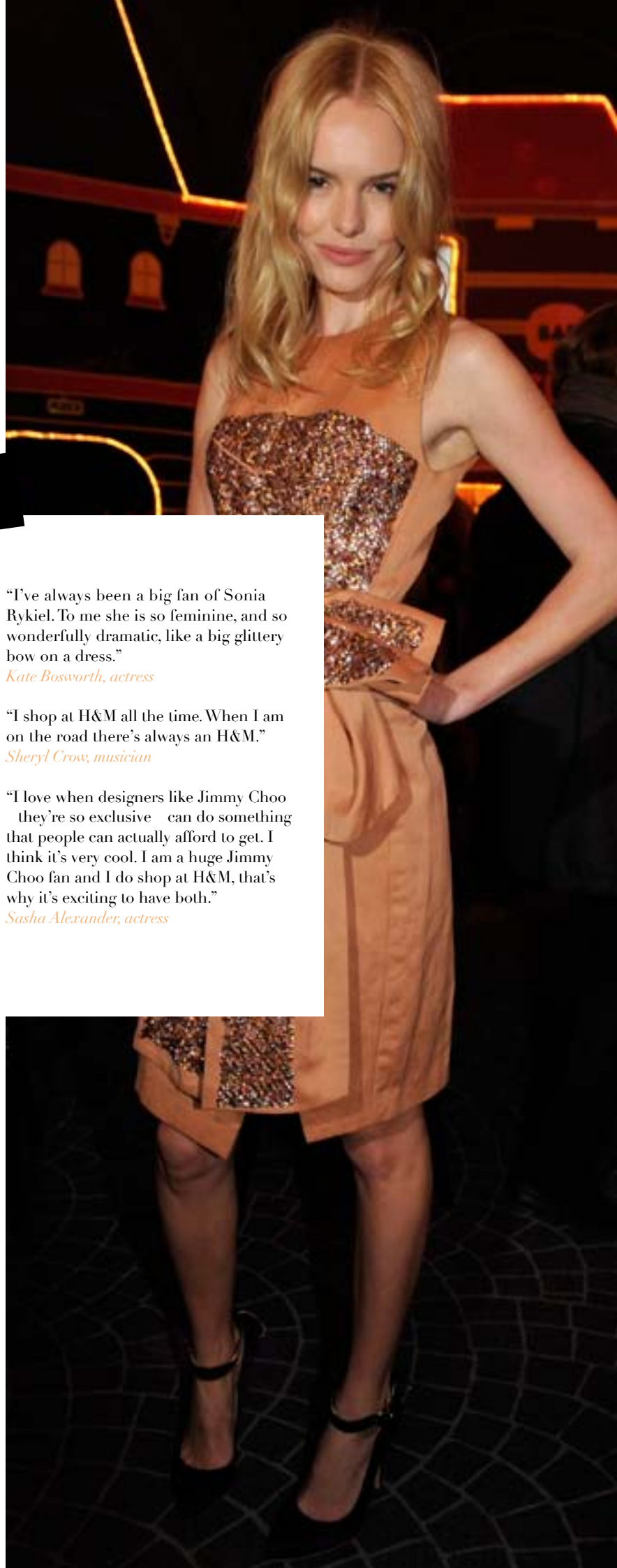
Kate Bosworth, actress

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

Sheryl Crow, musician

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

Sasha Alexander, actress



FROM IDEA TO STORE

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

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

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

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

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

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

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

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

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

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



Tina Felixon of the buying department with her team.

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

Tina Felixon, buying department





ARTISTS



PHOTO



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



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

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

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

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

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

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

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

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

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

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

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

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



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



Ann-Sofie Johansson and designers.



Tracy Jiang and Carxiu Dong carry out quality control checks.



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

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

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

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

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

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

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

The colour palette ranges from earth

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

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

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

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



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



The light grey tunic on display in store.

H&M GROWS WORLDWIDE

H&M IS EXPANDING RAPIDLY ON FOUR CONTINENTS.

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

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

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

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

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

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

H&M also has great flexibility when it

EXCITING NEW CITIES

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

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

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

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

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

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

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

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



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



H&M arrives in Beijing.



Miss Japan 2009 - Emiri Miyasaka



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

STORE OPENINGS 2009



18 September, Shibuya, Tokyo



23 April, Beijing

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





13 March, Moscow

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



Re-opening 14 November, Fifth Avenue, New York



23 April, Beijing

COME ON IN!

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



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

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

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

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

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

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

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

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



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

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

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

"This is relevant to lighting, for example. In recent years we have put a lot of effort into reducing energy use with measures such as energy-efficient light fittings. Lower lighting levels save energy, and it's also interesting to work with light and shade – it guides the eye around the store and puts the clothes firmly in focus." ■

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

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



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



Emily Klingstedt restyles mannequins in Stockholm for autumn.

THE RIGHT FEEL IN STORE

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

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

What does a visual merchandiser do?

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

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

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

What is the best thing about your job?

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

STORES AROUND *the world*

Gran Via, Madrid



Fifth Avenue, New York



Drottninggatan, Stockholm



Drottninggatan, Stockholm

“WHEN YOU STEP INTO ONE OF OUR STORES YOU SHOULD GET AN IMMEDIATE H&M EXPERIENCE - A SENSE OF WHAT H&M IS ALL ABOUT”
Maja Hellspång, Architect



MEETING *customers*

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



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



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



The interior of H&M in Paris.



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

H&M AROUND THE CLOCK

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

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

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

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



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

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



H&M's BEST ASSET

PERSONAL RESPONSIBILITY, CURIOSITY AND AN UNPRETENTIOUS PROFESSIONALISM.

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

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

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

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

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

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

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

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



H&M's values

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

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

to develop within H&M.

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

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



Sanna Lindberg, Head of Human Resources



Employees at the Canton Road store, Hong Kong.



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

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

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

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

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

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

Sanna Lindberg stresses the importance of leadership in this expansion:

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



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

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

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

What is special about working for H&M?

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

What do you do to motivate your colleagues?

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



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

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

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

How did you come into contact with H&M?

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

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

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





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

What do you do at the production office in Shanghai?

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

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

Halide Alagoz

Describe your path to your present job?

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

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

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

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

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

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



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

Describe your role at H&M.

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

What do you like most about your job?

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

What is the biggest challenge?

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



SUSTAINABILITY IS GOOD FOR EVERYONE

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

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

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

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

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

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



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

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

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

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

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





Knitted hat
€ 4.95

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

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

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

NEW TARGETS FOR CARBON DIOXIDE EMISSIONS

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

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

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

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

Ingrid Schullström, Head of CSR

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

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





Madelene Ericsson, environmental coordinator

ENVIRONMENTALLY FRIENDLY MATERIALS

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

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

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

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

How great are the environmental benefits?

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

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

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

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

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

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

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

H&M AND ALL FOR CHILDREN

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

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

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

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

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

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

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



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

OUR SUSTAINABILITY POLICY

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

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

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

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

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

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

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

OUR CODE OF CONDUCT

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

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

SUSTAINABILITY REPORT 2009

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

PRODUCT POLICY

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

ANGORA

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

DOWN AND FEATHERS

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

FUR

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

LEATHER

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

MERINO WOOL

- H&M does not accept mulesing.

SHELLS

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

SILK

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

WOOD

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

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



WELL-DEVELOPED SYSTEM FOR PRODUCT RECALL

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

WHAT HAPPENS WHEN A PRODUCT IS RECALLED?

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

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

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

H&M PRIORITISES WATER

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

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

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

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

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



RUDY HEMMINGSEN/ SCANPIX

Knitted beret
€ 4.95



H&M IN 35 MARKETS

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

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

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

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

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

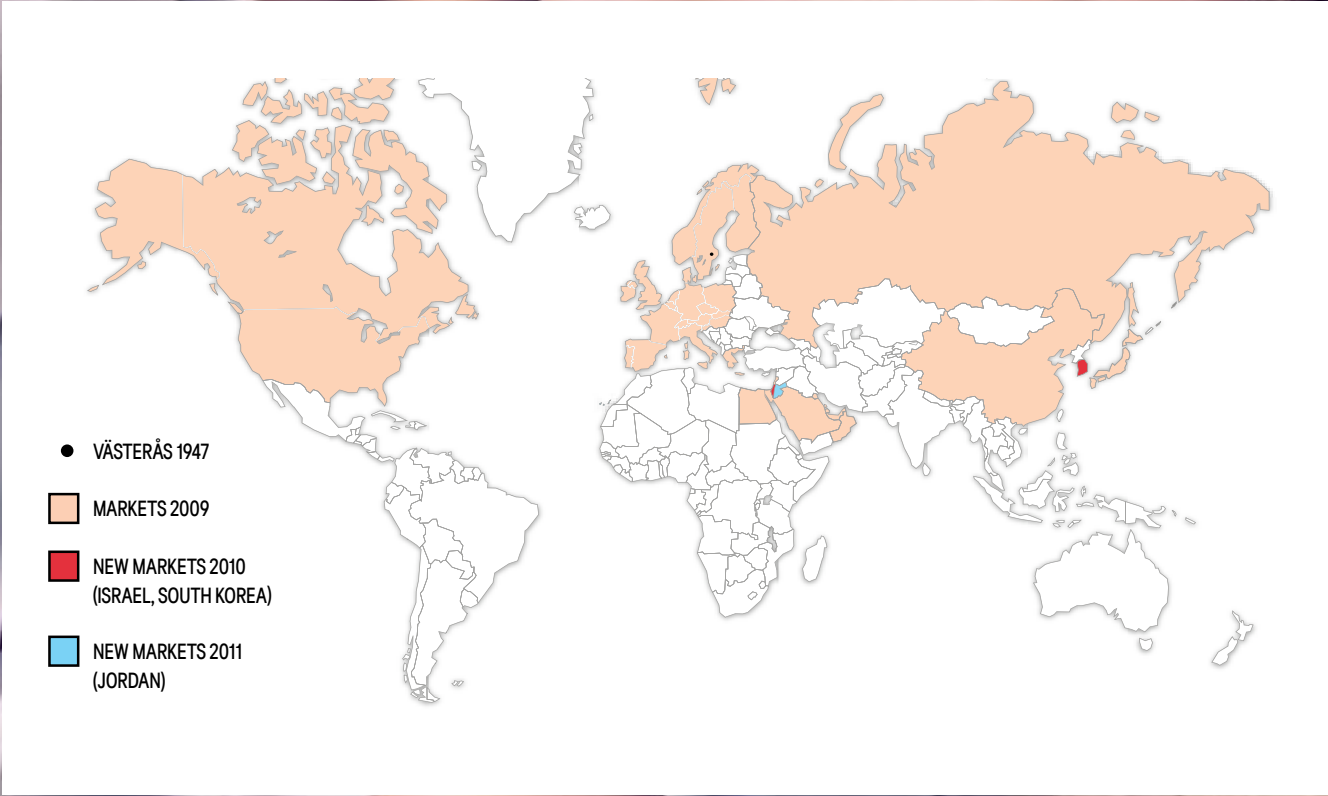
H&M is optimistic about future expansion and business opportunities. New markets in 2010 are South Korea with the first store opening in Seoul on 27 February and another planned for the autumn, and Israel which will be a new franchise market with store launches in Tel Aviv, Jerusalem and Haifa in the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

MARKET OVERVIEW

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

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

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



H&M 2009 IN FIGURES

SUMMARY

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

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

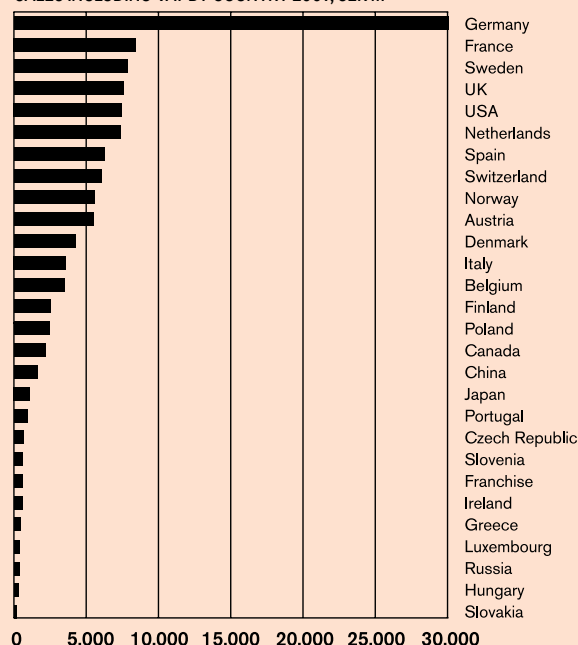
In 2009, 275 stores were opened and 25 were closed. This makes a net addition of 250 stores.

New markets in 2009 were Russia and Lebanon.

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

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

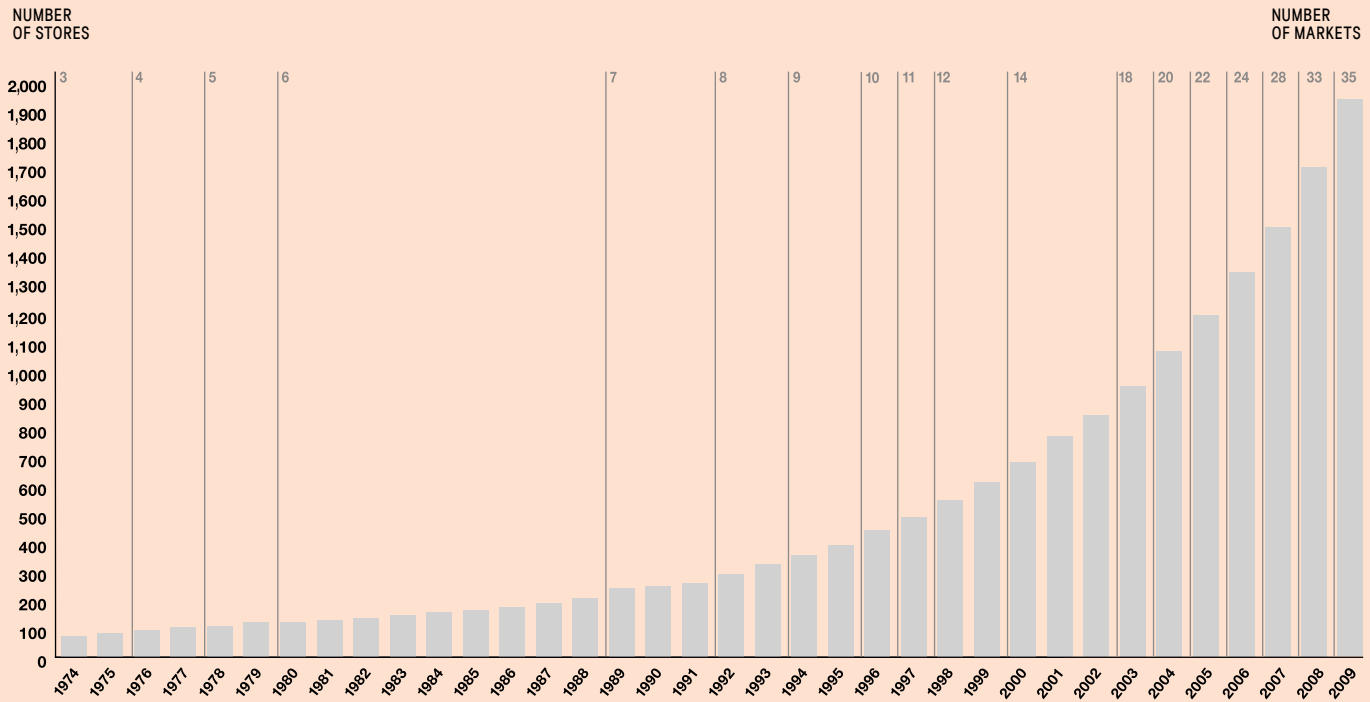
SALES INCLUDING VAT BY COUNTRY 2009, SEK m



KEY RATIOS

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

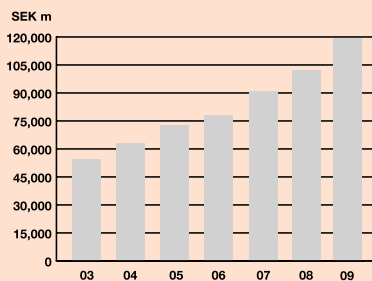
EXPANSION 1974*- 2009



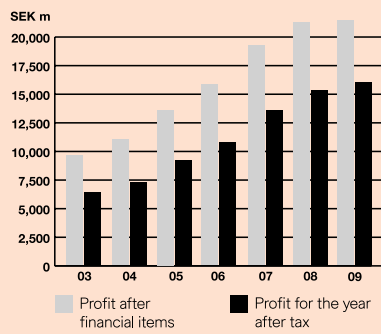
* Since IPO 1974.

SALES, PROFIT, DIVIDENDS

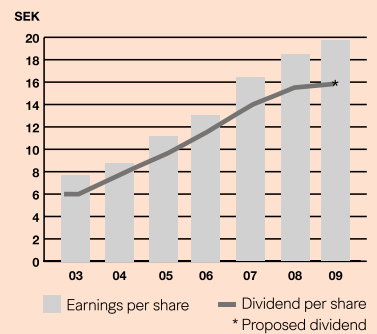
SALES DEVELOPMENT INCLUDING VAT



PROFIT AFTER FINANCIAL ITEMS/
PROFIT FOR THE YEAR AFTER TAX



EARNINGS PER SHARE/
DIVIDEND PER SHARE



H&M's HISTORY

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

1947

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

1952

Hennes opens in Stockholm.

1964

The first store outside Sweden opens in Norway.

1968

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

1974

H&M is listed on the Stockholm Stock Exchange.

1976

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

1977

Impuls stores are launched. Sales of cosmetics begin.

1980s

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

1990s

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

2000

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

2004

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

2006

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

2007

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

2008

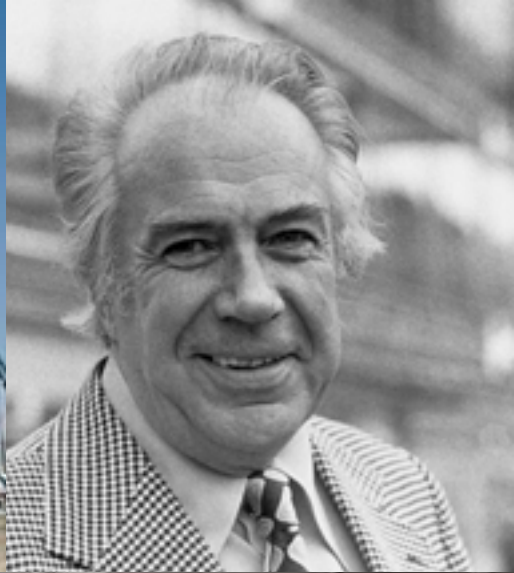
H&M opens in Tokyo, Japan. H&M acquires the fashion firm FaBric Scandinavien AB with Weekday, Monki and Cheap Monday.

2009

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

2010

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



CONTACT DETAILS

HEAD OFFICE

H & M Hennes & Mauritz AB
Mäster Samuelsgatan 46A
106 38 Stockholm
Sweden
Tel: +46 (0)8 796 55 00

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

CONTACTS

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

DISTRIBUTION POLICY

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

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

COVER

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





Scarf €4.95

