

Dear Shareholders,

It is a great pleasure to see so many of you here today. I will talk about last year, but also tell you a little bit about our plans ahead.

At H&M we always focus on the customer and we always act with a long-term perspective. During the year we have further strengthened our customer offering and we have invested in order to build an even stronger H&M for the future.

2011 in figures

H&M must always offer the best combination of fashion, quality and price in each individual market. In 2011 we continued to take market share, which proves that customers appreciate our collections.

Economic uncertainty in many countries held back demand last year and competition for customer spending increased. The retail market was therefore characterised by markdowns and price activities. In these circumstances our sales developed well. Sales including VAT increased by 8 percent in local currencies. Sales in comparable units decreased somewhat, by 1 percent. Net sales amounted to approximately SEK 110 billion, an increase of 1 percent.

During the year, currency translation effects were negative as most sales countries' currencies depreciated against the Swedish krona. The negative effect was substantial, both on sales and on profits in reported currency, compared to the previous year.

Our profitability remained high, despite the fact that market conditions were demanding, not only in the sales countries but also in the sourcing markets. Strong cost inflation increased sourcing costs for 2011 for the fashion retail industry. Cotton prices, which had already doubled in 2010, continued their steep ascent and reached historically high levels in the spring of 2011. As cotton is the single most important raw material in our garments, the effect on purchasing costs was significant.

At H&M we maintain a long-term perspective and despite the higher sourcing costs we abided by our strategy of further strengthening the customer offering and our market position in relation to competitors. Our investments in the customer offering have varied and involved everything from even better prices, to even higher quality and more sustainable fashion. We are convinced that this is why we took market share and that the improvements will gradually become more evident to customers.

These investments, in combination with higher purchasing costs, affected our gross profit, which amounted to SEK 66.1 billion – corresponding to a gross margin of 60.1 percent, compared to 62.9 percent the year before.

During the year we stepped up our investments in marketing, IT and online shopping. These investments are also intended to further strengthen H&M's market position long-term and to secure future expansion. An item of SEK 248 million in respect of our reward programme for all employees, the H&M Incentive Program, which started last year, also affected costs. Although these initiatives were reflected in higher costs, cost control in the Group remained good. Costs in comparable stores decreased last year.

Profitability remained high with an operating margin of 18.5 percent. Net profit for the year was SEK 15.8 billion, or SEK 9.56 per share. The proposed dividend for 2011 is SEK 9.50 per share, equivalent to 99 percent of net profit.

Expansion in 2011

H&M attracts great interest around the world and our strong expansion continued in 2011. We grow by 10–15 percent new stores per year and in 2011 we opened 266 new stores net, 16 more than planned. China, the US, the UK and Germany were the largest expansion markets. We opened stores in five new countries: Romania, Croatia and Singapore, as well as – via franchise – Morocco and Jordan. Customer response has been incredibly positive everywhere.

We expanded with our other brands too. Monki and Cheap Monday opened in the UK in the autumn, and in May COS opened its first store here in Sweden. The store in Biblioteksgatan in Stockholm has been a great success right from the first day.

At the end of the financial year we had 2,472 stores in 43 markets, franchise and other brands included.

We see that H&M works well in all markets. Ranges are wide and varied with numerous concepts and brands. We offer fashion for everyone and that is a strength. This also goes for our online shop. Distance selling is an important and growing complement to our stores. Shopping online should be as attractive, inviting and easy as in our stores. Today fashion from H&M and H&M Home is available via online and catalogue sales in eight markets: Sweden, Norway, Denmark, Finland, Germany, the Netherlands, Austria and the UK. Since autumn 2011 COS and Monki have also offered online shopping in a full 18 European countries.

Sales by market in 2011

H&M today is present on four continents. Looking at sales per market in 2011, it is gratifying that sales were strong in large markets such as the US, China, Russia and the UK.

Sales developed well for our other brands as well. COS in particular had a very good year, with a performance that exceeded our own high expectations, both regarding sales and profits.

Germany is still by far the largest market for H&M, with around 23 percent of sales. The US, France and the UK compete for second place in the Group. The US and the UK showed the strongest sales increases during the year, of around 20 percent respectively in local currencies. China is the fastest growing market with more than 80 stores at year-end and the number will grow to well above 100 by the end of 2012. In Russia, where we have more than 20 stores, sales were also strong and exceeded SEK 1.5 billion.

Online and catalogue sales also developed well during the year. So did franchise sales. We now have approximately 70 stores via franchise, in nine countries, and we and our franchisees alike are very pleased.

First quarter 2012

Looking at 2012 we have made a good start to the new year. Sales were strong in the first quarter, which spans from December through February, and also in March. In March sales increased by a full 26 percent. A positive calendar effect – which will, however, turn sharply negative for April – contributed to the rise, together with an easy comparable and very favourable weather. Nonetheless, the strong sales show that the spring collections have been very well received.

In the first quarter, sales increased by 13 percent in local currencies and 3 percent in comparable units. Net sales amounted to SEK 27.8 billion.

Gross profit in the quarter was SEK 15.5 billion, translating into a gross margin of 55.8 percent, compared to 57.8 for the same quarter last year.

Long-term initiatives

The gross margin is affected by a large number of factors, as well as by how we choose to handle the factors that we ourselves are able to influence. The decrease in the gross margin in the quarter is mostly due to our choice to not on the whole raise prices to customers in order to compensate for increased purchasing costs. The situation in the sourcing markets was still considerably more challenging at the time of purchases for the first quarter 2012 than in the corresponding period the year before.

The increased purchasing costs also included other buying related costs connected to our long-term initiatives aimed at building an even stronger H&M. We are, for example, strengthening our buying organisation and production offices with new employees and IT investments. We are doing this in order to give our customers an even broader offering in the future.

A number of projects are under way. One of the initiatives is a new store chain that will open already next year under a new brand, & Other Stories. We have a fantastic team in place working with this new brand. Like COS, it will be independent and will complement H&M's other offerings. COS has had a fantastic development and we want to build on our positive experience from successfully launching a new chain. For competitive reasons we are choosing not to reveal much more right now, other than that it will be a very exciting concept that we are looking forward to offering our customers.

We also want to broaden the ranges of our H&M stores with new concepts and product categories. We have great faith in these new initiatives and will be able to tell you more as we come closer to launch.

Looking at fashion retail in general in the first quarter, the market was strongly markdown driven, mainly because the historically warm autumn of 2011 led to lower sales of winter garments. Increased markdowns affected the gross margin negatively. The decrease in the gross margin was partly offset by a positive effect from a weaker US dollar at the time of sourcing for the quarter.

Cost control in the Group remains very good. Costs decreased in comparable stores, both in absolute terms and as a proportion of sales. The increase in costs compared to the first quarter 2011 is due mainly to our expansion and to our investments within IT, online shopping and marketing in order to strengthen H&M's market position in the long term and to secure future expansion.

The operating margin was 12.7 percent and net profit amounted to SEK 2.7 billion.

Our collections

H&M today is a leading global fashion company. Ever since the start and the very first store in 1947, H&M has pursued a quest for constant improvement. We strive constantly to meet and exceed our customers' expectations. Our teams of innovative designers and buyers create new, strong collections for each season. The selection is large – for women, men, teenagers and children. The ranges are varied, with everything from updated classics and the quintessential basics to the latest trends and party items, with a high fashion content.

We also want to surprise our customers, for example by offering special collections and designer collaborations. One example is our successful collaboration for autumn 2011, "Versace for H&M". In February this year we launched "David Beckham Bodywear", an underwear collection for men. This is a two-year collaboration and the first collection has been very well received. Our most recent guest designer collection, by the Italian label Marni in March, has also been highly appreciated.

Today's fashion customers are knowledgeable and conscious in their choices. They demand the best design, quality and sustainability. We want our customers to feel confident that everything they buy at H&M is designed, manufactured and handled with consideration for people and the environment. We offer sustainability and fashion, not one or the other. We are, for example, the world's largest user of organic cotton. Organic cotton is included in a growing number of garments at H&M, such as our Conscious Collection. The Conscious Collection is a recurring collection made of environmentally smart materials.

We would now like to show you a [movie](#) in which our head of design, Ann-Sofie Johansson, and Helena Helmersson, head of sustainability, will tell us more about fashion and sustainability at H&M.

Our responsibility

Increased sustainability is an important part of our customer offering. We therefore invest considerable resources and work actively to achieve more sustainable development for people and environments affected by our activities.

H&M buys and sells products in a large number of countries. International trade plays an important part for the development of countries as it is a source of economic growth and helps lift people and nations out of poverty. H&M contributes to the creation of more than a million jobs for people around the world, a large number of them in Asia. We use our size and status to influence the social development of these countries in a positive way. Thus we contribute long-term to better conditions for many people.

We do not own or operate factories but strive for long-term relations with our suppliers in order to achieve lasting improvements. Wages in the supply chain are an important issue for us and at the same time a structural challenge for the garment manufacturing sector and other manufacturing industries. Therefore, and in order to drive improvement, we cooperate with other companies and organisations to influence decision makers. We are, for example, members of the Fair Wage Network, which monitors wage conditions in the garment manufacturing industry on a global basis. One of those countries is Bangladesh, an important buying market for us.

Together with other clothing companies, H&M has previously urged the government of Bangladesh to raise minimum wages for the country's textile workers, and in 2010 wages were raised. But in order to achieve lasting improvements stability in the labour market is required and therefore we launched an initiative to improve the dialogue between the parties. We are working actively to help strengthen workers' influence over their own situation in order to enable them to themselves improve their conditions in the longer term.

In order to improve conditions for those working in the clothing industry and increase their skills we also run a number of educational and health projects in Bangladesh. This is important for a sustainable future development of the clothing industry.

Our sustainability efforts are rooted in a dedication to social and environmental responsibility that places H&M at the forefront of the global fashion industry. Our work is acknowledged by leading bodies in the area of sustainability and we cooperate with organisations such as Unicef and WWF on various projects. We are proud of the improvements we have achieved so far and at the same time we know that there will always be much left to do.

You can find out more about our sustainability work in H&M's sustainability report for 2011, which is on our website hm.com.

Our employees

At H&M we are guided by strong values rooted in a fundamental respect for the individual and a firm belief in the people behind the performance. H&M is at the forefront of fashion and sustainability and our outlook is for long-term global expansion. For the employees this means great opportunities for development. We want our employees to grow with H&M and we encourage internal recruitment and job rotation.

We have customers the world over and we strive for diversity. People of a large number of nationalities work at H&M and we keep growing with new employees around the world. H&M also strives for equality. In 2011, 79 percent of our employees were women. Women held 70 percent of the positions of responsibility within the company, such as store managers and country managers.

In 2011 we hired around 7,000 people and today H&M employs more than 94,000 people. I would like to take this opportunity to thank all our employees for their strong commitment and valuable contributions during the year.

To show our appreciation, last year H&M started the H&M Incentive Program. The intention is to encourage and acknowledge long-term commitment and to further strengthen H&M as an attractive employer globally.

Expansion in 2012

We are expanding in all our markets, in new countries and with all our brands. In 2012 we plan to open a total of 275 stores net. China, the US and the UK are planned to be the largest expansion markets and we also see continued great opportunities for expansion in Germany, France, Italy and other markets.

H&M will open in five new countries again this year. The first is Bulgaria, where we opened our first two stores this spring. I was there at the first opening in Sofia on 10 March. More than a thousand people were lining up outside the store and the response from customers has been fantastic. Sales have been strong at both stores and we will open many more stores in Bulgaria in the future.

This autumn H&M will open in Latvia, Malaysia and Mexico and, via franchise, in Thailand. We are very much looking forward to our first opening in Latin America. The store will open at the best location in Mexico City, in the Centro Santa Fé shopping mall.

COS will open in six new markets this year: Italy, Poland, Hong Kong, Finland, Austria and, via franchise, Kuwait. Our other brands will also open new stores and H&M Home will likewise continue to expand.

H&M Shop Online will open in the US, the world's largest online market, this autumn. We have a strong position in the US and sales in our stores are strong, so we are very much looking forward to our online launch. H&M's website is already today one of the most frequently visited fashion sites and we see great position for future growth for H&M Shop Online in many markets.

Looking ahead

We keep strengthening our position. We are taking market share and customer surveys that we carry out in all our markets show that our position has never been stronger than today.

We are in 44 markets today – and we have good position in all of them. Few retail companies in the world have a business model that work as well globally as ours. We are expanding successfully not only in new countries and large cities but also in midsized and small towns. This enables us to grow deeply into each market. Germany is a good example where we have almost 400 stores today and still very much left to do. In addition, there is great potential for expansion in Asia and on new continents where have not yet arrived.

But we do not take our success for granted in any way. Not at all. We are working harder than ever; in order both to deliver good sales and profits today and to secure many more years of continued success. To achieve this we must continue to invest in an improved customer offering, in broadening our offering and in IT. It would be very easy for us to boost profits short-term by, for example, raising prices and avoiding long-term investments. It would be easy – but for us, unwise. We will always focus on the customer. We are convinced that this is the right strategy for us if we are to continue growing sales in comparable units and expanding with good profitability for many, many years to come.

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

Thank you for listening and now I would like to hand over to the chairman of the meeting.