

Dear Shareholders,

I am very pleased to see so many of you here today.

What is happening at H&M is very exciting. As always, we are working hard to improve our customer offering further. We are growing fast and we are reaching more and more customers, both through our stores and through e-commerce. We are also making a number of substantial long-term investments – all in order to build an even stronger H&M. I will tell you a bit more about that in a moment, but first let me sum up the past year.

### **2013 IN BRIEF**

It has been a good year for H&M and an intense year for all of us who work at H&M. And we are increasing in numbers: in 2013 alone we welcomed a net total of more than 12,000 new employees, and today H&M has over 116,000 employees around the world. I really would like to thank all my H&M colleagues for their great commitment and fantastic teamwork during the year. One of our shared values and one of the driving forces at H&M is our will to continually improve at everything we do.

We are working all the time to give our customers even more fashion and quality for their money, and to constantly exceed their expectations. When I travel around the world it is fantastic to meet colleagues from different countries and cultures who are so enthusiastic about H&M and our shared values. Our strong corporate culture is one of the keys to our success.

We continued to strengthen our position in 2013, with increased market shares. Overall we increased our sales by 9 percent in local currencies, to over SEK 150 billion including VAT. We had a strong end to the year with well-received collections; in the fourth quarter sales increased by 13 percent in local currencies. As I am sure you are aware, clothing retail has been through a number of tough years due to the challenging economic climate around the world and particularly in a number of European markets. 2013 was no exception. A number of markets were also characterised by price and markdown activities, but H&M continued to grow with good profitability.

In 2013 we opened a net total of 356 new stores. Although we are expanding at a fast pace, we are also maintaining quality. This means that we always open in the best store locations, on good terms and that we succeed in recruiting committed and competent employees.

China was the country in which we opened the most new stores last year. I was recently there and it is great to see how in just a few years China has grown to become one of our largest markets, with around 230 stores today. Asia as a whole accounts for an increasingly large part of H&M's rapid expansion. It is not long since we opened H&M's 2000th store in the world – in Osaka, Japan in 2010 – and just three years later we opened our 3000th store,

in autumn 2013. The store is located in Chengdu and is one of the more than 70 stores that we opened in China in 2013 alone.

The US was our second largest expansion market last year. The number of US stores has increased to more than 300 and in August we also launched our online store in the US. We are very pleased with how our online store has been received in the US market.

Another highlight was the opening of H&M's flagship store on Times Square, New York in November. More than 2,500 customers stood in line in Times Square waiting for the doors to open. Some of them may perhaps also have come to see superstar and fashion icon Lady Gaga, who was there to open the store together with H&M. We would now like to show you a short film from the opening.

The opening at Times Square was fantastic. We opened new flagship stores in our other markets too, such as in Rome, at a very good location on one of the most popular shopping streets, Via del Corso. It is an address that we have been looking at for a long time, which now at last has a large H&M store.

For the third year running we opened H&M stores in five new countries, this time Chile, Lithuania, Serbia and Estonia, and also Indonesia, where H&M opened via franchise. Chile was both H&M's first market in South America and our first in the southern hemisphere. It is fantastic to see how well we are being received in new markets.

We are expanding substantially, but at the same time we have to maintain good cost control – and that is something that we have at H&M. Costs in comparable stores decreased in 2013. Our profitability remained good, and the operating margin was 17.2 percent. Profit after tax increased to SEK 17.2 billion. In 2013 the Swedish krona once again strengthened against most of our sales countries' currencies, which had a negative impact of SEK 600 million on the result. The result was also negatively affected by the extensive long-term investments that we are making in order to strengthen H&M's market position further and secure future expansion.

### **LONG-TERM INVESTMENTS**

For some time we have been in a phase of very important development. Among other things, we are making substantial investments within IT and online, in new brands and in broadening our product range. We see these investments as being very important for our future success. They are investments that cost a lot now, but which will be very important for H&M for many years to come.

One example of these long-term investments is our new fashion brand & Other Stories, which was launched in March 2013 and has had an incredibly good first year. Building up and establishing a completely new brand takes time and involves major investments and costs, both initially and during roll-out. & Other Stories opened eight stores in seven countries in

2013, in less than nine months, and at the same time launched online sales at stories.com in ten markets in Europe.

COS is a successful example of a similar investment. COS started in 2007 and in a few years has grown to become a well-established international fashion brand which has developed fantastically well and still has great potential for expansion. I will come back to the future expansion of both COS and & Other Stories shortly.

Another example of our long-term investments is our expanded H&M Sport range. The new H&M Sport range includes items for men, women and children. The range is significantly broader than previously, with sportswear and accessories developed for and suited to various kinds of sporting activities. The collections were partly designed in collaboration with Swedish Olympic athletes, with a focus on function, fit, design and comfort.

Our new H&M Sport range was launched in January 2014 in our online markets and in selected stores in 18 countries. Customers have shown that they appreciate the collections, so now we have proof that there is great potential here. The idea is that we will now broaden the range further and that it will be placed in an even clearer setting in the stores. We are also looking forward to offering our new sports collections in more stores and in more countries in the future.

We are also proud of the fact that H&M designs collections for the Swedish Olympic team, which is perhaps why Sweden won so many medals in Sochi! We are looking forward to designing collections for the Swedish team again, for the 2016 summer Olympics and Paralympics in Rio de Janeiro.

### **H&M SHOP ONLINE**

Another area in which we are making substantial investments is online shopping, which is becoming increasingly important. Our online sales continued to develop very well during the year. H&M's online store is at hm.com, which is one of the most visited fashion websites in the world.

H&M online shopping supplements our stores as a sales channel and opens up huge opportunities for us to reach even more customers. Within e-commerce, shopping via smartphones and tablets is increasing at a particularly fast pace and our online store has been fully mobile-adapted since the start of 2013.

Following the launch of our online store in the US, expansion is continuing into more countries with four more large markets already this year. The first - France - has already opened. We launched our online store in France on 13 March, and once again the reception exceeded our high expectations. It all feels very positive and exciting, and we are now working intensively towards launching online in Spain and Italy in early autumn, followed by China at the end of the year.

However, we will not stop at that. Our global roll-out of H&M's online store will continue with more new markets in the future.

These are some of our large investments for the future, and the pace will remain fast again this year. The costs of our long-term investments will therefore be at a higher level in 2014 than in 2013.

### **H&M's FASHION**

The most important thing, of course, is that we have strong collections that our customers appreciate. We have very capable and passionate people at H&M, not least within design and buying, who create a broad and varied range of continually inspiring fashion. We want people to be able to find everything at H&M – from the latest trends to enduring classics that can be worn season after season.

We also work on more than one season at a time. Right now the stores are full of our great spring items, but we have already shown our forthcoming autumn collection H&M Studio in Paris. H&M's show was held at the Grand Palais during Paris Fashion Week in front of around 600 invited guests. The audience was star-studded and we would like to show you a short film of the event. The collection had a really good reception in Paris, with excellent reviews for both the collection and the show.

We also have a very interesting designer collaboration coming up in the autumn, with the American designer Alexander Wang.

Alexander Wang is based in New York, where he started his fashion label in 2007. The picture shows him with Margareta van den Bosch, H&M's creative advisor and former head of design, who says that Alexander Wang has become one of the most important voices in fashion today. The collection will launch on 6 November in around 250 H&M stores around the world and online.

### **SUSTAINABLE DEVELOPMENT**

We want to make affordable, good quality fashion accessible to as many people as possible all over the world. We also work daily to offer our customers increased sustainability in all our collections.

Among other things, we are increasing the use of more eco-smart materials such as recycled polyester, recycled cotton and Tencel. Our recently launched collection H&M Conscious Exclusive also uses new materials such as organic silk and organic leather. We are also one of the world's biggest users of organic cotton. One of our goals is that by 2020, all the cotton we use will be more sustainable cotton.

We are also very proud of our global Garment Collecting initiative. In H&M stores around the world our customers can bring in old garments for reuse and recycling and our goal is to create a closed loop for textiles. We were the first fashion company in the world to launch

garment collecting globally and we have already collected more than 5,000 tonnes of clothes. As early as at the beginning of 2014 we launched the first H&M jeans made with 20 percent recycled materials from garments collected last year.

Our sustainability work is very important. H&M's operations help create over 1.6 million jobs, not least for women, largely in the textile industry in Asia. H&M does not have any factories of its own, but instead works with independent suppliers. The jobs at these exporting clothing manufacturers help to lift individuals and nations out of poverty. For many countries, these jobs spark further industrial development, leading to increased productivity and higher wages. The continued presence of long-term, responsible buyers is therefore vital to the future of these countries.

We have long used H&M's size and influence to drive development towards better conditions in the textile industry. Wages at the supplier stage are a very important area that we have been working on for many years, particularly in Bangladesh and Cambodia. We recently introduced a new wage strategy based on a holistic approach to the issue of wages. Among other things, this involves improved purchasing routines and continued training of workers in the textile industry in order to raise their skills levels and starting wages. Our new wage strategy also includes measures to ensure that the suppliers' employees are able to conduct regular collective bargaining through democratically elected employee representatives. We also work in partnership with bodies such as the Swedish trade union IF Metall, the Swedish International Development Cooperation Agency (Sida) and the UN agency the International Labour Organization (ILO). Our efforts aim to contribute to improved conditions for all workers in the industry. These are changes that take a long time, and we are the first in the world to launch a wage strategy of this type. We hope that others will follow in our footsteps.

Our sustainability work extends throughout the entire life cycle of the garment. To extend our reach beyond H&M's value chain there is also the H&M Conscious Foundation, which last year was given SEK 500 million by the Persson family. Among other things, in the years ahead the foundation will use its resources to support three global development areas voted for by H&M customers and employees. These are clean water, education and strengthening women. The foundation also provides disaster relief to people in need.

Our integrated work to minimise our environmental impact and contribute to social development is an investment for the future, it is an investment in H&M's customer offering and it is beneficial for our long-term development. Our sustainability work is also important in enabling us to continue to be an attractive employer of motivated and committed people.

We are also proud that H&M, for the fourth time, has been recognised as one of the world's most ethical companies by Ethisphere Institute again this year.

Those interested in finding out more about our sustainability work can visit [hm.com](http://hm.com) and read our latest sustainability report, the H&M Conscious Actions Sustainability Report 2013.

## **EXPANSION 2014-2015**

We are continuing our long-term expansion. In 2014 we expect to open a net total of 375 new stores. This is within our target of opening 10–15 percent new stores per year, and we expect to have more than 3,500 stores when the year ends.

This year China and the US will again be the markets in which we expand most. In the US, for example, we have just opened our first H&M store in Hawaii. More than 1,200 people stood in line in Honolulu on the opening day, so it seems that H&M's fashion is attracting customers in this part of the world too.

We are opening more large flagship stores this year than we did last year. For example, at the beginning of April a five-storey H&M store opened on Weinstrasse in Munich, to a very good reception. I was there myself and it felt particularly good to get such an enthusiastic welcome in a country that we have been in for so long. It is nearly 35 years since the first H&M store opened in Germany. With more than 420 stores Germany is our largest individual market, and we are continuing to grow there.

Examples of other new flagship stores this year include a store in Shanghai, on East Nanjing Road – a very attractive location that we have been looking at ever since we arrived in China in 2007 – and two stores in Manhattan, one on Fifth Avenue and one at Herald Square.

One of our finest new stores this year opened in Melbourne on 5 April, when Australia became a new H&M country. The store is one of the Group's largest and is located in the historic General Post Office building, which is a real landmark in Melbourne. We realised that there would be great interest in H&M in Australia, but we were still surprised at the enormous attention that the opening attracted. More than 3,000 customers queued for several hours, and many had even spent the night outside the store to be sure of getting in first. A number of news channels reported on H&M on Australian television, and we would like to share a short video from the opening day.

With such a good team in place, and after such a fantastic welcome, we are naturally looking forward to continuing expansion in Australia and we are looking at a number of locations, including in Sydney and Brisbane.

With the store in Australia, H&M is now present in 54 markets. We are planning a further two new countries later this year: the Philippines and India. Both are very exciting markets where we see great potential for H&M.

Looking further ahead, to next year, we will continue to grow in the southern hemisphere when both South Africa and Peru become new H&M markets.

## **OUR OTHER BRANDS**

Expansion will also continue for our other brands COS, & Other Stories, Monki, Weekday and Cheap Monday, as well as for H&M Home.

COS, which I mentioned earlier, has developed amazingly. Today there are over 90 COS stores in more than 20 markets. Last year 21 new stores opened and in 2014 we plan to open even more COS stores than in 2013. COS will also open in four new countries this year. These are Switzerland, South Korea, Australia and the US. In the US there will be two stores, one in New York and one in Los Angeles, and at the same time COS will also launch online sales in the US.

& Other Stories also plans to open more new stores this year than last. The brand will open stores in three new countries – Belgium, the Netherlands and the US – and will also open online in the US, Ireland and Austria.

& Other Stories' sales are actually higher than sales at COS were after the same period of time – and since COS is at a very good level today, this looks very promising for the future of & Other Stories.

H&M Home also developed well in 2013 and has continued to develop well during the first quarter of 2014. This year we plan to open around 70 shop-in-shops, located within H&M stores, in a number of new markets.

Monki, Weekday and Cheap Monday will expand at a calmer pace. We have great faith in these brands and we are working on developing each one, so it feels positive and we hope to be able to step up the rate of expansion in the longer term.

## **LOOKING AHEAD**

Lastly, when we look at H&M's first quarter this year we see that the year's sales have got off to a good start, and that we have kept taking market shares. Despite the fact that the situation has remained tough for clothing retail in many countries, we have increased our sales including VAT by 12 percent in local currencies and by 13 percent in Swedish kronor. In March sales increased by 13 percent in local currencies.

We continue to have great respect for the macroeconomic situation, and the ever tougher competition in our sector. However, we also feel a great optimism and faith in the future.

We have a strong and attractive customer offering with many great collections, and we are constantly working to develop and broaden our product range further. At H&M we have a fantastic team of people who are keen to give our customers the best combination of fashion, quality and price. We also still have great potential for expansion, both within H&M and within our other brands, through stores as well as online. And we will continue to invest in order to build an even stronger H&M, and for long-term sustainable development.

Thank you. I will now hand over to the chairman of the meeting.