

Dear shareholders,

It is a great pleasure to see so many of you here today.

Activity is high at H&M and we have many things that we would like to share with you, both about last year – during which we continued our global expansion – and about the substantial long-term investments that we are making to ensure sustainable development and build an even stronger company.

2012 IN BRIEF

Looking back, 2012 was yet another eventful year. H&M grew, with new customers, employees and stores around the world, and we continued to stand strong in a challenging market.

In 2012 the consumer climate in many places was even more challenging than in 2011. H&M is present in nearly 50 markets and conditions varied considerably between the different countries.

Under these circumstances we increased sales by 11 percent in local currencies and by one percent in comparable units, and we continued to take market share. H&M's good performance again proves that customers appreciate our offering, with fashion and quality at the best price.

The gross margin for the H&M Group was 59.5 percent for the full year. The gross margin is a result of many different factors, both internal and external, and is also affected by the decisions we make based on our strategy to always have the best customer offering in each and every market.

Combined, external factors such as cotton prices, cost inflation and the US dollar, which is the single most important purchasing currency for us, caused an increase in purchasing costs for the year.

Markdowns in relation to sales, meanwhile, were at the same level as the year before.

Costs for the Group were affected by our extensive long-term investments that for the most part have not yet started to generate revenue.

LONG-TERM INVESTMENTS

We are currently in a period of significant investment and have been so for some time. Among other things, we are investing notably in our online presence, including further improvements to our web store. In January 2013 we launched a fully mobile adapted H&M shop online that has been very well received in our eight online markets.

We are preparing to launch H&M shop online in the US this summer and we are working towards a roll-out of shop online to more markets further ahead.

We are also making a number of other IT investments in several areas.

In parallel, we have developed and launched an entirely new fashion brand & Other Stories, and we have a number of other initiatives that are aimed at broadening the offering of the H&M stores. One example is that as early as the beginning of next year we will offer an extended and updated range of sportswear that will be considerably wider than our current sportswear collections.

All these long-term initiatives are wise and necessary investments that will generate substantial revenue in the future, secure future expansion and further strengthen H&M's position. With these investments we are building an even stronger company.

We have already seen proof that the long-term work involved in developing & Other Stories was the right thing to do. & Other Stories has been incredibly well received by customers at its launch this spring, and I will tell you more about this shortly.

GOOD COST CONTROL

But at the same time as we are investing for the future, it is very important to have good cost control – and that is something we have at H&M. In comparable stores, costs as a proportion of sales were at the same level in 2012 as in the previous year and looking at the beginning of 2013, costs in comparable stores have come down in the first quarter compared to the corresponding period last year.

Profitability remained strong in 2012 with an operating margin of 18 percent for the full year.

Full-year profit was burdened by the long-term investments and also by large negative currency translation effects, as a consequence of the strengthening of the Swedish krona against most of our sales currencies. Nonetheless, profit after tax grew by more than SEK 1 billion, or 7 percent, to SEK16.9 billion.

That is a good development, not least in the light of the tough macroeconomic situation facing fashion retail in many countries. Under these conditions H&M is continuing to grow and our global presence is strong.

NEGATIVE CURRENCY EFFECTS

Before going into developments in our individual markets, we would like to highlight how much of an adverse impact negative currency translation effects have had on both our sales and profits over the past few years. These effects are due to the gradual strengthening of the Swedish krona since 2009 against most of our sales countries' currencies.

Approximately half of our sales are in euros and looking at this [graph](#) we can see how much the euro has weakened against the Swedish krona since 2009, when the euro was at its strongest.

For H&M, currency translation effects arise when we convert the sales and profits of our sales countries into SEK, our reporting currency. Had we applied the same exchange rates as in 2009, sales for full year 2012 would have been SEK 19 billion higher than the reported

sales of approximately SEK 141 billion. Profit before tax would have been nearly SEK 3.5 billion higher than the reported profit before tax of slightly more than SEK 22 billion.

This clearly shows the strong negative impact of currency translation effects on the development of both sales and profits.

EXPANSION IN 2012

H&M continued to expand strongly in 2012. We opened 304 new stores net. Five new markets were added and we created around 10,000 new jobs. At the end of the year we had around 2,800 stores in 48 markets and more than 104,000 employees.

H&M offers a broad and varied range of inspiring collections. Our business model allows H&M to work just as well in the major capitals as in small and mid-sized cities around the world. This is a strength; it enables us to grow deeply into each market and at the same time expand into new countries.

Increasingly, this growth is taking place in Asia. In 2012, 28 percent of our expansion was in Asia and Russia. Of all our markets, China was again the market where we had the fastest growth. We opened more than 50 new stores in China during the year and had 134 stores by year-end. Today, that number is above 145.

Our second largest expansion market was the US, where we opened some great stores – such as in Miami Beach and Manhattan.

The five new H&M markets for 2012 were Bulgaria, Latvia, Malaysia, Thailand and Mexico. We would like to show you a short movie from the store openings in [Kuala Lumpur](#) and [Mexico City](#).

SALES BY MARKET

In all our new markets customer response was incredibly positive and sales, too, developed very well.

The strongest development in 2012, however, took place in China, with a sales increase of 50 percent, and in the US and Russia.

Looking at Europe, consumption was affected by the prevailing macroeconomic uncertainty, above all in southern Europe. This was also reflected in H&M's sales in countries such as Greece, Spain, Portugal and Italy. However, H&M continued to develop well relative to the market in these countries, where we still see further opportunities to expand.

The first quarter of 2013 was also challenging for fashion retail, particularly in Europe and North America.

This was due partly to the tough economic situation in many markets, but also to unfavourable weather. As a result, Group sales for the first quarter did not live up to our own expectations.

The weather remained unusually cold in March and also into April. This has delayed the start of the season for the spring collection.

EXPANSION IN 2013

We are growing in our existing markets, we are expanding into new countries and we are growing with all our brands. The pace of expansion is rapid. We are expanding within our target of 10–15 percent new stores per year.

For full-year 2013 we have stepped up the pace of expansion further to around 350 new stores net. The original plan was for approximately 325 stores and the reason that we are accelerating expansion is, as I mentioned earlier, that we have a business model which works in all markets and which opens up many interesting opportunities.

The stores we open are of high quality and we can see that we are able to speed up expansion while maintaining quality. By high quality we mean that we are getting excellent locations, of the right size and with good terms, and that we are managing to recruit great employees.

A month ago we opened our very first store in the southern hemisphere, in Chile. I was there at the opening in Santiago and had the privilege of experiencing the most amazing welcome given to H&M by customers. The store is in the best location in the Costanera Center shopping mall. Many customers had arrived the day before to be sure of being first in line. On the opening day more than 2,500 customers queued up to shop at H&M.

In total, five new markets will be added again this year. In addition to Chile, the first H&M stores will open in Estonia, Lithuania, Serbia and Indonesia.

Expansion in Asia is increasing, as I mentioned earlier. As an example, we have opened in more than one new Asian country per year for the past five years and today we are present in six markets in the region. China will be the individual market with most new store openings again this year.

There is great potential for H&M in this part of the world, and also in the southern hemisphere. Next year our expansion into the Asia-Pacific region will continue with the opening of H&M in Australia.

All our brands are expanding: H&M, COS, Monki, Weekday and Cheap Monday, as well as H&M Home. And now we have added an entirely new fashion brand to take our expansion even further: & Other Stories.

& OTHER STORIES

We are delighted with the astonishing reception given to & Other Stories at its launch this spring. The first store opened on Regent Street in London on 8 March. At the same time, online shopping was launched at stories.com in ten European countries. This was followed by store openings in Copenhagen, Stockholm, Paris, Berlin and Milan, and this Saturday a store will open in Barcelona.

Sales have exceeded our high expectations by far.

& Other Stories offers women a wide range of shoes, bags, jewellery, beauty products, underwear and clothes. The collections are made from carefully selected materials with great attention to detail, and have received very fine reviews in the fashion media internationally.

It has been absolutely amazing to watch the brand evolve from the very first idea two to three years ago into a business plan, into the design of the collections in the two studios in Paris and Stockholm, and now into real stores where customers are shopping. The team that has been working on & Other Stories has done an excellent job.

Right from the start we felt sure that we were onto something really good. While it is still early days, with only a few weeks having passed since the first launch, nevertheless we have seen proof that we have something really good, and it is opening up the way for us to expand faster and more widely than was set out in our original plan.

We see great potential in both the short and the long term, and we are convinced that this new brand will become an important part of the H&M Group in the future.

In parallel, we are developing and extending the offering of our H&M stores.

H&M SPORT

One example of this is that as early as the beginning of 2014 we will launch an extended and updated sports concept for women, men and children.

Why are we doing this? Well, because we already have a sports collection today. It is small but it sells very well, so we see potential there. We have looked around to see what is being offered in the market at present and we believe that if we combine fashion, quality and price, we can launch something that is better than what is currently available in the market.

We want to give our customers a broader and even better offering. The new concept will feature sportswear and accessories in functional materials. Initially we will launch the updated sports concept in selected stores in 15 markets and in our online store. Hopefully it will develop well, and once we see proof of that we plan to roll it out to all our markets and to many more stores.

H&M TO DRESS OLYMPIC TEAMS

We are also delighted that H&M is to dress the Swedish teams for the Winter Olympics and Paralympics in Sochi in 2014 and for the Summer Olympics and Paralympics in Rio de Janeiro in 2016.

H&M will design the clothes that will be worn by the teams at the opening and closing ceremonies, and will also create a full and extensive wardrobe for all the Swedish teams to wear in the Olympic village for both training and leisure.

Our design teams are developing the collections in close cooperation with a group of Swedish Olympians, including stars such as Therese Alshammar and Anja Pärson.

The clothes in H&M's new updated sports concept have also been tested by these Olympic athletes.

THE H&M SPIRIT

Our long-term investments are a good example of how we work at H&M. We are driven by new ideas, we have a long-term approach and our aim is to always exceed our customers' expectations.

H&M is guided by strong values such as teamwork, openness, simplicity, entrepreneurial spirit, cost consciousness and the pursuit of continuous improvement. These shared values are rooted in a respect for the individual and a belief in people and their ability to use their own initiative.

Our values are summed up in the H&M spirit, which has existed ever since the first store opened in 1947 and is still present throughout the company after many years of strong expansion.

These values come together to form a workplace in which everyone can work together at a fast pace and rely on each individual's knowledge and capabilities.

I would like to thank all the employees of H&M around the world for their valuable contributions once again over the past year. Our employees are the key to H&M's success.

SUSTAINABLE DEVELOPMENT

What also lies behind this success is our business concept: fashion and quality at the best price. Our business concept means that we should have the best customer offering in each individual market. This also means H&M being the more sustainable alternative for our increasingly aware customers.

That is why we focus strongly on sustainability, which includes both environmental and social matters, and it is also why sustainability is an integral part of our business. H&M's head of sustainability is a member of group management and we have sustainability targets for each function and each country.

While we are humbled by the challenges faced by our industry, we are also very happy and proud of the achievements that we have made thus far.

Some examples that I would like to highlight are that we are the world's largest user both of organic cotton and of Better Cotton, and that we are the first global fashion company to have launched a garment collecting initiative in all the markets where we are present that allows our customers to hand in old garments for reuse or recycling.

We have also made public our entire list of suppliers, as we want to be open and transparent.

H&M has no manufacturing of its own, but as a global retail company H&M buys and sells products in a large number of markets. In this way the business contributes to international trade, which is an important source of economic growth and social development globally.

H&M's expansion contributes to the creation of jobs for over a million people in our sourcing countries, above all in Asia. By being present in these countries we influence development in a positive direction.

In many of these countries the textile industry is the engine of dynamic development. As a large and long-term buyer, H&M is dependent on stable markets. We want people to be treated with respect and, of course, to be able to live on their salary. We are working towards this on several levels.

In Bangladesh, an important sourcing market for H&M, we have, on various occasions and also together with other clothing companies, urged the government to raise minimum wages in the textile industry and to revise wages annually. I visited prime minister Sheikh Hasina myself in Bangladesh last autumn and expressed this urgent request to her.

We are also working through various partnerships to empower the workers. We work actively to improve skills levels in the textile industry and we educate the parties in the labour market with the aim of bringing about a functioning labour market dialogue in the sourcing countries; for example, in Cambodia.

In Cambodia, H&M and the Swedish union IF Metall have started a unique project together. Among other things, we hope to teach the parties of the labour market the importance of cooperation and collective agreements.

Wages are an industry-wide matter. At the suppliers who sell products to H&M, garments are also being manufactured for other clothing companies and brands. The supplier's employees are paid the same wages by their employer regardless of whether the supplier's customer sets a high or a low final price in its store.

Several factors come together to allow H&M to offer customers good prices. The best price is achieved by having in-house design, no middlemen, buying large volumes of the right product from the right market, having efficient logistics and being cost conscious in all parts of the company.

As wages are an industry-wide matter and since we want to contribute to long-term positive development, we are working to bring about lasting improvements that will benefit all workers in the textile industry in the sourcing countries, regardless of which company their employer supplies.

This is just one part of our extensive sustainability work.

H&M CONSCIOUS FOUNDATION

H&M has a charitable foundation, the H&M Conscious Foundation.

The foundation, which was established in 2007 to mark H&M's 60th anniversary, is about to receive a contribution of SEK 500 million that will be donated by the Persson family. This is a significant contribution for the foundation, which will be able to make a major difference for people and communities in the countries where H&M is active.

The foundation will focus especially on initiatives aimed at helping to achieve the UN Millennium Development Goals.

The H&M Conscious Foundation has previously supported charities such as Hand in Hand, which works to combat poverty in India through microloans and training for entrepreneurs. The foundation will in the future support a number of organisations, including WaterAid which provides people in poor areas with access to clean water and hygiene. The foundation will also support disaster relief efforts in countries where H&M is active.

With this donation, the H&M Conscious Foundation will be able to carry out more initiatives on a greater scale in order to bring about changes and improvements in countries where H&M is present. We hope and believe that this will make a considerable difference for many people and contribute to lasting improvements.

The donation to the foundation is aimed at bringing about improvements in the wider community, while H&M's operations will naturally continue to work actively to bring about improvements throughout the value chain.

To find out more about H&M's sustainability work please visit our website, hm.com, where you will also find our latest sustainability report: the H&M Conscious Actions Sustainability Report 2012.

CONSCIOUS EXCLUSIVE

We also want to encourage our customers to make more conscious choices. One way in which we do this is by launching collections each year with a high fashion content using environmentally smarter materials, such as the Conscious Exclusive collection.

SUMMER FASHION

For summer this year we also have many great collections to offer our customers, who will also be able to see the megastar Beyoncé wearing H&M in our summer campaign.

AUTUMN FASHION

Looking further ahead to autumn, we have already given our customers a taste of what our design teams have created. We would now like to show you a [film](#) from our fashion show in Paris in February.

That was a little taster of what we will have to offer later on. The customer surveys that we regularly conduct show that our customers appreciate our offering and that we stand stronger today than we did a year ago.

LOOKING AHEAD

We are continuing to strengthen our position in existing markets. We are taking market share. We will grow by around 350 new stores net this year, which means that we are effectively opening one new store a day.

To illustrate our strong expansion: we have trebled the number of our stores in less than ten years. We have opened more than 1,000 stores net in the past four years alone; to put that in perspective, it took 57 years to open the first 1,000 stores. By the end of 2013 we will have more than 3,000 stores on five continents.

So the pace is fast, and still it feels as if the journey of expansion has only just started. We will continue to grow deeply into our existing markets and we will open stores in new countries, so most of our expansion still lies ahead of us.

We also have an online business that is doing very well in its eight markets. Since we only offer online shopping in eight markets so far, most of this journey is also ahead of us, opening up great opportunities.

At the same time, we are broadening our ranges; at the moment this is happening within sportswear, but we are planning several other exciting initiatives too.

We are growing through all our brands: COS, Monki, Weekday, Cheap Monday and H&M Home, as well as & Other Stories, which has been incredibly well received.

We are making long-term investments and, as we have said many times before, these investments are generating costs now and have for the most part not yet started to generate revenue, but they will generate significant revenue in the future.

So we take a very positive view of the future, but in the short-term, in 2013, we do have great respect for the macroeconomic situation that prevails in many markets.

So we believe it will be a challenging year, but also a very exciting year. We have an attractive offering, we work for continual improvement and we are investing for sustainable development and to build an even stronger H&M.

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

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