



Annual Report  
2002

**H&M**



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## FINANCIAL HIGHLIGHTS

		2002	2001
Gross sales, including VAT	SEK m	53,331.7	46,528.2
Change	%	+ 15	+ 30
Sales outside Sweden	SEK m	47,545.0	41,095.0
Sales outside Sweden as a percentage of gross sales	%	89	88
Operating margin	%	18.1	13.8
Profit after financial items	SEK m	8,628.9	5,734.0
Net profit for the year	SEK m	5,686.8	3,816.4
Earnings per share	SEK	6.87	4.61
Change from previous year	%	+ 49	+ 50
Return on shareholders' equity, note 20	%	32.9	27.9
Return on capital employed, note 20	%	49.7	41.6
Debt/equity ratio, note 20	%	0.4	1.2
Share of risk-bearing capital, note 20	%	79.0	77.8
Solidity, note 20	%	75.7	75.6
Number of stores in Sweden		120	118
Number of stores outside Sweden		724	653
Total number of stores		844	771
Average number of employees		25,674	22,944



## H&M – STRONG AND EXPANDING

2002 was a very successful year for H&M. Sales and profits improved in all our markets compared with the previous year. Turnover for the year amounted to over SEK 53 billion, an increase of 15 per cent.

Profit after financial items increased by 50 per cent to over SEK 8.6 billion. The return on equity was just under 33 per cent.

It is particularly satisfying to see that our newest markets are showing substantial improvements in result. France and Spain have reported an operating profit for the year as a whole and the USA has also shown a substantial improvement.

### Success factors

There are a number of reasons for H&M's strong development over the year.

Amongst these, we take most delight in the fact that our collections were so good and so well received by our customers. This is the single most important factor in the positive development of H&M. During the year we also worked purposefully on improving the buying process and our stock management.

We also succeeded in increasing our customers' impulse buys, mainly through good exposure of selected accessories. Each extra such sale has a positive effect on our profits.

In addition, we have continued to put pressure on costs throughout the organisation, which has further improved profitability.

### More new goods to stores every day

Improvements to the buying process came under particular focus during the year.

Our buying department has worked hard on optimising volumes and lead times for each garment group. This has meant a more even flow of goods, with more new goods coming to the stores every day. An increased proportion of buying takes place on an ongoing basis during the season – particularly in the case of garments with a high fashion content – which has also meant we can be more sure that our fashions will be a hit.

Overall, the improved buying process has led to higher full-price sales, low stock and reduction levels and more cost-effective stock management.

### Our strategy – profitable growth

Over the past four years H&M has more than doubled its turnover, opened nearly 300 new stores and moved into two new countries. This expansion has been entirely financed by our own resources.

H&M's strategy is to continue to grow whilst maintaining good profitability. Our financial strength gives us the freedom to grow at a pace set by ourselves.

We aim to increase the number of our stores by 10 to 15 per cent per year. However, this may vary somewhat from year to year, because we want to grow with quality. The availability of attractive store locations is the deciding factor in our rate of expansion. Establishing stores in the best location has been an abiding principle of H&M ever since the company was founded over 50 years ago.

### 110 new stores in 2003

H&M will continue its expansion in 2003 with around 110 new stores. The main expansion during the year will take place in our growth markets, that is Germany, Spain the USA, France and the UK.

### Three new H&M countries in Europe

With our strong balance sheet and the substantial improvement of operations in our newest countries, we are ready to move into more markets. During the autumn we signed initial store contracts in three brand new countries for H&M: Poland, the Czech Republic and Portugal.

We are particularly pleased to be opening our doors to Eastern Europe and to economies that are rapidly gaining ground and have a large population. We can also draw on previous experience in this respect, since we opened our first stores in the former East Germany right at the beginning of the 1990s – immediately after the fall of the Wall.

In total we plan to open five stores in Poland this year, three in the Czech Republic and four in Portugal.

### H&M continues to grow in North America

H&M is also continuing to grow in North America. At the end of the year we had 45 stores on the East Coast of the USA, from Boston and Syracuse in the north to Philadelphia in the south.

In 2003 we will be opening a further 15 to 20 stores. Our strategy is to continue to grow in and around the city centres of Boston, New York, Philadelphia and Washington. In the autumn we will also establish ourselves in the Chicago region. Around 13 million people live here, providing good potential for H&M to establish many stores in the longer term.

We have also signed contracts for five store premises in Toronto, Canada – taking us a further major step forward in North America. The stores in Canada will open in 2004.

### H&M's corporate social responsibility

As a major international company H&M has a social responsibility. It is important that we have good relations with the world around us and take responsibility for how man and the environment are affected by our activities.

Corporate social responsibility (CSR) has high priority within H&M and the department that is responsible for environment and for CSR reports directly to me. This enables me to keep a close track on this important work. Our employees have also demonstrated great commitment to these matters and during the year we introduced training of sales staff in CSR matters.

These types of issues require cooperation and dialogue with many different interested parties around the world. We run our own projects as well as cooperating with industry colleagues and international organisations. H&M also supports the UN Global Compact. In so doing we want to signify that we respect human rights and are prepared to contribute to sustainable development within the areas that we are able to influence.

“H&M's strategy is to continue to grow whilst maintaining good profitability. We are now ready to expand into new markets. We have signed contracts for stores in Poland, the Czech Republic, Portugal and Canada.”

### Our Code of Conduct – taking responsibility long-term

For several years now H&M has had a Code of Conduct that every supplier who produces our goods must undertake to respect. It means, for example, that they must not use child labour and must pay workers in the factories minimum wage and grant freedom of organisation.

I am sometimes asked why we do not immediately terminate our cooperation with suppliers who do not abide by our Code of Conduct. Obviously that would be a simple solution for us, but H&M also feels a responsibility towards the people working in the factories. On some occasions we are indeed forced to terminate the cooperation, but we know that this can have major consequences for those employed. Being on the spot, where we can constantly carry out checks and demand improvements, is a more effective way of taking responsibility in the long term.

On those occasions when we have actually terminated the cooperation it is usually because a supplier has sub-contracted production to a production site that has not been approved by us. Then we have no way of checking the working conditions and cannot be sure that our requirements are being met.

### H&M on the march

The H&M brand is now well-known. We are in a very strong position in Europe and have a good foothold in North America. H&M is an international fashion company with over 840 stores in 14 countries and more than 39,000 employees – without whose commitment it would not have been possible to achieve our current success!

2002 was a special year in many ways. We are all pleased that H&M is developing so well, but we also feel a great loss following the death of our founder Erling Persson in October. Erling has meant very much for H&M. His values live on in the company and we continue our work in his spirit.

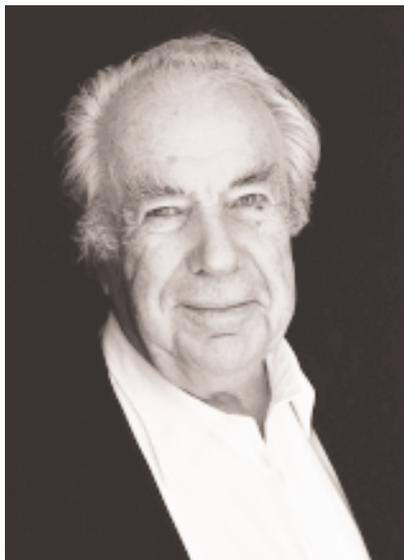
I am looking forward to the year ahead with its many exciting store openings and rapid pace throughout the organisation. Welcome into our stores and to an expansive H&M! ■



Rolf Eriksen

## H&M IN 2002

- Well received collections and increased market shares in all markets.
- Substantial improvement in profitability.
- Greater focus on new goods in the stores every day.
- Fifteen new stores in the USA – including a large store at the corner of 7th Avenue & 34th Street in Manhattan and first stores in Brooklyn and Harlem, New York. The level of operating costs in the American business was substantially reduced.
- Ten new H&M stores in the UK, including a big store in Manchester and one in London’s trendy Covent Garden.
- Major expansion in Spain. Eight new stores were opened during the year.
- A new store concept was launched for underwear called “Details by H&M”, with Germany as test market.
- A total of 85 new stores were opened.
- At the end of the year there were 844 H&M stores in 14 countries.
- Successful introduction of bills and coins in euro in eight of H&M’s markets.
- Initial contracts were signed for stores in the new H&M countries of Poland, the Czech Republic and Portugal.
- 2,000 Code of Conduct inspections were carried out to control that H&M’s suppliers comply with H&M’s Code of Conduct in respect of good working conditions.
- H&M Germany was awarded the German Trade Prize 2002 for “exceptional management”.
- International media acknowledged H&M during the year. The business magazine, Business Week, ran a cover story of H&M. The business magazine, Fortune, appointed H&M as one of the best companies to work for in Europe.



H&M’s founder Erling Persson died in October at the age of 85. Many of the values still underpinning H&M’s work today come from Erling’s personal views on how the company should be run.



## A WIDE RANGE OF FASHION

H&M offers a wide range of fashion using many different concepts – from updated classics and basics to clothes that reflect the very latest international trends. In addition, we sell underwear, sportswear, accessories and cosmetics. In simple terms, fashion for everyone – and always at the best price.

Women's wear makes up the largest part of H&M's range, followed by children's wear, teenage fashions and men's wear. The majority of H&M's stores are full-range stores, but there are also stores that are specially aimed at women or teenagers or that sell only cosmetics, underwear and accessories. All stores are constantly supplied with new goods.

To emphasize and strengthen the H&M brand, during the year we removed a number of concept names from the garments and from in-store displays. This also simplifies the shopping process for the customer, since there is then a clearer focus on the season's trends and theme. ■

### CHILDREN'S WEAR

H&M's children's clothes must be comfortable and practical. We do not make clothes that may be perceived as provocative on small children.

### WAR-INSPIRED GARMENTS

H&M has decided not to use camouflage patterns on our garments.

### OFFENSIVE PATTERNS

Prints on tops and other garments must not be offensive, racist, sexist, political or religious.

### ANIMAL TESTING

At H&M we do not permit animal testing on cosmetic products, either during production or on the finished products.

For further information visit [www.hm.com](http://www.hm.com)



### Women

Our women's wear collection have the most concepts. This ensures that fashion-conscious women of all ages with different lifestyles and needs will be able to find exactly what they want.

The majority of the range consists of updated classics and fashion basics at good prices, but there are also clothes with a higher fashion content or made of more exclusive materials. For the very trendiest women who want to be first with the latest international looks we also have items that are right at the cutting edge of fashion.

L.O.G.G. offers timeless but always up-to-date garments of high quality.

L.O.G.G. Sport is made up of sportswear and leisurewear, with the emphasis on form and function – both for outdoor use and for specific sports activities.

Mama is aimed at the mother-to-be who wants to continue to dress fashionably during her pregnancy.

BiB is aimed at plus-size women who are interested in fashion and offers trendy garments as well as functional basics.

We also have a wide range of underwear and nightwear that is coordinated with the various women's wear concepts. From simple and sporty basics to underwear with more exclusive cuts and materials. Accessories supplement each concept in our women's range with coordinated accessories such as jewellery, sunglasses, belts, bags, scarves and caps. In addition, we sell socks, tights and swimwear.



### Men

Our men's collections consist of a number of concepts designed to satisfy demand from men of all ages with different needs and wishes as regards fashion content, quality and price.

The main concept comprises a broad range of updated classic basics as well as clothes with a higher fashion content. There is also a trendier concept for men with a greater interest in fashion who update their individual style regularly to keep up with the latest trends.

L.O.G.G. offers timeless current garments with the emphasis on durability, quality and function. L.O.G.G. Sport is made up of modern leisurewear for outdoor use or for specific sports activities.

The men's range is coordinated with a wide range of accessories of all types that supplement each concept. It also includes underwear and nightwear, as well as socks and swimwear.



### Teenage

Our teenage collection is called Divided and is aimed at both sexes. It offers a wide range of garments and accessories that reflect the latest international trends in sport, music and street fashion. Covering everything from daytime to evening wear, Divided also has to fit in with different lifestyles. The garments are often denim-based or made of jersey or sweatshirt material.



### Children

The children's collections consist of a number of concepts which combine form, function and fashion with playfulness and safety. Baby is made up of comfortable and functional baby-wear and Baby L.O.G.G. of timeless classics for the very little ones, for which particularly high requirements of quality and durability are set. Baby is available for ages 0-18 months. Underwear, nightwear, swimwear socks and tights are also included.

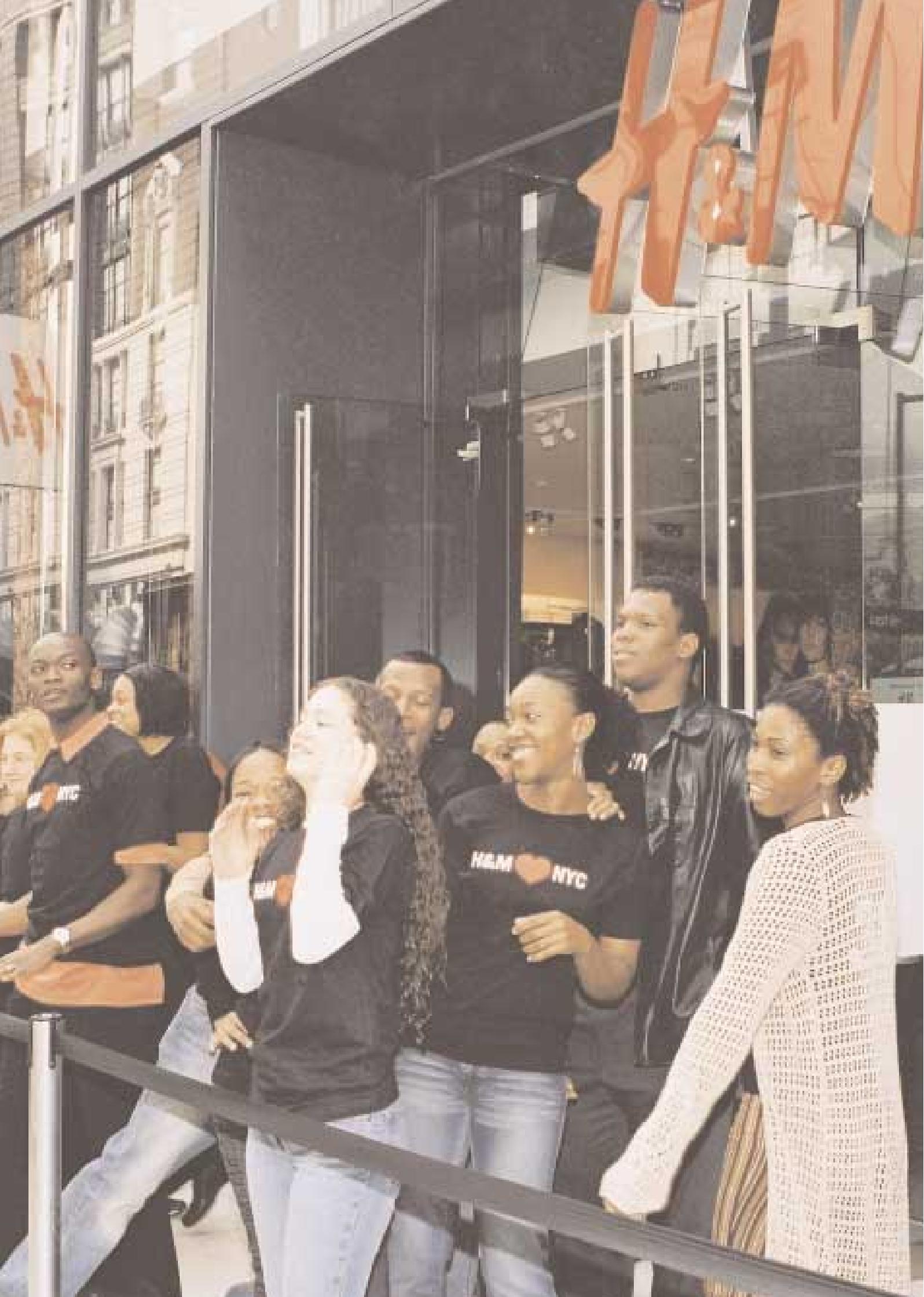
Within children's wear, our main concept for both girls and boys from ages 18 months to 10 years consists of a basic seasonal range of up-to-date functional garments. Dubbster offers denim-based garments influenced by sports and street fashion for girls and boys from 18 months to 13 years. L.O.G.G. is our concept for girls and boys from 18 months to 13 years which offers high quality modern classics.



### Cosmetics and accessories

H&M has sold cosmetics since 1975. Today, cosmetics are sold throughout Scandinavia as well as in Germany, the UK, Austria and Spain. The range includes make-up, bodycare and haircare as well as accessories for women, men and teenagers. H&M considers it of great importance that its range is up-to-date, value-for-money and of high quality.

The suppliers of our cosmetics are based in Europe, Asia and the USA. The products are not tested on animals either during the production process or in the finished state. H&M's make-up suppliers have signed an assurance that the content, packaging and labelling of their products will meet requirements of quality and safety. All suppliers also undertake to abide by H&M's policy and the EU's directive within this area.



## BEST BUSINESS LOCATION

H&M is always on the lookout for the best business locations for its stores. This has been a firm principle since 1947 and is no less true today. The best shopping streets attract the majority of the world's foremost fashion companies and we see it as an advantage to be close to our competitors, since it increases the inflow of customers into the area – giving us a better chance of offering more customers the opportunity to get a good deal.

H&M aims to be the most attractive option for its customers in every town or city and at every store location. The location factor is so crucial that H&M prefers to wait for the right site to become available before establishing a store in a new area.

### The first step towards establishment

There are many factors influencing the choice of where to establish a new store. If it is a completely new market or city for H&M then we analyse factors such as demographics, employment and purchasing power.

The next step is to survey the area. We look at shopping streets and shopping centres to see how big they are, which other stores are there and where our competitors have their stores. Other important factors are traffic flows and public transport. By this stage we will have an idea of the potential and a fairly clear picture of the number of H&M stores that is right for the area and where they should be. As ever, location is everything and determines when a store will be established. Once a lease has been signed, we can start work on the store itself.

**“H&M customers should be able to find their way about in whichever H&M store they happen to find themselves.”**

### Adapting the assortment

We adapt the assortment mix to each store, depending among other things on the location and size of the store. The assortment varies greatly between our stores. The whole scale is represented – from full-range stores to niche stores carrying only women's wear or underwear and cosmetics.

### Store display – an effective marketing tool

Once the assortment has been decided, it is time to start the practical work involved in establishing the store. The stores play a vital part in our brand and are structured so as to be largely self-service. The aim is to create an attractive and inspiring environment in which customers feel at home and can find what they are looking for in the assortment easily. H&M must always surprise with something new.

H&M customers must be able to find their way about in whichever H&M store they happen to find themselves. We use our store concept to achieve this.

The shop fittings are generally standardised, but sometimes fittings are created solely for one store. The most important thing is that we make the most of each particular

store. The H&M store on Fifth Avenue in New York, for example, differs in design from a store in a suburban mall.

### The staff – H&M's face to the world

It is important for a store manager to have a good knowledge of H&M and our culture. That is why we primarily recruit internally. The store manager then continues the recruitment process. It is important to find good employees because the store staff are H&M's face to the outside world and must reflect the spirit of H&M and communicate H&M's values.

### Advertising and marketing

Advertising and marketing activities are carried on in parallel with establishment of the stores. The media mix is adapted to local needs and practice, whilst the advertisements themselves are largely identical in all our markets.

We try to open as many stores as possible at the beginning of our two main seasons, so as to get sales off to a good start. The number of store openings in each six-month period may vary from one year to the next depending on when the individual leases are finalised.

H&M is trying to reduce the time between the lease being signed and the store opening. This year we succeeded in reducing the average building period by three weeks, giving us an additional three weeks' sales in these stores.

### Ongoing renovation

H&M's stores must always look fresh and appealing. Minor superficial renovations such as painting take place on an ongoing basis, while major renovations and refurbishments are carried out as needed. There is great variation and it is affected by the location and size of the store and its customer flow. Our city centre stores – a crucial element of H&M's profile as a trendy fashion house – are renovated more often.

### Mail order – a complementary sales channel

Since 1980 H&M has also sold clothes by mail order. Here, again, the business concept is to provide fashion and quality at the best price. Our mail order business H&M Rowells has customers in Sweden, Norway, Finland and Denmark.

H&M Rowells produces two big catalogues per year – one each season. In addition, a number of smaller seasonal catalogues with a particular orientation are produced annually. Some of the range is the same as that found in our stores, but since the sales pattern is different there is also a separate range.

H&M Rowells also administers H&M Internet sales.

### Shop online

E-commerce was started as a test activity in Sweden in March 1998. Today it is also available to customers in Denmark, Finland and Norway. We continually evaluate and improve our e-commerce site. We see the Internet as one of several distribution channels and anticipate that the majority of our sales will continue to be made in our stores. ■

## GOOD DEVELOPMENT IN ALL MARKETS

At the end of the year H&M had 844 stores in 14 countries. Turnover including VAT over the year amounted to SEK 53.3 billion, an increase of 15 per cent on last year. With comparable exchange rates the increase was 14 per cent. Sales outside Sweden accounted for 89 per cent of Group turnover.

H&M's sales primarily take place in stores. In the course of the financial year 85 new stores were opened and 12 stores were closed. When H&M closes a store it is usually because we are replacing it with a new store in a better location or with a larger floor area, or in order to replace two small stores with one large one.

In Scandinavia H&M also sells fashion by mail order through H&M Rowells. In Sweden, Norway, Denmark and Finland a certain amount of sales are also conducted via the Internet.

### Geographical spread

Today there are H&M stores in 13 European countries as well as in the USA. Our first stores outside Sweden were established in Norway and Denmark in the 1960s. Our first store outside Scandinavia was opened in the UK in 1976.

Germany is the biggest individual market with around 30 per cent of Group turnover. Sweden accounts for 11 per cent of sales and remains our second biggest market.

### Competitors

H&M has a number of internationally active competitors that we face in many markets, but there is also competition at local level in the form of local chain stores and department stores. However, we always compare ourselves with what we have achieved previously and our objective is always to improve.

### Growth targets

H&M is an expansive and financially very strong company. Over the past four years turnover has more than doubled and the number of stores has increased from 550 to 844. This expansion has been entirely financed using our own resources. H&M's strategy is to continue to grow with sustained good profitability. The availability of attractive business locations is the major deciding factor in our rate of expansion.

Our growth target is to increase the number of stores by 10-15 per cent per year. However, this may vary somewhat from year to year depending on when the locations we want become available. In 2002 we opened 85 new stores.

In 2000 H&M entered two new countries: the USA and Spain. No new countries were added in 2001. In autumn 2002 initial store contracts were signed for three brand new countries: Poland, the Czech Republic and Portugal. Our first stores in these countries will open in spring 2003.

### Expansion strategy

The opportunities for expansion vary in H&M's different markets. Some markets – such as Scandinavia – are more mature. In these countries H&M's stores are well distributed geographically and cover most of the areas of interest. The opportunities for expansion are therefore limited primarily to new stores in smaller towns and complementary stores in major cities.

In relatively mature markets, such as Austria and the Netherlands, there is still good potential for H&M to open new stores. Here we can grow cost-efficiently because we have a functioning infrastructure in place and a large base from which to obtain resources.

In other markets there are great opportunities to continue growing for many years to come. These countries have in common the fact that they have a large population base, which provides H&M with good opportunities to establish full-range stores in many locations. They include the relatively new markets of France, the USA and Spain – where H&M has succeeded in establishing its brand and achieving a good level of turnover within a short space of time. Markets such as Germany and the UK are also regarded as expansion markets, since H&M's market share is still relatively small and the population base large.

**“Today there are H&M stores in 13 European countries as well as in the USA. Our growth target is to increase the number of stores by 10–15 per cent per year.”**

In all our markets we work constantly on developing and strengthening our existing business – something which is very important for H&M's profitability and success. This comes down to trimming costs, selling more per unit of area, making stock management more efficient, etc. Sales can also be increased by expanding the range to include more concepts or by establishing concept stores, such as stores selling only clothes from our teenage ranges.

### Expansion in 2003

H&M will continue its expansion in 2003 with about 110 new stores; seven stores are scheduled for closure.

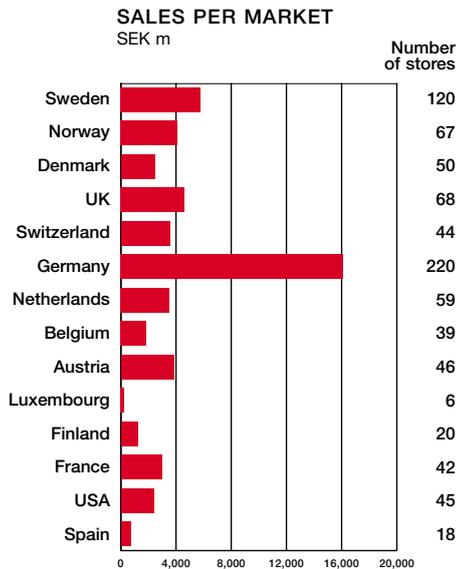
Our main expansion will take place in our growth markets of Germany, France, the USA, Spain and the UK.

Our new markets of Poland, the Czech Republic and Portugal will be administered from Germany, Austria and Spain, respectively, which will also look after establishment and expansion. This will allow the new markets to focus entirely on sales. Initially these countries will share the distribution centres serving Germany and Spain.

We will also grow in our other markets, both by establishing new stores and by developing the existing business. ■



## COUNTRY BY COUNTRY



The diagram shows sales in H&M's 14 markets. The countries are listed in the order in which H&M entered these markets.



### SWEDEN

**YEAR ESTABLISHED:** 1947  
**TURNOVER (SEK M):** 5,787  
**NO. OF STORES:** 120  
**EMPLOYEES:** 3,604

It was in Sweden that H&M was founded in 1947 and Sweden is also where H&M's head office is located. Sweden remains H&M's second biggest market with 120 stores. Expansion opportunities in the Swedish market are limited, since H&M is represented in most Swedish towns and cities.

#### Developments during the year

Turnover increased by seven per cent during the year, amounting to SEK 5,787 m.

Three stores were opened during the year and one closed. At the end of August H&M opened its first store in the Kungsholmen district of Stockholm, taking the total number of H&M stores in the greater Stockholm area to 35. Later on in the autumn new stores were also opened in Lund and Hässleholm.

An efficient new distribution centre in Eskilstuna was taken into use during the year.



### NORWAY

**YEAR ESTABLISHED:** 1964  
**TURNOVER (NOK M):** 3,402  
**TURNOVER (SEK M):** 4,114  
**NO. OF STORES:** 67  
**EMPLOYEES:** 1,448

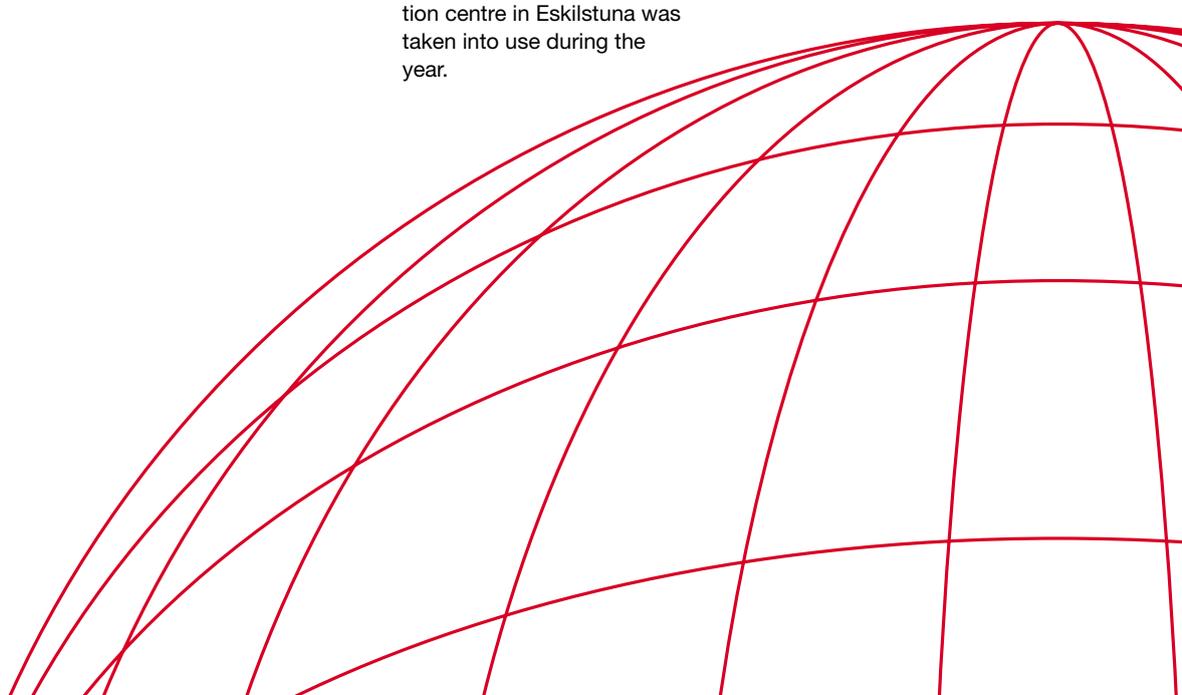
Norway was H&M's first foreign venture in 1964. Today there are 67 stores around the country.

Like Sweden, Norway is a mature market with good market coverage.

#### Developments during the year

H&M's sales in Norway increased by 17 per cent (10 per cent in local currency), amounting to SEK 4,114 m by the end of the financial year.

There is still a certain amount of room for more stores in Norway. Existing stores are also being improved on an ongoing basis; our store in Bergen, for example, moved to a new better location during the year.





## DENMARK

YEAR ESTABLISHED: 1967  
 TURNOVER (DKK M): 2,007  
 TURNOVER (SEK M): 2,472  
 NO. OF STORES: 50  
 EMPLOYEES: 939

H&M has had a presence in Denmark since 1967 and today there are 50 H&M stores around the country. Again, there is a good level of market coverage.

### Developments during the year

Sales in Denmark amounted to SEK 2,472 m, an increase of 10 per cent in both Swedish and local currency.

Two stores were opened in Copenhagen and one closed.



## UK

YEAR ESTABLISHED: 1976  
 TURNOVER (GBP M): 314  
 TURNOVER (SEK M): 4,605  
 NO. OF STORES: 68  
 EMPLOYEES: 2,354

H&M established its first store in the UK in 1976. Recent years have seen substantial expansion; the number of stores has increased by 22 in the past two years, making a total of 68 stores. The UK is one of H&M's expansion markets and is currently the Group's third biggest market.

### Developments during the year

2002 was a good year for H&M in the UK. Growth remained strong and sales increased by 33 per cent (35 per cent in local currency), amounting to SEK 4,605 m.

Ten stores were opened during the year and one closed. In the spring one of H&M's biggest stores in the UK was opened – a store in Manchester. In the same season stores were also opened in Coventry, in London's Covent Garden and in Birmingham. In the autumn stores were added amongst other places in Edinburgh, Leeds and Stratford-upon-Avon.



## SWITZERLAND

YEAR ESTABLISHED: 1978  
 TURNOVER (CHF M): 572  
 TURNOVER (SEK M): 3,563  
 NO. OF STORES: 44  
 EMPLOYEES: 1,161

H&M now has 44 stores in Switzerland. The first store opened in 1978. The level of store coverage is good.

### Developments during the year

Turnover increased by 14 per cent (11 per cent in local currency), amounting to SEK 3,563 m.

During the year a store in Geneva was closed. Seven stores were refurbished this year.



## GERMANY

YEAR ESTABLISHED: 1980  
 TURNOVER (EUR M): 1,759  
 TURNOVER (SEK M): 16,108  
 NO. OF STORES: 220  
 EMPLOYEES: 6,880

Germany is the H&M Group's biggest market and accounts for approximately 30 per cent of sales. There has been substantial expansion since the beginning of the 1990s and at the end of the year the country had 220 H&M stores. Market share is around 3-4 per cent, so there is potential for further growth.

### Developments during the year

Sales developed well during the year, in spite of a weak German retail market. Sales amounted in total to SEK 16,108 m, an increase of 11 per cent in both Swedish and local currency.

In 2002 19 new stores were opened around Germany. Our new store concept for underwear, "Details by H&M", was launched in Cologne and Oberhausen in the autumn. The concept is being tested in Germany and may later be adopted by other markets. Major renovations were carried out in some of our stores in Hamburg, Frankfurt, Bremen and Cologne. Five stores were closed and replaced by larger stores or moved to better locations.



## NETHERLANDS

**YEAR ESTABLISHED:** 1989  
**TURNOVER (EUR M):** 381  
**TURNOVER (SEK M):** 3,494  
**NO. OF STORES:** 59  
**EMPLOYEES:** 1,818

H&M opened its first store in the Netherlands in 1989. Today there are 59 stores around the country. Market coverage is good, but there is still a certain amount of potential for further expansion.

### Developments during the year

Turnover increased by 13 per cent (14 per cent in local currency), amounting to SEK 3,494 m. During the year three stores were opened and one closed.



## BELGIUM

**YEAR ESTABLISHED:** 1992  
**TURNOVER (EUR M):** 200  
**TURNOVER (SEK M):** 1,829  
**NO. OF STORES:** 39  
**EMPLOYEES:** 989

Our first store in Belgium opened in 1992 and H&M now has 39 stores around the country. Geographical coverage is good, but there remains opportunity for expansion.

### Developments during the year

H&M's sales in Belgium amounted to SEK 1,829 m during the year, an increase of 12 per cent in both Swedish and local currency.

During the year five stores were opened and one closed. The new stores included three in Antwerp.



## AUSTRIA

**YEAR ESTABLISHED:** 1994  
**TURNOVER (EUR M):** 420  
**TURNOVER (SEK M):** 3,848  
**NO. OF STORES:** 46  
**EMPLOYEES:** 1,535

H&M moved into Austria in 1994. Since then there has been substantial expansion and today the country has 46 stores.

### Developments during the year

Sales increased by 11 per cent (12 per cent in local currency), amounting to SEK 3,848 m during the year.

Five new stores opened, including a new H&M store in central Vienna's noted shopping street Kärtnerstrasse. Stores were also opened in Feldkirch, Bludenz, Eisenstadt and Graz.



## LUXEMBOURG

**YEAR ESTABLISHED:** 1996  
**TURNOVER (EUR M):** 24  
**TURNOVER (SEK M):** 223  
**NO. OF STORES:** 6  
**EMPLOYEES:** 97

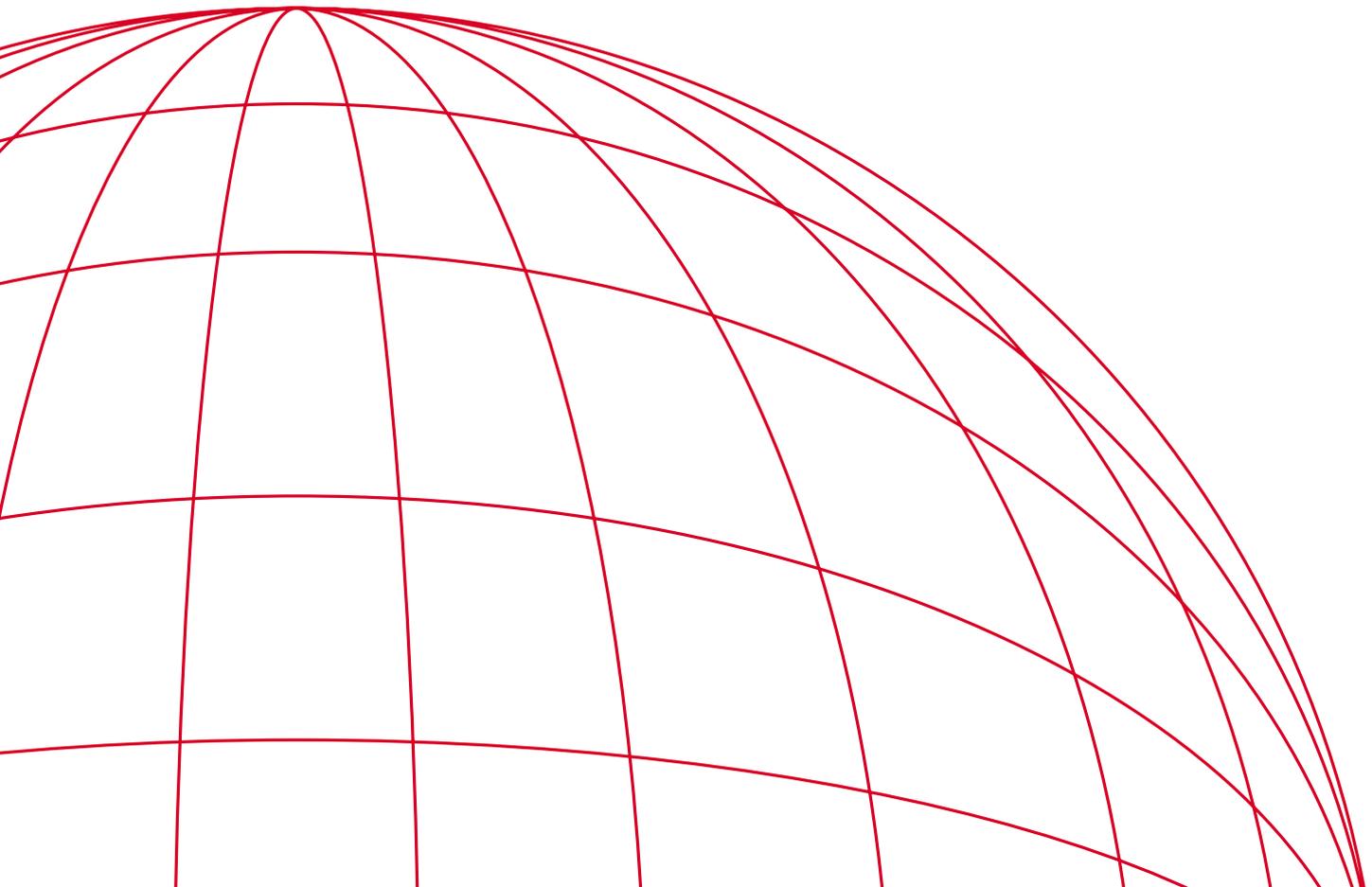
Luxembourg is the smallest of H&M's markets, with six stores. The potential for further expansion is relatively limited due to the size of the country.

H&M's Brussels office is responsible for the business in Luxembourg.

### Developments during the year

Turnover in Luxembourg increased by 29 per cent (27 per cent in local currency) during the year, amounting to SEK 223 m.

Two new stores opened during the year – one in Kirchberg and one in Pommerloch.





## FINLAND

**YEAR ESTABLISHED:** 1997  
**TURNOVER (EUR M):** 134  
**TURNOVER (SEK M):** 1,224  
**NO. OF STORES:** 20  
**EMPLOYEES:** 534

H&M established its first store in Finland in 1997. In our first five years in this market the number of stores has grown to 20. There is still a certain amount of room for further expansion.

### Developments during the year

Sales in Finland amounted to SEK 1,224 m for the full year, an increase of 4 per cent (5 per cent in local currency).

In 2002 another store was opened in Rovaniemi.



## FRANCE

**YEAR ESTABLISHED:** 1998  
**TURNOVER (EUR M):** 325  
**TURNOVER (SEK M):** 2,972  
**NO. OF STORES:** 42  
**EMPLOYEES:** 1,517

France is one of H&M's expansion markets. H&M moved into this market in 1998 and has expanded substantially since. Today there are 42 stores, around half of which are in the Paris area. H&M is now represented throughout the country.

### Developments during the year

H&M had a strong sales increase in France during the year. Turnover increased by 36 per cent in both Swedish and local currency, amounting to SEK 2,972 m. The French operations showed a positive operating profit for the year.

Eleven new stores opened during the year. Seven of the stores opened in the spring, including our first store in Lyon and additional stores in Nantes and Lille. The remaining four stores opened in Paris, Reims, Brest and Roubaix in the autumn.



## USA

**YEAR ESTABLISHED:** 2000  
**TURNOVER (USD M):** 242  
**TURNOVER (SEK M):** 2,380  
**NO. OF STORES:** 45  
**EMPLOYEES:** 1,605

H&M opened the doors of the first US H&M store in spring 2000. Situated on Fifth Avenue, the store has acted as a marketing channel for H&M in the USA ever since. Today there are 45 stores in the USA which now is H&M's third biggest teenage market after Germany and Sweden.

### Developments during the year

In the USA, H&M increased sales by 17 per cent (23 per cent in local currency). Sales amounted to SEK 2,380 m during the year. Increased cost focus has resulted in considerable lower cost levels for operation and logistics.

During the year H&M opened 15 stores in the USA – four in the spring and eleven in the autumn. This was more than had been expected at the beginning of the year. Our first Brooklyn store opened in King's Plaza. We also opened stores in shopping malls in Massachusetts, New Jersey and Pennsylvania. The majority of the stores opened in the autumn, including our first store in the Harlem district of Manhattan. The store was well received both by the media and by customers. H&M also opened a store with an area of approximately 2,500 square metres at the corner of 7th Avenue & 34th Street in Manhattan and in the King of Prussia mall, one of the biggest shopping malls in the USA. We also opened our first store in Philadelphia – a downtown young fashion store.



## SPAIN

**YEAR ESTABLISHED:** 2000  
**TURNOVER (EUR M):** 78  
**TURNOVER (SEK M):** 713  
**NO. OF STORES:** 18  
**EMPLOYEES:** 601

Spain is H&M's youngest market, our first store opened in April 2000. In 2002 more attractive store locations became available, enabling us to increase the number of Spanish stores substantially during the year.

### Developments during the year

Sales in Spain took off rapidly and increased by 46 per cent (47 per cent in local currency), amounting to SEK 713 m during the year. The operations in Spain also showed a positive operating profit.

Eight new H&M stores were opened in total this year – almost doubling the number of stores we have in the country. All eight stores opened in the autumn. Three stores opened in Bilbao, two in Oviedo and one each in Madrid, Barcelona and Pamplona.

## DESIGN BY H&M

H&M now has around 90 designers who work together with pattern designers, buyers and budget controllers creating collections for women, men, teenagers and children. There are different design concepts to meet the needs of different categories of customers.

The aim is to maintain a high fashion content which is always up-to-date within all our design concepts, both for our fashion basics and for clothes which follow or, in some cases, are at the forefront of the very latest international trends.

### Identifying trends

The design process starts by observing and studying the world around to obtain an overall picture of future trends and customer requirements. It is also important to visit textiles- and fashion exhibitions and also trend seminars. Another part of the work is regular trips all over the world studying other cultures and fashion history.

Art, music, film and theatre are other important references, along with popular TV programmes as well as sports and street fashions. Themes, colours, fabrics, silhouettes and to a certain extent also the garment types then start to emerge – a feel which will permeate the new season's fashions.

**“Our employees need to have the right instincts and a great interest in fashion, and they must be sensitive to trends.”**

### Teamwork is essential

This leads on to the actual design process, which starts with consultation with pattern designers, buyers and budget controllers. What is technically feasible? What sold best in the previous seasons? On what should the emphasis be at various stages during the seasons?

From this stage onwards the different functions work as a team to produce collections with a high fashion content that are commercially viable. The buyer takes care of contacts with the production offices. The sales merchandiser for each sales country provides information on sales patterns and trends as well as on what competitors are offering in each market. The budget controller is responsible for follow-up and project management.

Each function is important for the overall design process and the team member concerned must in turn cooperate and coordinate the collection with H&M's other concepts, so as to create an attractive and integrated range in the stores. Our employees need to have the right instincts and a great interest in fashion, and they must be sensitive to trends. They need to retain a sense of the whole and must want to make good business. Flexibility and balance are key words.

### Fashion during the year

H&M's fashion in 2002 featured simple, unconventional fashions with ethnic elements. Our women's collections were primarily characterised by ethno-romantic influences and feminine details. Ethnic influences were also evident in our men's fashions – in patterns, materials and cuts – but with a sportier feel.

In general terms H&M's assortment was entirely in line with demand during the year as regards fashion, volumes and price level. Our growth rate and capacity to take market share in all H&M's markets in a tough market climate demonstrate the strength of the company's business concept and its way of working.

### Trends for spring 2003

In 2003 H&M is emphasising personality, individual styling and a range of fashions to supplement and update wardrobes. Initially the range consists of a Seventies-inspired global mix of styles for both women and men. Sporty casual basics also remain and will form the basis of the collections. The garments will be in H&M stores right from January and stores will be restocked with new styles on an ongoing basis through the spring. ■



## EFFICIENT PURCHASING PROCESS – NEW GOODS EVERY DAY

H&M's method of producing the products demanded by customers can be illustrated by a triangular model. The triangle symbolises the breadth of the assortment, from updated classics and fashion basics which are sold in large quantities to the very trendiest clothes that sell in smaller volumes primarily in city stores.

Over the year H&M has focused more on identifying the products that are most in demand – the fashion garments at the base of the triangle. These appeal to lots of customers and can therefore be produced in large volumes. The cutting-edge garments right at the top of the triangle are also important, because they strengthen H&M's image as a fashion house. Many of H&M's future volume products are also generated from these.

A well-balanced mix of goods combined with the continual replenishment of garments to our stores has helped make 2002 a very good year.

### Production offices in 21 countries

H&M has 21 production offices, ten each in Europe and Asia and one in Africa. Nearly 600 people are employed in our production offices – mostly people from the local community. They are responsible for contacts with the around 900 suppliers that produce over half a billion items for H&M every year. This means ensuring that the buyer will place the order with the right supplier, that the goods are produced at the right price and are of good quality, and checking that production takes place under good working conditions.

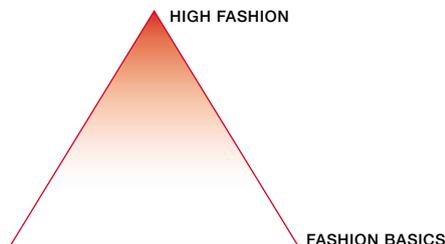
Around half of our orders are placed in Europe and the remainder primarily in Asia. Where an order is placed depends on many factors, including price, transport times, import regulations and quality aspects. Regular and long-term cooperation with independent suppliers allows H&M to be very flexible in its buying. The fact that we do not own factories of our own also considerably reduces the amount of capital tied up in machinery and inventories.

Since the autumn 2002 all products are labelled with country of origin.

### New goods in the stores every day

Our work on reducing lead times and making more purchases on an ongoing basis during the season has been a major factor in H&M's success over the year.

In purely technical terms, H&M's fashion year consists of two main seasons: the spring and autumn seasons. Within each season, however, there are a number of different col-



The triangle symbolises the breadth of the assortment, from fashion basics to the very trendiest clothes.

lections. In early autumn, for example, customers want thin knitted garments and lighter autumn jackets. Later on in the season we stock up with chunky knits, hats and other more wintry garments on an ongoing basis.

Over the past two to three years the average lead time has been reduced by 15-20 per cent. Improvements in the buying process and in stock management have contributed to this success. This is a continual process and we are constantly refining our management instruments and improving the efficiency of the flow of goods.

Lead times currently vary from two to three weeks up to six months, depending on the nature of the goods. The crucial thing is to plan and find the optimal time to order each item. A short lead time is not always the best thing. For many fashion basics and high-volume children's wear it is advantageous to be able to place orders far in advance. Trendier garments require considerably shorter lead times. When goods are selling well, we need to be able to get supplementary orders out into the stores within just a few weeks.

### Increased sharing of information

Effective sharing of information between the production offices and our suppliers allows the fabrics etc. to be bought in early. The actual dyeing and cutting of the garments can then be decided at a later stage in the production process. Dealing with sample garments and other checking and testing are taken care of directly by the production offices, which is another major factor in reducing lead times. →



→ We aim to cut lead times further by continuing to develop our advance planning. The later an order can be placed, the less the risk of buying the wrong thing and the greater the flexibility – allowing stores to be restocked quickly during the season with the best-selling products.

Overall, the refinements made to our buying process have meant a more even flow of goods, allowing us to utilise our logistics chain more efficiently in terms of both manning and premises.

Just as important, it means that we are able to offer our customers even more new and updated fashions every day – which is important for our image as a fashion company.

### Efficient logistics

In total over 3,000 people work within H&M's logistics functions. Stock management is primarily carried out within our own organisation, whilst transportation is put out to contract. Logistics are a very important part of H&M. Fast, efficient flows are crucial – both when it comes to physically moving goods from a production unit to the store and in the all-important feedback from the store to the buying department. Over half a billion items were handled in 2002. Getting the right goods in the right volume to the right country, city and store at the right time demands a well functioning distribution system.

Every stage in the chain is controlled by H&M, acting as importer and wholesaler as well as retailer. Keeping the

**“Getting the right goods in the right volume to the right country, city and store at the right time demands a well functioning distribution system. Over half a billion items were handled in 2002.”**

number of links and stops to a minimum makes the supply of goods more efficient. Constant development of IT support is essential both for optimising the supply of goods and for reducing lead times. The information tells buyers which goods are selling well and therefore need to be reordered.

When the goods are ready they are transported to each sales country. A large part of the flow goes via H&M's transit warehouse in Hamburg. Each sales country (with the exception of Luxembourg, which is served from Belgium) has its own distribution centre. The goods are checked and divided up at the distribution centres before being sent on to shared warehouses or direct to the store. We also have two logistics facilities – one in Sweden and one in Norway – for our mail order business, H&M Rowells. ■

### HIGH QUALITY AND SAFETY REQUIREMENTS

H&M's quality, chemical and safety tests form an important and natural part of our care for and service to the customer.

Tests are carried out both in our own laboratories and at external facilities. We have our own laboratories at the majority of our production offices around the world, as well as at our head office in Sweden.

Around half a million tests are carried out annually and these include everything from flame tests to testing of the pH value

#### Meticulous quality testing

Tests are carried out at various stages in the production process. Sample garments are tested first; the finished garments are then tested prior to being sent out to the stores.

H&M's quality control is an important part of the company's buying work. Inspections start as early as during the production process to ensure the quality of the goods. The production offices have around 110 quality controllers who regularly inspect our suppliers to make sure they are meeting H&M's quality requirements.

Our quality testing includes tests for shrinkage, twisting, colourfastness and dry rubbing. In addition, we test salt and chlorine bleaching, pilling and seam strength. Durability tests are carried out on details such as zippers and press buttons, and flame tests on all clothing suspected of being easily flammable such as thin and fluffy materials or fabrics with a brushed surface.

Particularly stringent requirements are set in respect of the safety of children's clothes. There must be no sharp objects or

objects which might present a choking risk. All hoods on outerwear must be detachable. Buttons are checked particularly carefully.

#### Strict chemical restrictions

H&M's fashion items are produced with the greatest care and consideration for the customer. All H&M's suppliers must abide by a special agreement – H&M's Chemical Restrictions\*. The restrictions include a list of chemicals that are not permitted or limited in our goods. Examples of substances on the list include metals such as cadmium, lead and mercury, certain dyes, formaldehyde, PVC and brominated flame retardants.

Neither do we permit nickel contents capable of causing allergies in metal parts that are in contact with the skin. Particular consideration is given to substances that could cause skin irritation or allergies or that may be carcinogenic. Our goods undergo extensive testing to check that all our chemical requirements are met. Most of the tests are carried out at external laboratories.

As an important part of H&M's long-term work against allergies we are participating in European standardisation work aimed at establishing reliable standards for testing allergenic substances.

\* H & M Hennes & Mauritz AB and H & M Rowells AB Chemical Restrictions for Textile, Leather, Plastic and Metal Products.

A woman with long, dark hair is captured in a dynamic, mid-air pose. She is wearing a grey, button-up jacket with a high collar and a white skirt with a brown floral pattern. Her right arm is raised, and her left hand is pointing upwards. Her mouth is open, and she has a joyful expression. The background is plain white.

Jacket  
€19,90

**H&M**

## OUR SOCIAL RESPONSIBILITIES

Good relations with the world around us and long-term profitability depend on H&M taking responsibility for how people and the environment are affected by our activities. In recent years it has become clear that both our employees and our customers are increasingly taking an interest in Corporate Social Responsibility (CSR) issues. CSR is a voluntary commitment and a natural part of H&M's quality work and values.

We have made it a fundamental principle that our clothes must be manufactured under good working conditions. H&M therefore sets high requirements in this respect and works towards long-term improvement of the working environment. H&M also takes child labour very seriously and refuses to accept child labour in any of our suppliers' factories. Our policy on child labour is in part based on the UN Convention on the Rights of the Child.

As a mark of recognition of our CSR-work H&M is included in Dow Jones World and STOXX Sustainability Indexes in FTSE4Good and from 2003 also in Ethibel's Investment Register and Sustainability Indexes.

### H&M's Code of Conduct

H&M does not own any factories. Instead, we buy our clothes and other products from around 900 suppliers, primarily in Europe and Asia. We feel that we as a company have a responsibility for everyone who contributes to the success of H&M. In order to influence conditions in these factories H&M sets high requirements of the production of its goods. These requirements are aimed not just at improvements in working conditions in the factories, but also at ensuring that the clothes are of high quality.

Since 1997 H&M has had a Code of Conduct – an agreement which all H&M's suppliers must sign up to and undertake to observe. Suppliers are also responsible for their subcontractors' compliance with the Code. H&M's Code of Conduct requires suppliers to observe the laws of the country, to abstain from using child labour, to maintain good working conditions and safety, to provide reasonable pay and working hours and to allow freedom of association.

In this agreement the supplier also agrees to regular factory inspections – both announced and unannounced – by H&M. H&M also inspects their subcontractors' factories. Not all our suppliers meet every requirement at the outset, but in order to be accepted as a supplier to H&M they must sign a declaration stating that they will implement the necessary improvements. Certain basic requirements must always be met, however. Companies that do not pay the minimum wage, for example, are not accepted as suppliers until they can prove that they are meeting H&M's requirements.

### Monitoring and enforcement

To ensure that promised improvements are actually made, H&M has around 30 Code of Conduct inspectors who carry out repeated inspections of suppliers' premises. The inspectors work at one of H&M's 21 production offices, where around 110 quality controllers are also employed. In addition to checking the quality of the clothes, our quality controllers also have the task of reporting any infringements of the Code of Conduct that they find.

Each year around 2,000 Code of Conduct inspections are carried out. After each inspection the supplier is provided with a written report detailing aspects that require improvement. H&M and the supplier agree a date by which these improvements must be made and the results are then followed up.

Following up the Code of Conduct does not just involve inspecting the factories. Our staff also have an advisory function. A whole network of local contacts has to be built up in each location, for instance lawyers with a knowledge of local legislation, schools, voluntary organisations and authorities.

**“The greatest challenge is to change attitudes. We need to make suppliers realise that H&M's Code of Conduct and their cooperation with us is an investment in the future.”**

### Long-term work

We are proud of the improvements that our Code of Conduct and associated work have achieved. We feel a certain humility, however, when faced with the challenge of improving the situation long-term for all the people who manufacture our products.

The application of our Code of Conduct is constantly being developed and requirements are specified in more detail as we learn more about prevailing conditions in different areas. Every six months our inspectors meet up to share their experiences and learn from each other.

The greatest challenge is to change attitudes. We need to make suppliers realise that H&M's Code of Conduct and their cooperation with us is an investment in the future. In the short term they gain from the improvements through increased productivity and higher quality. In the long-term the improvements mean new business opportunities and that they are actually helping to drive development forward.



H&M supports children and youth through various projects and donations.

### Cooperation across borders

The key word is cooperation. Not just within H&M and with our suppliers, but also with fellow-members of our industry, voluntary organisations and trade unions and initiatives under the auspices of the UN.

H&M is participating in the UN's Global Compact, for example, and supports its nine principles. In so doing we want to demonstrate that we respect human rights and are prepared to contribute to sustainable development within the areas that we can influence. We also support the OECD's guidelines for multinational companies and are a member of Amnesty Business Group's Business Forum.

H&M also supports a number of organisations and runs various projects, primarily aimed at supporting and developing children and young people. Examples of these include H&M's training centre for young sewing operators in Bangladesh, our contribution to the prevention of child labour in India and our support of the organisation Mentor, which works to reduce drug abuse among young people. ■

### H&M'S CODE OF CONDUCT COMPRISES EIGHT SECTIONS:

1. Legal requirements
2. Child labour
3. Safety
4. Workers' rights
5. Factory conditions
6. Housing conditions
7. Environment
8. Monitoring and enforcement

For further information on how H&M works on CSR and our CSR-report visit [www.hm.com/csr](http://www.hm.com/csr)

## H&M AND THE ENVIRONMENT

An important part of H&M's environmental work on sustainable development involves taking responsibility for the environmental impact of the manufacture of our products. We want to minimise our impact on the environment and we want everyone who comes into contact with H&M's products to be able to do so without worrying about harmful chemicals. This is why environmental requirements are included in H&M's Code of Conduct. Here we take a responsibility that extends far beyond the store and goes further than the law requires.

H&M aims to integrate environmental work into its everyday business within every area. To ensure that the environmental work is being carried out and given priority H&M has appointed environmental representatives in all the countries in which we are active and within central departments. Detailed environmental targets are drawn up annually in cooperation with various parts of the business.

### H&M's overall environmental aims:

- Environmental awareness – promotion of environmental awareness among our employees and suppliers.
- Respect for nature – caution in decision-making out of respect for nature.
- Sustainable use of resources – resource conservation, recycling and reduction of waste.
- Healthy products – products that are safe to use and harmless to the environment.
- Clean production chain – sustainable production and production methods throughout the supply chain.
- Green transport – clean and efficient transport with limited influence on the climate.

Some examples of areas given priority in H&M's environmental work.

### Restriction of chemicals

H&M is endeavouring to ensure that chemicals that may be harmful to health and the environment are not used in the production of our goods. We therefore have a list of restricted chemicals that are not permitted or only in restricted quantities. The list is continually updated, with new substances being added. In accordance with the precautionary principle, we phase out substances that may conceivably be harmful to man or the environment at an early stage.

The restrictions were updated in 2002 and now cover around 150 substances. Organotin compounds and a number of flame retardants are among the substances that have been added. Our suppliers have signed an agreement undertaking to comply with the restrictions. In this way we can also contribute to reducing the environmental impact at the production stage, as well as in the incineration and recycling of worn-out clothing.

### Use of material in stores

H&M has drawn up environmental guidelines for the purchase of shop fittings. PVC is avoided as far as possible; from 2002 onwards, for example, no store will have a new PVC floor laid. H&M is also working towards further reductions in consumption and increased recycling of packaging, hangers, décor materials, consumables, etc.

### Cooperation with suppliers

H&M requires its suppliers to comply with local environmental legislation and to have all the necessary permits and licences for their activities. However, the greatest environmental impact comes from the dyeing of fabrics and processing of fibres – production steps that take place before the sewing of H&M's clothes is started.

To increase environmental awareness in these early production stages H&M is carrying out a pilot project together with a number of our suppliers. Experience from this project will form a basis for future work on reducing our suppliers' impact on the environment.

### Transportation

In our efforts to reduce the environmental impact of the transportation of our products we have increased the volume of goods carried by rail and ship rather than by road. Another good way of conserving the environment is to utilise the load capacity of each load unit fully. This avoids unnecessary journeys and saves us money at the same time. For two years now H&M's carriers have completed environmental declarations for their activities as regards transport by road, rail and sea.

During the year six minimum requirements for road transport were established and communicated to the transport companies concerned. These requirements apply from 2003 onwards and concern matters such as engine category, fuel type and driver training.

As a specific example of an environmental improvement we have since summer 2002 one extra train a week running between Bremerhaven and Hamburg for H&M's account. The majority of container journeys between these two locations are now made by rail. The move means 70 – 80 fewer truck journeys per week on the route in question. ■



Continuous improvements are significant for all H&M activities. This includes our environmental effort, which is conducted within the framework of our business operations. H&M's business concept is to give our customers unsurpassed value by offering fashion and quality at the best price.

Our quality concept is based on ensuring that our customers are satisfied with our products and H&M as a company. To this end, we are committed to acting responsibly in our community. We shall also cooperate with our suppliers to improve the social and environmental standards in the factories that manufacture H&M clothing, thereby contributing to sustainable development in these areas. To achieve this goal, H&M has adopted the following principles:

**We shall ...**

- always consider the health and safety of our employees and customers. By adopting the precautionary principle, we will continuously update our restrictions against the

**H&M'S ENVIRONMENTAL POLICY**

use of environmentally and health hazardous chemicals in the production of our garments and other products,

- continuously update ourselves on environmental news and legislation. We will not be content to follow existing environmental legislation, but will in certain areas do more than the law requires,
- conduct our business in a manner that utilises natural resources as efficiently as possible,
- develop new and continuously improve existing environmental requirements concerning the purchase of products and services,
- train, inform and motivate our employees to participation and responsibility, thereby making environmental work an integrated part of H&M daily routines,
- specify for our suppliers our position regarding behaviour towards the environment and human rights and follow up to ensure that our suppliers improve their operations according to these requirements.

## THE BRAND – ONE OF OUR MAJOR ASSETS

All H&M's communication is aimed at building our brand in the long-term. The way in which we communicate with the world around us is one of the factors influencing the confidence in H&M. Consequently, we want both our internal and our external communication to be characterised by an open attitude, objectivity, availability and alertness.

H&M communicates in many different ways: through the media, on billboards, in TV commercials, on the Internet – and above all in our stores and through our employees.

### The store – the most important channel

Our stores are the main arena for communication with our customers. The stores are our most important communication channel. Our customers' shopping experience will be shaped by their personal reception of our employees as well as by the other impressions that they get.

Our aim is to create an attractive and inspiring environment which allows customers to feel at home and to easily find what they want in the assortment. We put great effort into passing on information to our customers via our display windows, the display of goods in the store and the labels on the garments.

### Advertising – high impact

We communicate our business concept fashion and quality at the best price through a large number of advertising productions in our 14 sales countries. All the advertising must act as an informative and inspiring invitation to our stores. An important component of the campaigns involves highlighting the fashions that our design and buying department believes in.

H&M's advertisements are produced centrally in Sweden by H&M in cooperation with freelance creative professionals. The advertisements are largely identical in all our markets, but the media mix is adapted to local needs and conditions. We use many different channels such as our stores, billboards, the daily-, weekly- and monthly press, catalogues, the Internet and commercials on TV and cinema.

H&M's campaigns often give rise to great interest. Our marketing has a major impact and it is therefore essential to convey a positive and healthy image. We use different characters and a mix of different looks and styles for our various concepts.

### PR – an effective tool

H&M also implements ongoing communications and PR activities in order to strengthen and clarify our brand. This is a cost-effective way of reaching different target groups. An important part of this work involves communicating what H&M stands for and what we offer our customers. Each season we hold press meetings in our sales markets to communicate H&M's fashions and trends.

### The Internet – a natural complement

H&M's website is aimed primarily at our customers, but also at other parties with an interest, shareholders and the media. It features our advertising campaigns as well as information about the company, our assortment and where to find our stores. It also has a job opportunities page for those interested in working for H&M.

### Financial information

H&M now has more than 180,000 shareholders and is one of the most heavily traded shares on the Stockholm Exchange.

H&M communicates regularly with the financial market and we hold press and telephone conferences for journalists and analysts in connection with our quarterly reports. We also report our sales figures on a monthly basis. ■

**“The stores are our most important communication channel. All the advertising must act as an informative and inspiring invitation to our stores.”**



Wrap top \$19

NEVER SLEPT IN

H&M

DON'T BLOCK THE BOX

ONE WAY

BONICOLI

F.D.

## OUR EMPLOYEES CREATE THE SPIRIT OF H&M

At the end of the year H&M had around 39,000 employees. The average number of employees was 25,674 (converted into full-time positions), 19 per cent of whom were male.

Constantly finding new staff around the world while at the same time retaining and communicating the particular spirit of H&M on which the company is based is a major challenge.

### The spirit of H&M

The spirit of H&M is based on a number of values which describe in simple terms how we want to work. These values are the foundation of our business concept – fashion and quality at the best price.

The spirit of H&M is based on common sense, taking own initiatives, believe in people, direct communication, cost consciousness, team work, fast pace and continual improvement – always with the focus on the customer. Within H&M we provide room for people to make their own decisions and take responsibility and staff get continual feedback on their performance.

Job rotation is an important element of most positions at H&M. Store managers regularly visit call-off warehouses and the staff and management in the country and Group offices complete work experience in stores. Since we are constantly opening stores in new countries, our employees also have opportunity to work in different countries. This creates understanding across boundaries and increased commitment. Our internal newspaper H&M News is one of a number of tools in which we communicate and strengthen the corporate culture as well as updating our staff on what is going on within the Group.

### Recruitment

At H&M we principally recruit internally. External recruitment is used primarily for sales staff for our stores. These later form a good recruitment base for positions of responsibility both in the stores and in other functions within the

company. That way we ensure that the spirit of H&M is spread throughout the organisation, whilst at the same time giving our employees opportunity to develop continuously.

### Developing skills

Attracting and retaining competent staff is important for our success. We therefore work continually on developing skills. The biggest knowledge gain is made through active learning in everyday work and all training is carried out within our own organisation. Newly employed store staff undergo a three-week induction programme in which the emphasis is on passing on experience and skills. Each new member of staff is given a mentor. They then have continual training as needed, for example in customer care, textiles and display. The induction programme guarantees that everyone has a basic knowledge in H&M's way of working. We also carry out management training in which we place great emphasis on being a good communicator of H&M's values.

### Organisation

H&M's head office is in Stockholm. In addition to the company management this is also where the main functions for buying and design, finance, expansion, shop fitting and display, advertising, communications and PR, human resources, logistics and IT are located.

In addition, H&M has 13 country offices that are responsible for the local functions in each country. H&M stores in Luxembourg are administered by the country office in Belgium. Our new markets for spring 2003 – Poland, the Czech Republic and Portugal – will initially be administered from the country offices in Germany, Austria and Spain respectively.

H&M also has 21 production offices, which take care of contacts with H&M's around 900 suppliers. H&M has ten production offices each in Europe and Asia, as well as one in Africa. ■

“At H&M we principally recruit internally. That way we ensure that the spirit of H&M is spread throughout the organisation, whilst at the same time giving our employees opportunity to develop.”



## EXTERNAL FACTORS INFLUENCING H&M

H&M faces various external risks in its business. A number of these can be dealt with by well-developed internal routines, while others are largely determined by external factors.

### Fashion

Working in the fashion industry is a risk in itself. Fashion is a perishable item and there is always a risk that some of the collections will not be well received by customers.

Within each concept H&M must have the right volumes and achieve the right balance in the mix between fashion basics and the goods with a high fashion content that are so important for H&M's image. To reduce the fashion risk H&M is systematically working on reducing lead times from the idea until the finished product is in the store.

Production of clothing with a high fashion content is also increasingly being commissioned in Europe, where lead times are shorter. This allows production to be adapted to customer demand more quickly.

H&M trades in 14 countries on two continents. Although purchasing patterns are relatively similar in the various markets, differences do occur. The start of the season varies between countries, for example, as does the length of the season. Consequently, both the delivery date and the volume of goods for the different stores must be adjusted to match. In Spain, for example, autumn comes later and is considerably shorter than in Scandinavia.

### The weather

H&M's goods are bought and launched in stores on the basis of a normal weather situation, for example assuming that autumn will arrive when it should according to the statistics and will maintain a certain temperature. Major departures from the norm will affect sales.

The biggest effect is felt if there are major departures at the beginning of a season.

### The economic cycle

In 2002 a number of major economies experienced slower economic growth and generally weaker demand. It is difficult to know how an economic downturn will affect H&M's sales, but historically it has emerged that H&M does not tend to see any significant reduction in sales when there is a downturn in the economic cycle.

### Currency hedging

The most significant purchase currency for the Group are the US dollar and related currencies. Fluctuations in the dollar/euro exchange rates form the largest individual transaction exposure within the Group.

To hedge against fluctuations in the dollar rate and thus reduce the effects of future exchange rate fluctuations, the US dollar and related currencies are secured under forward contracts on an ongoing basis throughout the year.

Since the sole aim of this currency management is to reduce risk, only actual exposure is hedged.

In addition to the transaction exposure arising from purchases in foreign currencies, the Group is affected by currency fluctuations as a result of the receivables and liabilities that arise on an ongoing basis between Group companies. The introduction of the euro has reduced this exposure somewhat. The majority of the remaining risk is hedged through forward contracts.

### Translation effects

In addition to the effects of transaction exposure, the Group's result is also affected by translation effects. These arise when a foreign subsidiary's profit/loss is converted into Swedish kronor in order to be consolidated in the Group accounts.

The underlying profit/loss in each market may be unchanged, but then either reduced or increased when converted into Swedish kronor.

Translation effects also arise in respect of the Group's net assets on consolidation of the foreign subsidiaries' balance sheets. No equity hedging is carried out for this risk.

### Liquidity management

Liquid surplus funds are invested short-term in banks or in government securities in the local currency of the company in question. The Group does not utilise any derivative instruments in the interest-bearing securities market.

The Group does not trade in shares or similar instruments. ■

“To reduce the fashion risk H&M is systematically working on reducing lead times from the idea until the finished product is in the store.”



## ADMINISTRATION REPORT

The Board of Directors and Managing Director of H & M Hennes & Mauritz AB (publ) submit herewith their report for the financial year 1 December 2001 to 30 November 2002.

### SIGNIFICANT OCCURRENCES

During the year, 85 stores were opened; 19 in Germany, 15 in the USA, 11 in France, 10 in the United Kingdom, eight in Spain, five each in Austria and Belgium, three each in Sweden and the Netherlands, two in Denmark, two in Luxembourg and one each in Norway and Finland. Twelve stores were closed. Of the net increase of 73 stores, 39 were opened and four were closed in the fourth quarter. Group number of H&M stores thereby amounted to 844.

The Group has during the year increased focus on optimising volumes and lead times for each group of merchandise. This has resulted in a more even flow of goods and thereby an increased part of new garments in the stores every day, and to lower stock levels. A larger part of purchases during the season, especially of garments with a high degree of fashion, has also meant a higher accuracy in the fashion.

The Group has during the year signed leases for store locations in Poland, the Czech Republic and Portugal, countries new to H&M.

### TURNOVER

Turnover incl. VAT for the H&M Group increased during the year by 15 per cent (with comparable exchange rates, the increase was 14 per cent) compared with last year and amounted to SEK 53,331.7 m (46,528.2).

H&M has during the year increased its turnover in all markets.

### PROFITS

Gross profit for the year amounted to SEK 25,103.5 m (20,499.1), which corresponds to 55.1 per cent (51.6) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 8,259.1 m (5,477.8). This corresponds to an operating margin of 18.1 per cent (13.8).

Operating profit has been charged with depreciation according to plan of SEK 1,050.6 m (900.1) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 162.7 m (193.0). Operating margin calculated on the result after depreciation but before start-up costs thereby was 18.5 per cent (14.3).

Group financial net interest income amounted to SEK 369.8 m (256.2).

Profit after financial items was SEK 8,628.9 m (5,734.0), an increase of 50 per cent. This financial year has been positively affected by currency translation effects of SEK 49.6 m (560.0) compared with last year.

After deduction of taxes of SEK 2,942.1 m (1,917.6), profit for the year amounted to SEK 5,686.8 m (3,816.4). The result achieved corresponds to earnings per share of SEK 6.87 (4.61).

Return on shareholders' equity was 32.9 per cent (27.9) and return on capital employed was 49.7 per cent (41.6).

### LIQUIDITY AND FINANCING

The Group balance sheet total increased by 23 per cent and was on 30 November 2002 SEK 25,198.7 m (20,410.3).

During the year, the H&M Group generated a positive cash flow from current operations of SEK 8,093.3 m (6,012.3). SEK 1,221.9 m (2,035.7) was invested through acquisitions of fixed assets.

The financial assets amounted to SEK 13,479.6 m (8,530.9), an increase of 58 per cent.

Stock-in-trade decreased by 3 per cent (- 3) and amounted to SEK 4,192.5 m (4,332.4). Stock-in-trade equals 9.2 per cent (10.9) of turnover and 16.6 per cent (21.2) of total assets. The stock level has remained at a low level as a result of continued adjusted purchase volumes.

The Group's debt ratio was 0.4 per cent (1.2). The share of risk-bearing capital was 79.0 per cent (77.8).

The Group's equity on 30 November 2002 was SEK 19,087.7 m (15,431.6), which apportioned on the 827,536,000 outstanding shares equals SEK 23.07 (18.65) per share.

### FUTURE DEVELOPMENT

The strong balance sheet and the substantial improvement of the operations in France, Spain and the USA have resulted in H&M being ready to enter new markets.

In the spring of 2003, stores will be opened in Poland, the Czech Republic and Portugal. During the year, five stores in Poland, three in the Czech Republic and four in Portugal are planned to open. In the beginning, the new countries will be handled by the neighbouring countries Germany, Austria and Spain. Investments in logistics and support are thereby expected to become lower than normally.

The H&M Group has in the end of January 2003 signed leases for five store premises in and around Toronto in Canada. The stores are planned to open in the financial year 2004.

For the financial year 2002/03, a total of 110 stores are planned to open and seven will be closed. The main part of the expansion will take place in H&M's growth markets Germany, France, the USA, Spain and the UK.

### DIVIDEND POLICY

H&M's financial goal is for the company to continue to enjoy healthy growth. It is essential that expansion, like in the past, continues with the same high degree of financial strength. In view of this, the Board has determined that dividends should correspond to one-third of the profit per share after taxes. Dividends will normally follow the profit trend, but may deviate in certain years.

The substantial improvement of the result during the past two years has given the Group a liquidity, which is judged to be considerably in excess of what will be needed for H&M's continued strong expansion.

For this reason, the Board of Directors will propose to the Annual General Meeting an ordinary dividend of SEK 2.60 (1.75) per share and in addition a bonus dividend of SEK 3.40 per share. This means a total dividend of SEK 6.- per share.

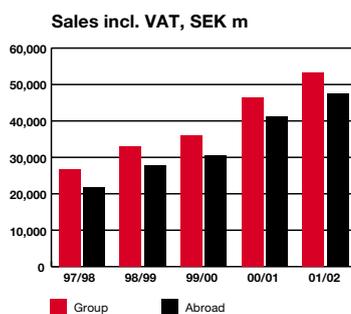
### BOARD OF DIRECTORS' WORK

The Parent Company Board of Directors met seven times during the financial year. Stefan Persson was re-elected Chairman of the Board at a Board Meeting following election and the Board adopted a working arrangement for themselves. This calls for them to hold five ordinary meetings annually, the Board meeting following election not included. It also stipulates that the Board of Directors shall decide on the Group financing policy, investments and disinvestments in companies and activities, as well as new markets. The Board of Directors have kept abreast of the financial development and position of the Group. No special committees were appointed. ■

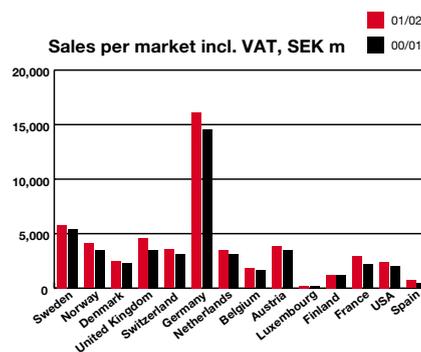
## INCOME STATEMENTS

1 December – 30 November  
(SEK m)

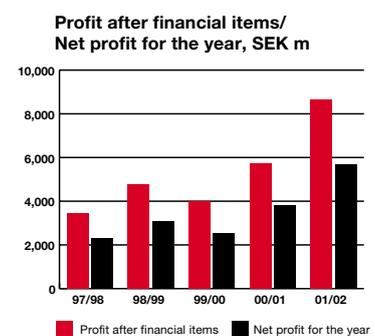
	GROUP		PARENT COMPANY	
	2001/02	2000/01	2001/02	2000/01
Turnover, including VAT	53,331.7	46,528.2	6,458.3	6,112.0
Turnover, excluding VAT, Note 1	45,522.3	39,698.8	5,217.9	4,979.6
Costs of goods sold, Notes 3, 4, 5	-20,418.8	-19,199.7	-2,178.6	-2,721.4
<b>GROSS PROFIT</b>	<b>25,103.5</b>	<b>20,499.1</b>	<b>3,039.3</b>	<b>2,258.2</b>
Selling expenses, Notes 3, 4, 5	-15,821.5	-14,110.9	-1,960.2	-1,776.9
Administrative expenses, Notes 3, 4, 5, 6	-1,022.9	-910.4	-387.7	-383.2
<b>OPERATING PROFIT</b>	<b>8,259.1</b>	<b>5,477.8</b>	<b>691.4</b>	<b>98.1</b>
Result from financial investments				
Dividend from subsidiaries			1,937.7	1,406.2
Interest income	383.0	275.1	165.9	143.3
Interest expense	-13.2	-18.9	-5.0	-10.0
<b>PROFIT AFTER FINANCIAL ITEMS</b>	<b>8,628.9</b>	<b>5,734.0</b>	<b>2,790.0</b>	<b>1,637.6</b>
Appropriations, Note 8			-180.7	-45.3
Tax, Note 7	-2,942.1	-1,917.6	-191.2	-63.9
<b>NET PROFIT FOR THE YEAR</b>	<b>5,686.8</b>	<b>3,816.4</b>	<b>2,418.1</b>	<b>1,528.4</b>
Profit per share, SEK	6.87	4.61		
Number of shares: 827,536,000				



H&M has more than doubled turnover over the past five years and sales abroad now accounts for 89 per cent.



H&M has increased sales in all markets compared to the last financial year.



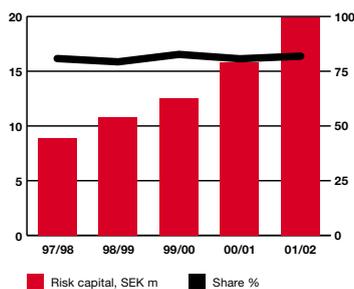
Profit after financial items amounted to SEK 8,629 m in 2002.

## BALANCE SHEETS

30 November  
(SEK m)

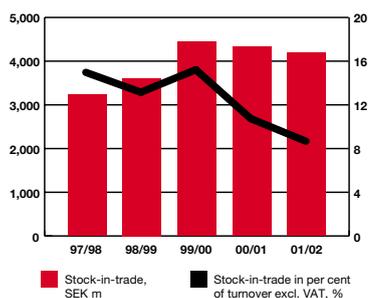
ASSETS	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>FIXED ASSETS</b>				
<b>Intangible Assets</b>				
Renting rights, Note 9	118.3	86.8	0.1	0.2
<b>Tangible Assets</b>				
Buildings and land, Note 9	507.9	607.6	74.0	122.2
Equipment, tools, fixtures and fittings, Note 9	5,610.3	5,572.8	463.2	406.7
	<u>6,118.2</u>	<u>6,180.4</u>	<u>537.2</u>	<u>528.9</u>
<b>Financial Assets</b>				
Shares and participation rights, Note 10			8.5	8.5
Long-term receivables, subsidiaries			24.0	24.0
Other long-term receivables	115.4	107.2	9.1	9.0
Deferred tax receivables	185.6	310.0		
	<u>301.0</u>	<u>417.2</u>	<u>41.6</u>	<u>41.5</u>
<b>TOTAL FIXED ASSETS</b>	<b>6,537.5</b>	<b>6,684.4</b>	<b>578.9</b>	<b>570.6</b>
<b>CURRENT ASSETS</b>				
Stock-in-trade	4,192.5	4,332.4	558.7	631.2
<b>Current receivables</b>				
Accounts receivable, trade	570.0	507.7	292.1	246.8
Accounts receivable from subsidiaries			2,910.2	3,679.5
Tax receivables			-	11.4
Other receivables	88.0	57.6	14.6	9.0
Prepaid expenses and accrued income, Note 11	331.1	297.3	59.7	48.1
	<u>989.1</u>	<u>862.6</u>	<u>3,276.6</u>	<u>3,994.8</u>
Short-term investments, Note 12	7,581.1	5,063.1	3,025.8	1,353.0
Cash and bank balances	5,898.5	3,467.8	308.2	52.8
<b>TOTAL CURRENT ASSETS</b>	<b>18,661.2</b>	<b>13,725.9</b>	<b>7,169.3</b>	<b>6,031.8</b>
<b>TOTAL ASSETS</b>	<b>25,198.7</b>	<b>20,410.3</b>	<b>7,748.2</b>	<b>6,602.4</b>

Risk capital



H&M has a continued high share of risk capital of almost 80 per cent.

Stock-in-trade



At the end of the year, the stock-in-trade was 9.2 per cent of turnover.

## BALANCE SHEETS

30 November  
(SEK m)

### EQUITY AND LIABILITIES

	GROUP		PARENT COMPANY	
	2002	2001	2002	2001
<b>EQUITY, NOTE 13</b>				
<b>Restricted Equity</b>				
Share capital, Note 14	206.9	206.9	206.9	206.9
Restricted reserves	<u>2,256.4</u>	<u>2,268.5</u>	<u>87.8</u>	<u>87.8</u>
	2,463.3	2,475.4	294.7	294.7
<b>Non-restricted Equity</b>				
Profit brought forward, Note 15	10,937.6	9,139.8	3,214.2	3,133.7
Profit for the year	<u>5,686.8</u>	<u>3,816.4</u>	<u>2,418.1</u>	<u>1,528.4</u>
	16,624.4	12,956.2	5,632.3	4,662.1
<b>TOTAL EQUITY</b>	<b>19,087.7</b>	<b>15,431.6</b>	<b>5,927.0</b>	<b>4,956.8</b>
Untaxed reserves, Note 16			759.3	578.6
<b>Provisions</b>				
Provisions for pensions	5.2	98.7	–	95.4
Provisions for deferred tax liabilities	<u>818.6</u>	<u>755.9</u>	–	–
	823.8	854.6	–	95.4
<b>Long-term Liabilities</b>				
Liabilities to credit institutions	–	86.0	–	24.2
<b>Current Liabilities</b>				
Accounts payable, trade	968.5	998.1	335.1	355.9
Accounts payable, subsidiaries			173.0	172.4
Income tax liabilities	1,681.8	793.9	79.5	–
Other liabilities	950.6	710.5	91.4	61.9
Accrued expenses and deferred income, Note 17	<u>1,686.3</u>	<u>1,535.6</u>	<u>382.9</u>	<u>357.2</u>
	5,287.2	4,038.1	1,061.9	947.4
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25,198.7</b>	<b>20,410.3</b>	<b>7,748.2</b>	<b>6,602.4</b>
Securities provided, Note 18	25.0	32.5	25.0	32.5
Contingent liabilities	17.4	21.0	17.4	21.0

## CASH FLOW ANALYSES

1 December – 30 November  
(SEK m)

	GROUP		PARENT COMPANY	
	2001/02	2000/01	2001/02	2000/01
<b>CURRENT OPERATIONS</b>				
Profit after financial items	8,628.9	5,734.0	2,790.0	1,637.7
Adjustment for items not affecting cash flow	1,050.6	900.1	108.9	86.4
	<b>9,679.5</b>	<b>6,634.1</b>	<b>2,898.9</b>	<b>1,724.1</b>
Tax paid	- 1,866.9	- 1,329.4	- 100.3	- 111.8
<b>Cash flow generated by current operations before changes in working capital</b>	<b>7,812.6</b>	<b>5,304.7</b>	<b>2,798.6</b>	<b>1,612.3</b>
<b>Cash flow generated by changes in working capital</b>				
Current receivables	- 159.5	- 40.3	706.8	- 445.4
Stock-in-trade	106.9	145.3	72.5	67.7
Current liabilities	333.3	602.6	35.0	310.4
<b>CASH FLOW GENERATED BY CURRENT OPERATIONS</b>	<b>8,093.3</b>	<b>6,012.3</b>	<b>3,612.9</b>	<b>1,545.0</b>
<b>INVESTMENT ACTIVITIES</b>				
Investments in renting rights	- 52.3	5.9		
Sales of/investments in buildings and land	61.8	- 94.2	32.0	- 0.5
Investments in fixed assets	- 1,231.4	- 1,947.4	- 148.8	- 80.5
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>- 1,221.9</b>	<b>- 2,035.7</b>	<b>- 116.8</b>	<b>- 81.0</b>
<b>FINANCING ACTIVITIES</b>				
Cash flow from financing activities	- 1,636.8	- 1,273.7	-1,567.9	- 1,114.7
<i>of which dividend</i>	<i>- 1,448.2</i>	<i>- 1,117.2</i>	<i>-1,448.2</i>	<i>- 1,117.2</i>
<b>CASH FLOW FOR THE YEAR</b>	<b>5,234.6</b>	<b>2,702.9</b>	<b>1,928.2</b>	<b>349.3</b>
<b>Liquid funds, beginning of the period</b>	<b>8,530.9</b>	<b>5,403.2</b>	<b>1,405.8</b>	<b>1,056.5</b>
<b>Changes in currency rates</b>	<b>- 285.9</b>	<b>424.8</b>		
<b>LIQUID FUNDS, END OF THE PERIOD</b>	<b>13,479.6</b>	<b>8,530.9</b>	<b>3,334.0</b>	<b>1,405.8</b>

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES

All amounts in tables are shown in SEK m.

This annual report has been prepared in accordance with the accounting laws and the recommendations issued by the Swedish Financial Accounting Standards Council.

In the 2001/02 financial year the company applied the Swedish Financial Accounting Standards Council's recommendations RR 15 Intangible Assets, RR 16 Provisions, Contingent Liabilities and Contingent Assets, RR 17 Impairment of Assets and RR 21 Borrowing Costs, which had no effect on the accounts. Information in accordance with RR 23 Related Party Disclosures has also been included in this annual report.

## CONSOLIDATED ACCOUNTS

The consolidated accounts have been prepared in accordance with the recommendations issued by the Swedish Financial Accounting Standards Council. The Group's foreign subsidiaries are independent and their accounts are converted using the current rate method.

Group companies calculate income tax in accordance with the rules and regulations of the country in question. Deferred tax expense in the consolidated accounts amounts to 30 per cent of the change in untaxed reserves. The Group has made allocations for calculated taxes on expected dividends from subsidiaries during the next year.

## FOREIGN CURRENCY

The most significant purchase currency for the Group is the US dollar and currencies related thereto. Fluctuation in the dollar/euro exchange rate forms the largest individual transaction exposure within the Group. To hedge against fluctuations in the dollar rate and thus reduce the effects of future exchange rate movements, US dollars and related currencies are secured under forward contracts on an ongoing basis throughout the year. Since the sole aim of this currency management is to reduce the risks, only actual exposure is hedged. The Group's operating result for the year has been positively affected by SEK 35 m (last year negatively by 67).

Translation effects arise in respect of the Group's net assets on consolidation of the foreign subsidiaries' balance sheets. No equity hedging is carried out for this risk. The translation differences for the year, which are reported directly against Group equity, amount to SEK - 583 m.

Receivables and liabilities in foreign currencies have been reported in accordance with recommendation no 8 of the Swedish Financial Accounting Standard Council. This means that receivables and liabilities have been assessed at the exchange rate at the balance sheet date.

Forward exchange agreements, which ensure the flow of currencies between countries, have been dealt with in a manner where receivables and liabilities have been assessed at a forward rate. If no receivables or liabilities arose, the assessment of forward exchange agreements did not affect the accounts.

## STOCK-IN-TRADE

Stock-in-trade has been valued at acquisition cost (purchase price plus delivery costs) less a deduction for market obsolescence.

## SPECIFIC RELATED PARTY DISCLOSURES IN ACCORDANCE WITH RR 23

The H&M Group leases the following store premises in properties directly or indirectly owned by Stefan Persson and family: Drottninggatan 53 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö and Amagertorv 23 in Copenhagen. Rent is paid at market rates and amounted to a total of SEK 31 m for the financial year.

## 1 TURNOVER EXCLUDING VAT PER COUNTRY

	01/02	00/01
Sweden	4,639	4,353
Norway	3,318	2,839
Denmark	1,933	1,801
United Kingdom	4,050	3,047
Switzerland	3,312	2,916
Germany	13,894	12,522
Netherlands	2,936	2,593
Belgium	1,512	1,356
Austria	3,224	2,893
Luxembourg	200	156
Finland	1,050	962
France	2,485	1,829
USA	2,355	2,012
Spain	614	420
<b>Total</b>	<b>45,522</b>	<b>39,699</b>

## 2 SALES TO GROUP COMPANIES

Parent Company net turnover includes SEK 180.6 m (499.0) concerning the internal sale of goods to subsidiaries.

## 3 START-UP COSTS

Start-up costs are included in the selling expenses and refer to the cost involved in modernising and fitting out newly acquired premises and newly established operations. Start-up costs have been charged to the income statement in accordance with the accounting and taxation practice of each country. Start-up costs during the year amounted to SEK 162.7 m (193.0), parent company SEK 28.9 m (37.2).

## 4 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

2002	Board + Man. Dir., Salary	Other, Salary	Payroll overheads Total	of which pensions Total	of which pensions* Board + Man. Dir.
Sweden	13.2	948.3	408.6	74.7	4.5
Norway	3.2	504.5	80.1	6.5	0.3
Denmark	1.9	246.9	19.0	12.2	0.1
United Kingdom	3.6	455.8	31.8	1.8	0.2
Switzerland	2.5	426.8	54.9	1.0	0.5
Germany	4.7	1,544.9	331.1	0.3	0.2
Netherlands	3.0	302.7	74.9		
Belgium	2.0	193.6	43.5	0.3	0.3
Austria	2.2	295.4	85.9	0.1	
Luxembourg		19.0	1.9		
Finland	2.2	97.7	21.8	0.1	0.1
France	3.1	317.6	132.0	0.5	0.2
USA	2.4	385.2	82.4	4.2	0.4
Spain	3.5	79.0	22.1	0.3	
Other countries		107.1	10.6	3.8	
<b>Group, total</b>	<b>47.5</b>	<b>5,924.5</b>	<b>1,400.6</b>	<b>105.8</b>	<b>6.8</b>
2001	Board + Man. Dir., Salary	Other, Salary	Payroll overheads Total	of which pensions Total	of which pensions* Board + Man. Dir.
Sweden	10.3	868.2	379.9	64.4	3.0
Norway	2.4	433.4	67.0	4.8	0.3
Denmark	1.3	230.0	17.1	10.4	
United Kingdom	3.0	367.1	23.9	1.4	0.2
Switzerland	3.1	370.0	51.2	0.7	0.2
Germany	4.2	1,343.9	281.5	0.2	0.1
Netherlands	1.4	280.1	68.3		
Belgium	1.6	157.7	35.5	0.5	0.1
Austria	1.4	285.5	81.7		
Luxembourg		13.6	1.7		
Finland	1.3	85.9	20.4	0.1	0.1
France	2.0	247.9	96.9	0.6	0.3
USA	2.6	367.2	61.0	3.4	0.1
Spain	2.9	61.1	16.5	0.3	
Other countries		107.1	10.2	3.2	
<b>Group, total</b>	<b>37.5</b>	<b>5,218.7</b>	<b>1,212.8</b>	<b>90.0</b>	<b>4.4</b>

\*) Company and Group outstanding pension obligations to this group total SEK 5.2 m. In 2002 these liabilities were paid via insurance premiums.

**Severance pay**

The managing Director of the Parent Company is entitled to one year's notice. In the event the company cancels the employment contract, the Managing Director shall receive, in excess of 12 months' notice, an additional year's salary as part of the severance pay.

There are no other agreements regarding severance pay in the Group.

**Terms of employment for other Group senior executive officers**

In accordance with decision at the Annual General Meeting, remuneration to the Board of Directors reached SEK 3,900,000 (3,900,000), of which SEK 2,700,000 (3,000,000) was paid to the Chairman of the Board. Board members employed by the company were not compensated.

Remuneration to the Managing Director in the form of salary and benefits amounted to SEK 7,621,000, of which bonus SEK 1,500,000 (last year 4,775,000. No bonus was paid). The usual premium for a Swedish ITP retirement plan should be added to the aforementioned figures.

Remuneration to other Group management in the form of salary and benefits amounted to SEK 14,663,000, of which bonus SEK 1,500,000.

Certain executives who are entitled to retire between the ages of 60 and 62 receive retirement payments. The cost of these payments has been covered by separate insurance policies.

**Bonus system**

The Managing Director, country managers and certain senior executives are included in a bonus system. The size of the bonus is based on 0.2% of the increase in the ordinary dividend decided by the Annual General Meeting, which is then adjusted to take account of the result in their respective areas of the business. The maximum bonus per person and year has been set at SEK 500,000.

In the case of the Managing Director the bonus is 0.6% of the dividend increase, up to a maximum of SEK 1,500,000.

The bonus paid after tax must be invested in its entirety in shares in the company, which must be held for a minimum of five years.

**5 DEPRECIATION ACCORDING TO PLAN**

Equipment and leasehold rights have been depreciated at a rate of 12 per cent of acquisition cost, based on the estimated economic life. The fact that leasehold rights are depreciated over a period of more than five years is due to the central importance of the store locations to the business. Buildings have been depreciated at 3 per cent of acquisition cost.

Depreciations for the year have been reported in the Income Statement as follows:

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
Cost of goods sold	118.5	105.2	12.3	13.0
Selling expenses	881.3	751.5	78.5	69.3
Administrative expenses	50.8	43.4	4.6	4.1
<b>Total</b>	<b>1,050.6</b>	<b>900.1</b>	<b>95.4</b>	<b>86.4</b>

**6 AUDIT FEES**

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
<b>Ernst &amp; Young</b>				
Audit assignments	7.1	6.8	1.3	1.1
Other assignments	3.7	2.7	0.1	0.1
<b>Other auditors</b>				
Audit assignments	2.2	2.1		

**7 TAX ON PROFIT FOR THE YEAR**

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
Present tax	-2,715.8	-1,997.6	-191.2	-63.9
Deferred taxes*	-226.3	80.0		
<b>Total</b>	<b>-2,942.1</b>	<b>-1,917.6</b>	<b>-191.2</b>	<b>-63.9</b>

\*) of which tax on untaxed reserves 104.0 (72.0)

Expected tax expense according to Swedish tax rate 28 per cent	-2,416.1	-1,605.5	-730.6	-445.8
Difference in foreign tax rates	-698.2	-285.9		
Sundry non deductible/non taxable	78.6	-26.2	-3.2	-11.7
Utilised loss carry forward	93.6			
Tax free dividend from subsidiary			542.6	393.6
<b>Total</b>	<b>-2,942.1</b>	<b>-1,917.6</b>	<b>-191.2</b>	<b>-63.9</b>

In the balance sheet under long-term receivables a deferred tax receivable is included of SEK 185.6 m (310.0), referring to loss carry forward estimated to be utilised within the next few years.

**8 APPROPRIATIONS**

	GROUP	
	01/02	00/01
Depreciation in excess of plan	-1.6	-14.7
Change in accrued fund	-179.1	-30.6
<b>Total</b>	<b>-180.7</b>	<b>-45.3</b>

**9 LEASEHOLD RIGHTS, BUILDINGS AND LAND, EQUIPMENT**

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
<b>Leasehold rights</b>				
Acquisition value carried forward	125.8	131.7	0.7	0.7
Acquisition for the year	53.3	1.6		
Sales/disposal		-18.6		
Translation effects	-6.0	11.1		
Closing acquisition value	173.1	125.8	0.7	0.7
Depreciation carried forward	-39.0	-27.4	-0.5	-0.4
Sales/disposal		5.6		
Depreciation for the year	-17.8	-14.6	-0.1	-0.1
Translation effects	2.0	-2.6		
Closing accumulated depreciations	-54.8	-39.0	-0.6	-0.5
<b>Closing residual value according to plan</b>	<b>118.3</b>	<b>86.8</b>	<b>0.1</b>	<b>0.2</b>
<b>Buildings and land</b>				
Acquisition value carried forward*	702.6	590.3	175.9	175.4
Acquisition for the year	0.4	67.8		0.5
Sales/disposal	-80.5		-65.8	
Translation effects	-24.0	44.5		
Closing acquisition value	598.5	702.6	110.1	175.9
Depreciation carried forward	-95.0	-73.4	-53.7	-48.8
Sales/disposal	20.8		20.7	
Depreciation for the year	-16.9	-18.5	-3.1	-4.9
Translation effects	0.5	-3.1		
Closing accumulated depreciations	-90.6	-95.0	-36.1	-53.7
<b>Closing residual value according to plan</b>	<b>507.9</b>	<b>607.6</b>	<b>74.0</b>	<b>122.2</b>
*) of which was land value	62.4	64.6	3.3	3.3

Assessed values of the Swedish properties are SEK 56.8 m (90.0)

**Equipment**

Acquisition value carried forward	8,416.7	6,280.9	720.8	659.9
Acquisition for the year	1,417.1	1,843.0	148.7	80.4
Sales/disposal	-330.9	-157.1	-15.6	-19.5
Translation effects	-479.1	449.9		
Closing acquisition value	9,023.8	8,416.7	853.9	720.8
Depreciation carried forward	-2,843.9	-1,943.5	-314.1	-252.2
Sales/disposal	292.9	132.1	15.6	19.5
Depreciation for the year	-1,015.9	-867.0	-92.2	-81.4
Translation effects	153.4	-165.5		
Closing accumulated depreciations	-3,413.5	-2,843.9	-390.7	-314.1
<b>Closing residual value according to plan</b>	<b>5,610.3</b>	<b>5,572.8</b>	<b>463.2</b>	<b>406.7</b>

The Group has not entered into any leasing agreements. Contracts for leased premises have been entered at normal market terms. Rental charges for the financial year 2001/02 amounted to SEK 4,972 m (4,277).

### 10 PARTICIPATION IN GROUP COMPANIES (all companies are wholly owned)

	Organisation number	Number of shares	Booked value	Domicile
Parent company participation				
K E Persson AB	556030-1052	1,000	0.1	Stockholm
AB Hennes	556056-0889	1,000	0.1	Stockholm
Big is Beautiful, BiB AB	556005-5047	3,300	0.4	Stockholm
Bekå AB	556024-2488	450	1.3	Stockholm
Impuls AB	556151-2376	1,250	0.1	Stockholm
Carl-Axel Herrmode AB	556099-0706	1,000	3.0	Stockholm
H & M Rowells AB	556023-1663	1,150	0.6	Stockholm
Mauritz AB	556125-1421	2,000	0.2	Stockholm
Erica Modehus AB	556070-1715	1,000	2.6	Stockholm
H & M Hennes & Mauritz International BV	18,151 EUR	0.1	Netherlands	
			8.5	

### Subsidiary participation in group companies

Carl Axel Petterssons AB	556027-7351	1,200		Stockholm
H & M Hennes & Mauritz AS				Norway
H & M Hennes & Mauritz AS				Denmark
H & M Hennes Ltd				United Kingdom
H & M Hennes & Mauritz SA				Switzerland
H & M Trading SA				Switzerland
H & M Hennes & Mauritz Holding GmbH, Hamburg				Germany
H & M Hennes & Mauritz GmbH, Hamburg				Germany
Impuls GmbH, Hamburg				Germany
Modehaus H & M Hennes & Mauritz GmbH, München				Germany
Magis GmbH & Co. KG, Hannover				Germany
H & M Hennes & Mauritz Holding BV				Netherlands
H & M Hennes & Mauritz Netherlands BV				Netherlands
H & M Hennes & Mauritz USA BV				Netherlands
H & M Hennes & Mauritz Belgium NV				Belgium
H & M Hennes & Mauritz GesmbH				Austria
H & M Hennes & Mauritz OY				Finland
H & M Hennes & Mauritz SARL				France
H & M Hennes & Mauritz LP				USA
H & M Moda SL				Spain
H & M Reinsurance SA				Luxembourg
H & M Hennes & Mauritz Far East Ltd				Hong Kong
Puls Trading Far East Ltd				Hong Kong
H & M Hennes & Mauritz International Ltd				Hong Kong
Puls Trading International Ltd				Hong Kong

### 11 PREPAID EXPENSES AND ACCRUED INCOME

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
Prepaid rent	223.9	194.3	33.5	26.2
Accrued interest income	30.1	17.9	14.7	6.0
Other items	77.1	85.1	11.5	15.9
<b>Total</b>	<b>331.1</b>	<b>297.3</b>	<b>59.7</b>	<b>48.1</b>

### 12 SHORT-TERM INVESTMENTS

This balance sheet item includes only interest-bearing investments, i.e. investments in securities issued by governments or banks or in short-term bank deposits.

### 13 CHANGE IN SHAREHOLDERS' EQUITY

	Share capital	Restricted reserves	Unappropriated earnings	Total shareholders' equity
Shareholders' equity				
1 December 2001	206.9	2,268.5	12,956.2	15,431.6
Dividend			-1,448.2	-1,448.2
Capital shares in untaxed reserves		119.5	-119.5	
Refunded dividend			0.2	0.2
Translation differences		-131.6	-451.1	-582.7
Profit for the year			5,686.8	5,686.8
Shareholders' equity				
30 November 2002	206.9	2,256.4	16,624.4	19,087.7

On 30 November 2002, accumulated translation differences amounted to SEK 106.1 m.

### 14 SHARE CAPITAL

The share capital consists of 97,200,000 class 'A' shares (10 votes per share) and 730,336,000 class 'B' shares (one vote per share), with a par value of SEK 0.25 each. The total number of shares is 827,536,000.

### 15 APPROPRIATION OF PROFITS IN ACCORDANCE WITH THE RESOLUTION OF THE 2002 ANNUAL GENERAL MEETING

Unappropriated profit at 30 November 2001	4,662.2
Dividend, SEK 1.75 per share	-1,448.2
Refunded dividend	0.2
Unappropriated profit carried forward	3,214.2

### 16 UNTAXED RESERVES

	01/02	00/01
Depreciation in excess of plan	224.7	223.1
Other untaxed reserves	534.6	355.5
<b>Total</b>	<b>759.3</b>	<b>578.6</b>

### 17 ACCRUED EXPENSES AND PREPAID INCOME

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
Holiday pay liability	322.7	294.6	110.2	101.5
Payroll overheads	172.4	130.8	99.5	73.9
Accrued interest expense	2.2	1.5	1.5	1.5
Wage and salary liability	247.7	207.2	50.3	47.5
Costs relating to premises	414.6	259.9		0.2
Other accrued overhead expenses	526.7	641.6	121.4	132.6
<b>Total</b>	<b>1,686.3</b>	<b>1,535.6</b>	<b>382.9</b>	<b>357.2</b>

### 18 SECURITIES PROVIDED

Real estate mortgages provided for liabilities to credit institutes

	GROUP		PARENT COMPANY	
	01/02	00/01	01/02	00/01
Sweden Dagskiftet, Stockholm	-	7.5	-	7.5
Holmens gård, Borås	25.0	25.0	25.0	25.0
<b>Total</b>	<b>25.0</b>	<b>32.5</b>	<b>25.0</b>	<b>32.5</b>

### 19 AVERAGE NUMBER OF EMPLOYEES

	01/02		00/01	
	Total	Males	Total	Males
Sweden	3,604	19%	3,523	18%
Norway	1,448	9%	1,385	9%
Denmark	939	6%	939	6%
United Kingdom	2,354	21%	1,768	21%
Switzerland	1,161	10%	1,097	11%
Germany	6,880	20%	6,216	17%
Netherlands	1,818	14%	1,800	15%
Belgium	989	16%	710	16%
Austria	1,535	15%	1,407	16%
Luxembourg	97	15%	76	11%
Finland	534	10%	502	11%
France	1,517	30%	1,366	33%
USA	1,605	30%	1,187	38%
Spain	601	20%	463	18%
Other countries	592	34%	505	31%
<b>Group, total</b>	<b>25,674</b>	<b>19%</b>	<b>22,944</b>	<b>17%</b>

### 20 KEY FIGURE DEFINITIONS

<b>Return on shareholders' equity:</b>	Profit for the year divided by shareholders' equity.
<b>Return on capital employed:</b>	Profit after financial items plus interest expense divided by shareholders' equity plus interest-bearing liabilities.
<b>Debt/equity ratio:</b>	Interest-bearing liabilities divided by shareholders' equity.
<b>Share of risk-bearing capital:</b>	Shareholders' equity plus deferred tax liability divided by the balance sheet total.
<b>Solidity:</b>	Shareholders' equity in relation to balance sheet total.
<b>Interest cover:</b>	Profit after financial items plus interest expense divided by interest expense.

## PROPOSED DISTRIBUTION OF EARNINGS

### Group

According to the Group Balance Sheet, unappropriated  
Group profit amounts to SEK 16,624.4 m.

At the disposal of the Annual General Meeting SEK 5,632,306,897

The Board of Directors and Managing Director propose that:

shareholders be paid an ordinary dividend of SEK 2.60 per share plus a bonus dividend of SEK 3.40 per share	SEK 4,965,216,000
To be carried forward as retained profits	SEK 667,090,897
	SEK 5,632,306,897

Stockholm, 28 January 2003

Stefan Persson  
Chairman

Fred Andersson

Birgitta Brusberg\*

Vivian Enochsson\*

Werner Hofer

Sussi Kvart

Bo Lundquist

Stig Nordfelt

Melker Schörling

Rolf Eriksen  
Managing Director

\* Employee representative

## AUDITORS' REPORT

To the general meeting of the shareholders of H & M  
Hennes & Mauritz AB  
Corporate identity number: 556042-7220

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and managing director of H & M Hennes & Mauritz AB for the financial year 1/12 2001–30/11 2002. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts.

As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, The Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual report and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statement and balance sheet of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, 29 January 2003

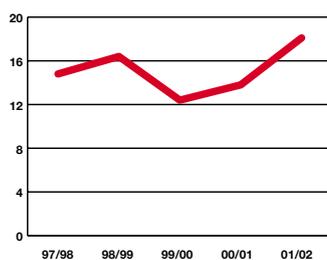
Åke Hedén  
Authorised Auditor  
*Ernst & Young AB*

Gunnar Widhagen  
Authorised Auditor  
*Ernst & Young AB*

## FIVE-YEAR SUMMARY

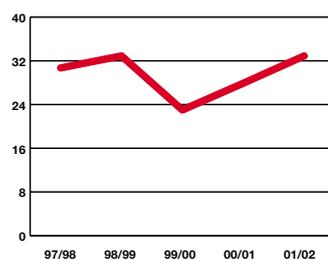
	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
Turnover, including VAT, SEK m	26,649.8	32,976.5	35,876.1	46,528.2	53,331.7
Change from previous year, %	+ 25	+ 24	+ 9	+ 30	+ 15
Sales outside Sweden, SEK m	21,730.1	27,667.4	30,621.0	41,095.0	47,545.0
Sales outside Sweden as a percentage of total sales, %	82	84	85	88	89
Operating margin, %	14.8	16.4	12.4	13.8	18.1
Profit after financial items, SEK m	3,468.2	4,758.6	4,003.2	5,734.0	8,628.9
Net profit for the year, SEK m	2,286.9	3,075.4	2,552.7	3,816.4	5,686.8
Cash and Bank balances including short-term investments, SEK m	5,159.9	6,832.4	5,403.2	8,530.9	13,479.6
Stock-in-trade, SEK m	3,237.9	3,609.3	4,448.7	4,332.4	4,192.5
Restricted equity, SEK m	1,626.5	1,651.2	1,880.7	2,475.4	2,463.3
Non-restricted equity, SEK m	6,779.4	8,642.6	10,009.1	12,956.2	16,624.4
Return on shareholders' equity, %, Note 20	30.7	32.9	23.0	27.9	32.9
Return on capital employed, %, Note 20	46.3	50.3	35.8	41.6	49.7
Debt/equity ratio, %, Note 20	1.6	1.3	1.2	1.2	0.4
Share of risk-bearing capital, %, Note 20	77.9	76.4	79.8	77.8	79.0
Solidity, %, Note 20	73.4	72.5	75.7	75.6	75.7
Interest cover, Note 20	252.3	324.7	225.9	304.4	654.7
Number of stores in Sweden	120	124	115	118	120
Number of stores outside Sweden	430	489	567	653	724
Total number of stores	550	613	682	771	844
Average number of employees	14,101	17,652	20,680	22,944	25,674

**Operating margin, %**



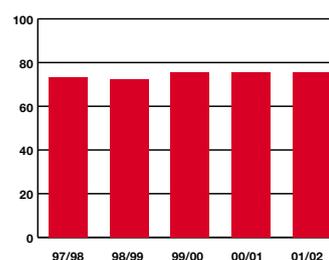
After a strong year, H&M achieved an operation margin of 18.1 percent in 2002, the highest ever.

**Return on shareholders' equity, %**



H&M's strong results are also reflected in the return on equity, which amounted to nearly 33 percent year 2002.

**Solidity, %**



H&M has a very strong financial position with a solidity of almost 76 percent in the year 2002.

## H&M SHARE

### Business ratios per share

	1997/1998	1998/1999	1999/2000	2000/2001	2001/2002
Shareholders' equity per share, SEK	10.16	12.44	14.37	18.65	23.07
Earnings per share, SEK	2.76	3.72	3.08	4.61	6.87
Change from previous year, %	+ 35	+ 35	- 17	+ 50	+ 49
Dividend per share, SEK	1.00	1.35	1.35	1.75	6.00 *
Market price on 30 Nov. 2002, SEK	150.25	270.00	169.00	213.00	191.00
P/E ratio	54	73	55	46	28

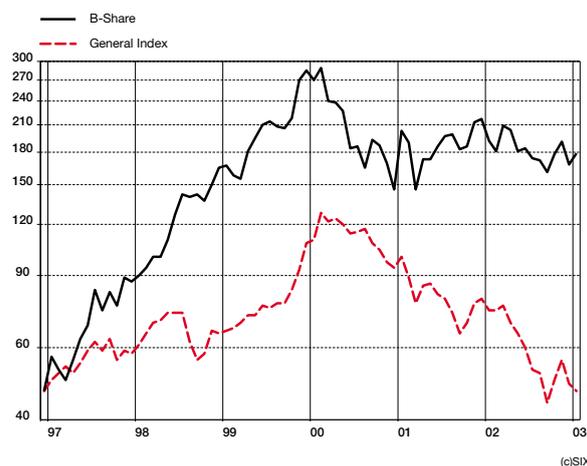
### Distribution of shares, December 2002

Shareholdings	Number of shareholders		Number of shares	Average number of shares per shareholder	
		%		%	
1 – 1,000	173,140	92.9	34,445,397	4.1	199
1,001 – 5,000	10,232	5.5	22,918,120	2.8	2,240
5,001 – 10,000	1,340	0.7	9,980,886	1.2	7,448
10,001 – 50,000	1,216	0.6	25,328,974	3.1	20,830
50,001 – 100,000	164	0.1	12,307,077	1.5	75,043
100,001 –	364	0.2	722,555,546	87.3	1,985,043
<b>TOTAL</b>	<b>186,456</b>	<b>100.0</b>	<b>827,536,000</b>	<b>100.0</b>	

### Major shareholders, December 2002

	Shares held	% of voting rights	% of capital stock
The Stefan Persson family	301,672,400	69.1	36.5
Liselott Tham	36,805,700	2.2	4.4
Robur Fonder	26,787,456	1.6	3.2
Alecta	25,352,729	1.5	3.1
SEB Fonder	14,722,352	0.9	1.8
Nordea fonder	13,579,899	0.8	1.6
Fjärde AP-fonden	12,476,300	0.7	1.5
SHB/SPP fonder	12,191,809	0.7	1.5
AMF-Pensionsförsäkring AB	10,800,000	0.6	1.3
Skandia Liv	9,004,325	0.5	1.1

\* Proposed dividend



## BOARD OF DIRECTORS



**STEFAN PERSSON**  
*born 1947*  
Chairman, H&M  
Member of the board since 1979  
**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
The Association of the Stockholm School  
of Economics  
**NO. OF SHARES IN H&M:** 283,474,400



**FRED ANDERSSON**  
*born 1946*  
CEO, Nicator Group AB  
Member of the board since 1990  
**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
Hilding Anders AB, Consilium AB, Viamare  
Invest AB and H & M Rowells AB  
**NO. OF SHARES IN H&M:** 2,300



**BIRGITTA BRUSBERG**  
*born 1937*  
Employee representative since 1992  
**NO. OF SHARES IN H&M:** 100



**VIVIAN ENOCHSSON**  
*born 1940*  
Employee representative since 1977  
**NO. OF SHARES IN H&M:** 600



**WERNER HOFER**  
*born 1935*  
Lawyer, Hamburg  
Member of the board since 1996  
**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
Chairman of Puma AG, Electrolux  
Deutschland GmbH, AEG Hausgeräte GmbH  
and D + H Mechatronic AG. Member of the  
board of Ispat Europe Group S.A.,  
Luxembourg, Ispat Germany GmbH  
**NO. OF SHARES IN H&M:** 4,000

**JAN JACOBSEN***born 1951*

Deputy member of the board since 1985

**NO. OF SHARES IN H&M:** 200,000**SUSSI KVART***born 1956*

Bachelor of Laws, Sussi Kwart AB

Member of the board since 1998

**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
The Swedish National Grid**NO. OF SHARES IN H&M:** 2,200**BO LUNDQUIST***born 1942*

Member of the board since 1995

**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
Chairman of ACSC AB, board member of  
OptiMail AB**NO. OF SHARES IN H&M:** 20,000**STIG NORDFELT***born 1940*

Managing Director, Pilen AB

Member of the board since 1987

**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
Chairman of United Care Scandinavia AB,  
NetLight Consulting AB and Surephone  
AB, board member of IBS AB, Glocalnet  
AB and CGU Life AB**NO. OF SHARES IN H&M:** 4,000**MARIANNE NORIN-BROMAN***born 1944*

Deputy employee representative

since 1995

**NO. OF SHARES IN H&M:** 70**AGNETA RAMBERG***born 1946*

Deputy employee representative

since 1997

**MELKER SCHÖRLING***born 1947*

Member of the board since 1998

**OTHER SIGNIFICANT BOARD ASSIGNMENTS:**  
Chairman of Securitas AB, Hexagon AB  
and Karlshamn AB, vice chairman of Assa  
Abloy AB, board member of Skandia AB**NO. OF SHARES IN H&M:** 114,000**ROLF ERIKSEN***Born 1944*Chief Executive Officer and Managing  
Director of H&M

Deputy member of the board since 2000

**NO. OF SHARES IN H&M:** 24,425



## ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting will be held at the Stockholmsmässan (Victorihallen) in Stockholm on Monday, 28 April 2003, at 3 p.m.

Shareholders who are registered in the share register print-out on Thursday, 17 April 2003 and give notice of their intention to participate in the Meeting no later than 12 noon, Wednesday 23 April 2003 are entitled to participate in the Annual General Meeting.

### Nominee shares

Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own names to be entitled to participate in the Meeting. In order to re-register shares for participation in the Meeting, shareholders should, in good time before 17 April 2003, request temporary owner registration, which is referred to as voting right registration.

### Notice

Notice of intention to participate in the Meeting must be submitted by mail, telefax or telephone to:

H & M Hennes & Mauritz AB  
Head Office, A7  
SE-106 38 Stockholm, Sweden  
Telephone +46 8 796 55 00  
Telefax +46 8 24 80 78

Shareholders wishing to participate in the Meeting must register their intention no later than 12 noon, Wednesday, 23 April 2003.

### Dividend

The Board of Directors has proposed Friday, 2 May 2003 as record day. VPC (Swedish Securities Register Centre) is expected to commence paying dividends on 7 May 2003.

The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting an ordinary dividend for 2002 of SEK 2.60 per share and a bonus dividend of SEK 3.40 per share, a total of SEK 6.- per share.

## FINANCIAL INFORMATION

### H & M Hennes & Mauritz AB will provide the following information for the 2003 financial year:

Sales development – January	17 February
First Quarter Report, including sales development – February	26 March
Sales development – March	15 April
Sales development – April	15 May
Half Year Report, including sales development – May	18 June
Sales development – June	15 July
Sales development – July	15 August
Nine Months Report, including sales development – August	25 September
Sales development – September	15 October
Sales development – October	17 November
Sales development – November	15 December
Full Year Report, including sales development – December	29 January 2004
Annual Report	March 2004

This information will be available at [www.hm.com](http://www.hm.com)

## ADDRESSES

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## CONTACTS

Head office, Stockholm

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**FINANCE:** Leif Persson

**BUYING:** Karl Gunnar Fagerlin

**EXPANSION:** Kent Gustafsson

**INVESTOR RELATIONS:** Carl-Henric Enhörning

**ACCOUNTS:** Anders Jonasson

**DESIGN:** Margareta van den Bosch

**ENVIRONMENT AND SOCIAL RESPONSIBILITY:** Ingrid Schullström

**MARKETING:** Jörgen Andersson

**COMMUNICATIONS:** Kristina Stenvinkel

**PERSONNEL:** Pär Darj

**IT:** Carsten Mackeprang

**LOGISTICS:** Danny Feltmann

**SECURITY:** Hans Nilson





**H&M**