

Dear Shareholders,

It is a great pleasure to be here and to meet you, the first time for me as Chief Executive Officer. I will talk about last year but also tell you a little bit about what we have been doing so far this year.

2009 was an eventful, educational and challenging year for H&M. We expanded strongly and opened stores in exciting new markets. We moved into Russia and Lebanon, we opened the first H&M stores in Beijing and we continued to grow in Tokyo and other major cities around the world.

We increased the number of stores by 250 net to a total of 1,988. The recession created opportunities that we, thanks to our financial strength, were able to take advantage of.

But the financial crisis and economic downturn also affected our sales, which did not quite live up to our expectations last year. Nonetheless, our profitability remained high.

2009 in figures

Sales for the financial year increased 15 percent to SEK 101.4 billion excluding VAT. In local currencies including VAT the increase was 4 percent. Sales in comparable units decreased by 5 percent and thus did not quite reach our target of an increase.

The gross margin was stable, amounting to 61.6 percent, and the operating margin was 21.3 percent. Profit after tax rose to SEK 16.4 billion, corresponding to earnings per share of SEK 19.80.

The result for 2009 shows that we are growing with quality and high profitability and that we maintained very good cost control. The result is also proof of how well our business concept – fashion and quality at the best price – works globally.

2009 in brief

In 2009 we opened stores in both existing and new markets. Russia and the franchise market Lebanon were added. Our first year in Russia has been very successful. We now have stores in both Moscow and St. Petersburg and see great potential to grow in Russia for a long time to come.

The same goes for China, where we first arrived in 2007, and where we opened the first H&M stores in fast-growing Beijing last year.

Japan got four new stores in 2009, among them a flagship store in Tokyo's shopping and entertainment district of Shibuya. The response from customers has been very good. The excellent reception given to new H&M stores an entire year after our record opening in 2008 clearly shows that interest in H&M remains strong and that there are great opportunities in Japan in the time ahead.

We also expanded in the US, opening our first stores in Florida and Arizona. It is now ten years since we arrived in the US and opened our first H&M store in New York, a flagship store in the best location on Fifth Avenue. The store was reopened at the end of 2009 following a thorough refurbishment.

Every year we open stores with new, updated interiors designed to attract and inspire our customers. We think long-term and invest a great deal in refurbishment and freshening up stores as well as constantly creating exciting new store designs – all to ensure that our customer have an inspiring experience.

Our other brands – COS, Monki, Weekday, Cheap Monday and H&M Home – also continue to grow. Since we acquired FaBric Scandinavien two years ago we have more than doubled the number of stores to a total of 46 at the end of 2009 and we have moved into new countries. Last year, for example, the first Monki and Weekday stores were opened in Germany and the first Monki stores in Norway and Denmark.

Cheap Monday, which is sold in Weekday stores and through around 1,500 retailers, also got its own first store last year – in Copenhagen. Cheap Monday is available in around 30 markets.

The store chain COS expanded to France and Spain last year and now has stores in seven countries. COS started in London in 2007 and has developed well. We have frequently been asked when COS is coming to Stockholm. We are looking for a store location for COS here, to open in 2011 at the earliest.

People have also shown a great interest in our home textiles range H&M Home that we launched in February 2009. At Home customers can shop for everything from bed linen to cushions and towels. The products are sold mainly through online and catalogue sales in seven countries: Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria.

Sales by market in 2009

By the end of the year people could buy our fashion in 35 markets.

In view of the challenging market environment, it was rewarding to see that Germany, which is our largest market by far, continued growing well and profitably. Sales increased by 6 percent in euro and 18 percent in Swedish kronor, to more than SEK 30 billion. We had 362 stores in Germany by the end of the year.

The US, Spain and France were the three large countries where things were toughest during 2009, with sales in local currencies declining by between 2 and 5 percent. But at the same time, many new and exciting opportunities did arise for long-term actors like H&M and our expansion in these markets continues.

Sweden developed well with a sales increase of 6 percent.

In the UK sales increased 6 percent in local currency. The weak British pound, however, held back growth measured in Swedish kronor.

China and Japan had a good year. We achieved sales of SEK 2.7 billion in these markets, where we have been present a relatively short time.

As mentioned previously, the global financial crisis and the recession affected group sales last year. Consumption was restrained and markets were discount-driven.

Looking back, we recognise that there were also things that we ourselves could have done better. Self-criticism and striving to make constant improvements are part of H&M's corporate culture. We always work hard to become more efficient in all areas. Increased efficiency also means that we can invest in giving our customers an even more attractive offering.

First quarter 2010

In our stores we can already see clearly the results of our efforts. In the first quarter sales excluding VAT increased 7 percent to SEK 24.8 billion. In local currencies including VAT the increase was 13 percent and in comparable units 2 percent.

That is a fine development, particularly in the light of the continued weak economy. To us it is a sign that customers appreciated our first collections of the season and our offering.

Gross profit rose to SEK 15.4 billion and the gross margin increased by 5.3 percentage units to 61.9 percent. While underlying profitability remained strong, a large proportion of the gross margin increase came from currency effects.

I would like to point out that the gross margin level in itself is not, and never has been, a target for us. Instead it is a result of many different factors. The most important thing to us is that our customers get a good deal.

Cost control remained very good. The operating margin rose to 20.0 percent from 14.4 percent. Profit after financial items was just over SEK 5 billion, an increase of 42 percent. Profit after tax was SEK 3.7 billion.

In March 2010, the first month of our second quarter, sales including VAT in local currencies rose 21 percent. In comparable units the increase was 9 percent. The increase in March is partly due to a weak comparable figure for March 2009, a positive calendar effect and the fact that Easter fell earlier this year.

Profit trend 2004 - 2009

Taking a long-term view, the performance trend has been stable with steadily increasing sales and profits. Since its start in 1947, H&M has grown into one of the world's largest fashion companies. H&M is also one of the most valued brands in the world.

In the past five financial years alone, sales including VAT have grown by 88 percent at the same time as profit has increased by 125 percent.

We really have grown with high profitability, a development that is reflected in H&M's dividend, which has also increased throughout the years. The proposed dividend for 2009 is SEK 16 per share, or 81 percent of net profit for the year.

The collections

Behind this strong development lies our ability to meet customers' demand for fashion and quality at the best price. H&M's design and buying departments play an important role in this. Our own designers work together with our buyers to translate fashion trends into high value fashion. At H&M there should be something for everyone and for every occasion, from the very latest fashion trends to everyday basics. In our stores customers can find new products every day.

In 2009 we also had three successful designer collaborations, with Matthew Williamson, Jimmy Choo and Sonia Rykiel.

Our collaborations with international designers confirm that fashion and design are not a matter of price. That goes for all our products. Our teams create many good-looking, exciting collections and we are particularly proud of the Garden Collection, which was launched in March this year.

The collection is made from organic and recycled materials, with floral patterns and trendy yet easy-to-wear design at attractive prices. The response from customers and the media has been very positive. Caring about the environment and people is a long-term commitment for us and the Garden Collection is a good example of how we work on sustainability and continuous improvement.

Our initiatives to include more organic cotton in our garments during the past few years have made us increase usage considerably. Last year we were one of the world's largest user of organic cotton and our aim is to continue increasing these volumes.

Our responsibility

Our customers and we ourselves place high demands on the quality of our garments. To us quality is not only about our products meeting or exceeding the expectations of our customers. It also means that our clothes should be manufactured under good working conditions and with a limited impact on the environment.

Our sustainability work plays a strategically important role in H&M's future growth and continued high profitability. That is why we launched a new sustainability strategy in 2009 that makes how our business affects people and the environment the responsibility of everyone of the company's functions.

H&M does not own any factories, but instead buys products from about 700 independent suppliers with whom we cooperate through our 16 production offices around the world. We set high standards for working conditions and actively applies a Code of Conduct to bring about long-term improvements for those who manufacture our products.

We also strive to broaden our sustainability work by influencing more parts of the value chain – from the extraction of raw materials to how customers care for our clothes.

As I touched upon before, among other things we want to contribute to more sustainable cotton production. That is why we started the project "All for Children" together with UNICEF last year. The new cooperation aims to safeguard the rights of children in areas where cotton is produced in India. Among other things, "All for Children" includes a donation from H&M totalling USD 4.5 million over five years.

Important sustainability issues from an environmental point of view last year also included water treatment and the reduction of carbon dioxide emissions.

For those of you who want to read more about our sustainability work, our sustainability report for 2009 is available on our website www.hm.com/csr.

H&M is a global fashion company and we aim for diversity and equality. Last year, 79 percent of our employees were women and women held 77 percent of the positions of responsibility in the Group, such as store managers and country managers.

Committed employees

Our values are very important to us. H&M is present on four continents and our headcount has now reached 76,000.

A belief in people and their ability to take the initiative independently, to test boundaries and to dare put forward their own ideas form the foundation of H&M's corporate culture. Continuous improvement, teamwork, straightforwardness and cost consciousness are other values that are important to us.

We work hard to keep the H&M spirit strong. Keeping alive the spirit of H&M becomes even more important as we expand into new markets and take on new employees.

In a world where the competition for talented people is keen we have to stay a good employer and an attractive workplace. Our employees should feel that they can grow and try out different jobs within H&M. Job rotation and internal recruitment are also used to keep the entrepreneurial spirit alive while we continue to expand at a fast rate.

Committed employees are a prerequisite for our continued successful future growth.

H&M in 2010

H&M continues to grow and we see much room for continued expansion in the future, for all our formats. Our growth target remains, to increase the number of stores by 10 to 15 percent per year with continued high profitability and at the same time increase sales within comparable units.

We have the financial strength to seize opportunities as they arise, just as we did last year. We will continue to do so in the future, but the most important thing for us is that we grow with quality. We never compromise on finding the best location and we expand only at a rate that allows us to manage H&M in a way that is sustainable long-term and with continued high profitability.

In 2010 we plan to open approximately 240 stores net. That includes 12 COS stores and 25 Monki and Weekday stores. We will expand in all our markets, but mainly in the US, the UK, China, France, Germany and Italy.

In February this year we opened our first store in South Korea and in March we opened the first H&M stores in Israel, via a franchise arrangement. All the openings were highly successful. I was there myself in Seoul and Tel Aviv. Being at a store opening is always a special experience and it feels fantastic to see how eagerly awaited H&M has been by the customers, with thousands of people lining up. It shows how strong our offering is.

In March we also opened our first store in Osaka, in Japan. It was a milestone for H&M, as this was store number 2,000. The number of visitors on the opening day exceeded our expectations. 2,500 people turned up and were queuing ahead of the event, despite the rain.

We see great potential in Asia in the future. This autumn we will also open the first COS store and the first Monki store in Hong Kong.

The expansion of Monki and Weekday continues with the first store of each format to open in Finland, in central Helsinki, in May. And in August we will open the first Monki store in the Netherlands, in the best location in Amsterdam.

Looking at H&M Home, we have seen a great interest in our first store, which opened in Stockholm last autumn. The number of customers has exceeded our expectations so far. We will therefore be opening more H&M Home stores, with Helsinki, Copenhagen and London in line for this autumn. We are also looking for more locations in other markets where we offer online and catalogue sales.

Mail order and online sales have become increasingly important sales channels complementing our stores. As we announced earlier this year, we are increasing the number of markets offering this service to eight with the launch of online sales in the UK this autumn.

We are developing constantly in all areas and many things have made a strong impression on me during my first months as CEO. I have had many interesting meetings with both customers and colleagues who have provided me with valuable insights and ideas as to how we can become even better at what we do.

Our aim is to always exceed our customers' expectations, and we should do this by continuing to be creative and innovative and by raising our game at all times.

While we certainly have great respect for the prevailing economic situation, H&M is in a strong position and our business concept has proven profitable even in tough times. Our strength also lies in our long-term thinking. We do not pursue short-term gains. On the contrary: should short- and long-term interest conflict with each other, we always take the path that is best for H&M in the long run.

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

Thank you for listening and I would now like to hand over to the Chairman of the Board.