PART II. H&M IN FIGURES 2008

INCLUDING ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

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PART II H&M IN FIGURES 2008
including the Annual Accounts and Consolidated Accounts

The annual report on H&M's operations in 2008 is in two parts: Part I is H&M in words and pictures 2008 and Part II is H&M in figures 2008 including the Annual Accounts and Consolidated Accounts.

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ADMINISTRATION REPORT

The Board of Directors and the Managing Director of H & M Hennes & Mauritz AB (publ), 556042-7220, domiciled in Stockholm, Sweden, herewith submit their annual report and consolidated accounts for the financial year 1 December 2007 to 30 November 2008.

BUSINESS

The Group's business consists mainly of the sale of clothing and cosmetics to consumers.

H&M's business concept is to offer fashion and quality at the best price. The business is operated from leased store premises as well as via Internet and catalogue sales. At the end of the financial year, H&M was present in 33 countries. In seven of these countries the operations are on a franchise basis. The total number of stores at the end of the financial year was 1,738, of which 18 are franchise stores, 17 are Monki stores and 8 are Weekday stores. Internet and catalogue sales are offered in Sweden, Norway, Denmark, Finland, the Netherlands, Germany and Austria.

H&M's own design and buying department creates the collections centrally. To ease the flow of goods, H&M is increasingly using the concept of regional grouping. This means that products are purchased and distributed to a group (region) of sales countries. The products are then allocated to the sales countries in the region according to demand in each market.

To facilitate this regional grouping and support the considerable ongoing expansion, the Group structure went through a review and restructuring process in 2007. Among other things, this process involved transferring the central design, buying, logistics and stock-keeping functions to a separate company, H & M Hennes & Mauritz GBC AB, as of 1 June 2007. This company owns the products until they are delivered to the stores. At the same time, the production unit in Hong Kong was reinforced and made into a central procurement department for the Group. This resulted in a new internal pricing model within the Group, which gave full effect in 2008.

H&M's collections are produced by around 700 independent suppliers in primarily Asia and Europe where H&M's about 20 local production offices maintain contacts with the suppliers. This means that the production offices are responsible for ensuring that orders are placed with the correct supplier, that the products are manufactured at the right price and are of good quality, and that they are delivered at the right time. The production offices also check that manufacturing takes place under good working conditions. Tests, such as chemical and laundry tests, are carried out on a continuous basis at the production offices and at external laboratories. To guarantee the quality of the products and that manufacturing takes place under good working conditions, the production offices work in close cooperation with the suppliers. The goods are subsequently transported by sea, rail, road or air to various distribution centres. From there the goods are distributed directly to the stores and/or to central regional replenishment centres.

The best price is achieved by having few middlemen, buying in large volumes, purchasing the right product from the right market, being cost-conscious in every part of the organisation and having efficient distribution processes.

SIGNIFICANT EVENTS

The Group opened 214 (193) stores during the financial year and 18 (16) stores were closed. Of the new store openings, 8 (6) were opened under franchising agreements. This represents a net addition of 196 (177) stores. Added to this are 13 Monki stores and 7 Weekday stores, which were added through the acquisition of FaBric Scandinavien AB.

In March 2008 the H&M Group signed an agreement to acquire the privately-owned Swedish fashion company FaBric Scandinavien AB. On 30 April 2008 H&M acquired 60 percent of the shares in this company which designs and sells fashion under brands such as Cheap Monday and operates the retail chains Weekday and Monki. The company is included in the H&M Group accounts as of 1 May 2008. For more information, see Note 21, Company acquisitions.

During the autumn, the first two stores in Tokyo, Japan were opened. The reception among customers and the media was fantastic and sales exceeded the company's high expectations. Interest in H&M in the Middle East continues to be considerable. During the year, four new franchise markets were added: Egypt, Saudi Arabia, Bahrain and Oman.

In Allermöhe, Hamburg, a new logistics centre was opened in the autumn. The new logistics centre serves the stores in Germany, the Netherlands and Austria.

H&M works continually on developing its offering to the customer. In 2008 H&M continued to develop Internet and catalogue sales and concepts such as COS, FaBric Scandinavien and H&M Home.

Internet and catalogue sales developed well during the year. In Germany and Austria Internet sales were supplemented by highly successful catalogue sales.

The COS brand (Collection of Style), offers a collection for women and men in a higher price segment. Two stores were opened in 2008 and at the end of the financial year, there were 13 COS stores in the UK, Germany, the Netherlands, Belgium and Denmark.

SALES AND PROFITS

H&M Group sales including VAT amounted to SEK 104,041 m (92,123). Sales excluding VAT increased over the financial year by 13 percent compared to the previous year and amounted to SEK 88,532 m (78,346). In local currencies the increase was 11 percent and in comparable units sales decreased by 1 percent.

The gross profit for the financial year amounted to SEK 54,468 m (47,847), equivalent to 61.5 percent (61.1) of sales.

After deducting selling and administrative expenses the operating profit amounted to SEK 20,138 m (18,382). This represents an operating margin of 22.7 percent (23.5).

The operating profit for the financial year has been charged with depreciation of SEK 2,202 m (1,814).

The Group's financial net income amounted to SEK 1,052 m (788).

Profit after financial items was SEK 21,190 m (19,170), an increase of 11 percent compared to the previous year.

The Group's profit for the financial year after applying an average effective tax rate of 27.8 percent (29.1) was SEK 15,294 m (13,588), which represents earnings per share of SEK 18.48 (16.42) and an increase of 13 percent.

The profit for the year represents a return on shareholders' equity of 44.3 percent (45.4) and a return on capital employed of 61.1 percent (63.7).

The pre-tax profit for the financial year was positively affected by currency translation effects in the amount of around SEK 287 m, compared with the result translated at the previous year's average exchange rates. Due to the Group's currency hedging policy for the internal flow of goods to the subsidiaries, the company has not been able to benefit from the positive effect in Swedish kronor that would have arisen in connection with the strengthening of most of the currencies of the subsidiaries in relation to the Swedish krona. This effect would have been approximately around SEK 400 m for the year.

Also due to H&M's currency hedging policy for the internal flow of goods, the company will not be able to benefit in the first quarter of 2008/2009 from the strengthening of, in particular, the euro.

COMMENTS ON PROFITS

Sales for the full year, taking into account the state of the global economy in the autumn, are considered satisfactory. H&M reached a milestone during the financial year when sales including VAT exceeded SEK 100 billion.

Selling and administrative costs in relation to sales have increased by 1.2 percentage units, compared to the previous year, to 38.8 percent. This is mainly due to an increased cost level relating to reinforcement of the organisation in preparation for the long-term investments in store expansions, Internet and catalogue sales and the new initiatives COS, FaBric Scandinavien and H&M Home.

The number of stores opened during the year was in line with the expansion plan with an emphasis on the fourth quarter. The number of refurbished stores was at the same high level as the previous year. Investments and costs for new and refurbished stores calculated by unit was higher than the previous year, mainly due to the continued focus on the standard in stores to elevate the experience for the customer and thereby further improve H&M's competitiveness.

Logistics have continued to be developed and made more efficient to enable a more effective use of the stock-in-trade and to support the considerable store and Internet and catalogue sales expansion. The company believes that there is still potential for improvements in operational efficiency at the two large logistics centres in Poznan and Hamburg over the next few years.

FINANCIAL POSITION AND CASH FLOW

The Group's total assets had increased as of 30 November 2008 by 23 percent, amounting to SEK 51,243 m (41,734).

The Group's cash flow for the financial year amounted to SEK 5,292 m (6,010). Current operations generated a positive cash flow of SEK 17,966 m (15,381). Cash flow was affected by, among other things, dividends of SEK -11,584 m (-9,515), investments in fixed assets of SEK -5,193 m (-3,608), acquisitions of subsidiaries, SEK -555 m (-) and financial investments with a term of three to twelve months amounting to SEK 4,900 m (3,848). Liquid funds and short-term investments amounted to SEK 22,726 m (20,964).

Stock-in-trade increased by 7 percent compared to the same date the previous year and amounted to SEK 8,500 m (7,969). This represents 9.6 percent (10.2) of sales excluding VAT. Stock-in-trade accounted for 16.6 percent (19.1) of the total assets.

The Group's equity/assets ratio was 72.1 percent (76.9) and the percentage of risk-bearing capital was 75.7 percent (78.5).

Shareholders' equity shared between the outstanding 827,536,000 shares as of 30 November 2008 equalled SEK 44.65 (38.78).

LIQUIDITY MANAGEMENT

In 2008 the longest investment period was six months. The Group does not use any derivative instruments in the interestbearing securities market, nor does the Group trade in shares or similar instruments. See also Note 2, Financial Risks.

COLLEAGUES

H&M's business is characterised by a fundamental respect for the individual, which applies to everything from fair pay, reasonable work hours and freedom of association to the opportunity to grow and develop within the company. The company's values – the spirit of H&M – which have been in place since the days of H&M's founder, Erling Persson, are based, among other things, on the ability of the employees to use their common sense to take responsibility and use their initiative.

H&M has grown significantly since its beginnings in 1947 and at the end of the financial year employed around 73,000 people. The average number of employees in the Group, converted to full-time positions, was 53,430 (47,029), of which 4,924 (4,456) are employed in Sweden. Around 79 percent of the employees are women and 21 percent are men. Women hold 76 percent of positions of responsibility, such as store manager or country manager, within the company.

ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

In many markets H&M acts as both a buyer and a seller. This requires H&M to act responsibly and in a sustainable way with respect to the environment and social responsibility. The Head of environmental and corporate social responsibility issues has been a member of the executive management team for a number of years.

H&M does not own any factories of its own, but instead buys its products from around 700 independent suppliers. A fundamental principle is that H&M's products must be manufactured under good working conditions. H&M therefore sets high standards for working conditions and applies the company's Code of Conduct to bring about long-term improvements for those manufacturing the products. H&M aims to incorporate sustainability work into day-to-day routines in all areas of the company's operations.

The company publishes a sustainability report every year. The report is available at the company's website: www.hm.com/csr.

EXPANSION AND FUTURE DEVELOPMENT

H&M continues to take a positive view of future expansion and the company's commercial opportunities. The proportion of new and refurbished stores is expected to remain at the same high level as in 2007/2008 and the company plans to recruit between 6,000 and 7,000 new employees in 2009.

For the 2009 financial year, H&M is planning a net addition of 225 stores, of which 15 will be Monki and Weekday stores and 8 will be COS stores. Most of the Group's store launches are planned for the US, France, Italy, Spain, the UK and Germany.

Investments and initiatives to improve the standard of refurbished and new stores are continuing according to plan. This is being done to further elevate the experience for the customer and make the stores more attractive to improve H&M's competitiveness.

Sales of the home textile range, H&M Home, will begin at the end of February 2009 through Internet and catalogue channels in the Nordic region, the Netherlands, Germany and Austria. When the range was presented to the media in Berlin at the end of 2008 it was very well received.

Preparations for the launch of two stores in Moscow in spring 2009 are progressing according to plan. Another contract has been signed for a store in Moscow in autumn 2009 and a store in St. Petersburg in 2010. The Russian market is considered of great interest with considerable future growth potential.

The company is also preparing for the first store launch in Beijing in spring 2009 and plans to open additional stores in Beijing in 2009.

H&M's franchise partner Alshaya is planning to open the first store in Lebanon in autumn 2009. H&M's Israeli franchise partner Match Retail is planning to open the first store in Israel in 2010.

H&M's growth goal is to increase the number of stores by 10–15 percent per year and maintain high profitability, but also to increase sales in existing stores.

TAXES

The tax rate for the year was 27.8 percent (29.1), the reduction is mainly due to the changes in internal pricing reaching their full effect. The Group's effective tax rate is estimated at around 27.5 percent for the full year 2008/2009. The rate for the subsequent year is expected to fall further to around 27 percent as a result of the reduced corporate tax rate in Sweden.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

Sales including VAT for December 2008 increased by 3 percent in local currencies, compared to the same month the previous year. Sales in comparable units decreased by 7 percent.

Sales including VAT in January 2009 are expected to increase by 8 percent in local currencies, compared to the same period the previous year.

The continuing recession impacted H&M's sales in December and January. Sales development should, however, be seen against a background of a strong first quarter in 2008 for H&M. Thanks to H&M's successful business concept and financial strength, the company is well equipped to meet the future challenges and opportunities that may arise, for example, through more opportunities to secure good store locations and being in a strong position to negotiate with landlords and suppliers.

PARENT COMPANY

The parent company's sales excluding VAT for the financial year amounted to SEK 5,311 m (9,629) with an estimated profit before year-end appropriations of SEK 15,395 m (10,938), of which dividends from subsidiaries constituted SEK 12,839 m (8,465). The parent company's cash flow was affected by net investments in fixed assets of SEK -185 m (114).

The Swedish stores were operated until 31 May 2007 by the parent company. Internet and catalogue sales were handled by the parent company until 30 November 2007. In conjunction with Group restructuring activities, these operations have been transferred to separate subsidiaries. The parent company's remaining external revenues of SEK 136 m consist of franchise revenues and compensation for administrative costs relating to franchising activities.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

At the Annual General Meeting on 8 May 2008, a resolution, in accordance with the Swedish Companies Act, was passed on guidelines for remuneration of senior executives within H&M. The number of individuals considered to be senior executives was about 30 in 2008.

The guidelines below are effective until the 2009 Annual General Meeting.

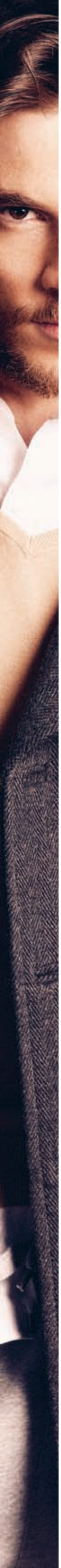
The term senior executives covers the Managing Director, other members of the executive management team and country managers.

Compensation to senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at competitive market rates. H&M has a presence in more than 20 countries and therefore levels of compensation may vary between countries. The greatest share of the remuneration consists of a regular basic salary. For variable components see the section on next page.

Senior executives receive a regular basic salary, pension benefits and certain executives also receive other benefits such as car benefits.

The Managing Director, certain members of the executive management team and all the country managers may also receive a bonus. In addition to the ITP plan, the executive management team is covered by either a benefit-based or a premium-based pension solution. The retirement age for the members of the executive management team, with the exception of the Managing Director, varies between 60 and 65 years. Members of the executive management team and country managers that are employed by a subsidiary abroad are covered by local pension arrangements as well as a premium-based pension solution. The retirement age for these is in accordance with local rules on retirement age. The cost of these commitments is partly covered by separate insurance policies.

The notice period for senior executives varies from three to twelve months. No severance pay agreements exist within H&M other than for the Managing Director.



PENSION TERMS ETC. FOR THE MANAGING DIRECTOR
The retirement age for the Managing Director is 65. He receives a pension of 65 percent of regular salary for the first three years and thereafter a lifetime pension equivalent to 50 percent of that salary. The Managing Director is entitled to 12 months' notice. In the event that the company cancels his employment contract, the Managing Director will receive severance pay of an extra year's salary in addition to the 12 months' notice.

VARIABLE REMUNERATION
The Managing Director, country managers and certain senior executives are included in a bonus system. The size of the bonus per person is based on 0.1 percent of the increase in dividend approved by the Annual General Meeting and the fulfilment of targets in their respective areas of responsibility. The maximum bonus per person and year has been set at SEK 0.3 million net after tax. In the case of the Managing Director the bonus is 0.3 percent of the dividend increase, up to a maximum of SEK 0.9 million net after tax. The bonus paid must be invested entirely in shares in the company, which must be held for at least five years.

In certain cases other members of the executive management team as well as country managers may receive further one-off payments, up to a maximum of 30 percent of regular salary, at the discretion of the Board or Managing Director.

MISCELLANEOUS
The Board may deviate from the guidelines if there is particular reason to do so in individual cases.

THE BOARD'S PROPOSED GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES FOR ADOPTION AT THE 2009 AGM

The guidelines proposed by the Board for adoption at the 2009 Annual General Meeting differ slightly from the guidelines adopted at the 2008 AGM. See below for the Board's proposals to the 2009 AGM.

The term "senior executives" covers the Managing Director, other members of executive management, country managers and other key individuals. The number of individuals covered by the term senior executives is currently around 40.

Compensation for senior executives is based on factors such as work tasks, expertise, position, experience and performance. Senior executives are compensated at competitive market rates. H&M is present in more than 30 countries and levels of compensation may therefore vary from country to country. Senior executives receive a regular basic salary, pension benefits and other benefits such as car benefits. The largest portion of the remuneration consists of the fixed salary. For variable components, see the section below.

In addition to the ITP plan, executive management and certain key individuals are covered by either a defined benefit or defined contribution pension plan. The retirement age for these individuals varies between 60 and 65 years. Members of executive management and country managers who are employed by a subsidiary abroad are covered by local pension arrangements and a defined contribution plan. The retirement age for these is in accordance with local retirement age rules. The cost of these commitments is covered in part by separate insurance policies.

The period of notice for senior executives varies from three to twelve months. No severance pay is payable within H&M, except in the case of the Managing Director.

PENSION BENEFITS ETC. FOR MANAGING DIRECTOR ROLF ERIKSEN
The retirement age for Managing Director Rolf Eriksen is 65. He will reach this age in autumn 2009. During the first three years of his retirement, Rolf Eriksen will receive a pension equivalent to 65 percent of his fixed salary followed by a lifetime pension equivalent to 50 percent of the same salary.

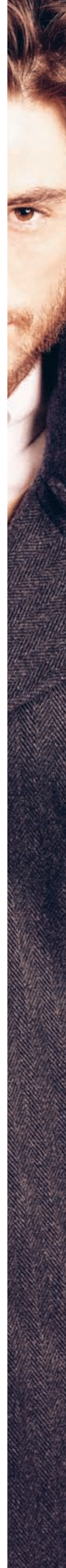
VARIABLE REMUNERATION
The Managing Director Rolf Eriksen, country managers, certain senior executives and certain key individuals are included in a bonus scheme. The size of the bonus per person is based on 0.1 percent of the increase in the dividend approved by the Annual General Meeting and the fulfilment of targets in their respective areas of responsibility. The maximum bonus per person and year has been set at SEK 0.3 m net after tax. Net after tax means that income tax and social fees are not included in the calculation. In the case of the Head of Sales, the bonus is based on 0.2 percent of the dividend increase, with a maximum of SEK 0.6 m net after tax. For the Managing Director Rolf Eriksen, the bonus is 0.3 percent of the dividend increase, up to a maximum of SEK 0.9 m net after tax. The bonuses that are paid out must be invested entirely in shares in the company, which must be held for at least five years. Since H&M is present in markets with varying personal income tax rates, the net model has been chosen because it is considered fair that the recipients in the different countries should be able to purchase the same number of H&M shares for the amounts that are paid out. The future Managing Director may be covered by the bonus scheme according to the principles and within the parameters outlined above.

In individual cases other members of executive management, key individuals and country managers may, at the discretion of the Board and the Managing Director, receive one-off payments, up to a maximum of 30 percent of their fixed yearly salary.

MISCELLANEOUS
The Board of Directors may deviate from these guidelines in individual cases where there is a particular reason for doing so.

NUMBER OF SHARES ETC.

The total number of shares in H&M is 827,536,000, of which 97,200,000 are class A shares (ten votes per share) and 730,336,000 class B shares (one vote per share). Class A shares are not listed. Ramsbury Invest AB, of which the principal owner is Stefan Persson, holds all 97,200,000 class A shares which represent 57.1 percent of the votes, and 3,200,000 class B shares which represent 0.2 percent of the votes. In addition, Stefan Persson holds 186,274,400 class B shares which represent 10.9 percent of the votes. This means that, in total, Stefan Persson personally or through companies has 68.2 percent of the votes and 34.6 percent of the total number of shares.



RISKS AND UNCERTAINTIES

A number of factors may affect H&M's results and business. Most of these can be dealt with through internal routines, while some are influenced more by external factors. There are risks and uncertainties related to the fashion, weather conditions, quota systems and foreign currencies, but also in connection with expansion into new markets, launching new concepts, changes in consumer behaviour or how the brand is handled.

FASHION

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

Within each concept H&M must have the right volumes and achieve the right balance in the mix between fashion basics and trend items. To optimise fashion precision, H&M buys items on an ongoing basis throughout the season. The purchasing patterns are relatively similar in the various markets, although differences do exist. The start of a season and the duration of a season may, for example, vary from country to country. Delivery dates and product volumes for the various countries are adjusted accordingly.

THE WEATHER

H&M's products are purchased and launched in stores on the basis of normal weather patterns. Major deviations from normal conditions may affect sales. The effect is the greatest if there is a major deviation at the beginning of a season.

CHANGES IN PURCHASING BEHAVIOUR

There is also a risk that changes in the global economy may change consumer purchasing behaviour. It is therefore important to be aware of such changes and have a flexible purchasing model that can be adjusted to different market conditions.

TEXTILE QUOTAS

The textile industry has been working for many years with textile quotas. Changes in textile quotas can have an impact on buying costs. The textile quotas affect the entire industry and are therefore largely competition-neutral.

FOREIGN CURRENCY

The most significant currencies in which the Group's purchasing takes place are the US dollar and the euro. Fluctuation in the US dollar/euro exchange rate is the single largest transaction exposure for the Group. To hedge goods flows in foreign currencies and thereby reduce the effects of future exchange rate fluctuation, the majority of the Group's product flows are hedged under forward contracts on an ongoing basis throughout the year. Information on currency hedging is provided in Note 1, Accounting Principles, and in Note 2, Financial Risks.

In addition to the effects of transaction exposure, translation effects also affect the Group's result due to changes in exchange rates between the local currencies of the various foreign subsidiaries against the Swedish krona compared to the same period the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but may increase or decrease when converted into Swedish currency depending on whether the Swedish krona has weakened or strengthened. Translation effects also arise in respect of the Group's net assets on consolidation of the foreign subsidiaries' balance sheets.

No exchange rate hedging, so-called equity hedging, is carried out for this risk. See also Note 2, Financial Risks.

For other financial risks, see Note 2, Financial Risks, on page 21.

DIVIDEND POLICY

H&M's financial goal is to enable the company to continue enjoying good growth and to be prepared to exploit future business opportunities. It is essential that the company's expansion proceeds, as in the past, with the same high degree of financial strength and continued freedom of action.

Based on this policy, the Board of Directors has determined that the total dividend should equal around half of the profit after taxes. In addition, the Board may propose that surplus liquidity can also be distributed.

The Board of Directors will propose to the 2009 Annual General Meeting a dividend of SEK 15.50 per share (14.00), which is equivalent to 84 percent (85) of the Group's profit after tax.

PROPOSED DISTRIBUTION OF EARNINGS

At the disposal of the Annual General Meeting	SEK	14,981,429,703
The Board of Directors and the Managing Director propose: A dividend to shareholders of SEK 15.50 per share	SEK	12,826,808,000
To be carried forward as retained earnings	SEK	2,154,621,703
	SEK	14,981,429,703

The Board of Directors is of the opinion that the proposed distribution of earnings is justifiable taking into consideration the financial position and future freedom of action of the Group and the parent company, and observing the requirements that the nature and extent of the business, its risks and future expansion plans impose on the Group's and the parent company's equity and liquidity.

GROUP INCOME STATEMENT

SEK m

1 December–30 November	2008	2007
Sales including VAT	104,041	92,123
Sales excluding VAT, Note 3, 4	88,532	78,346
Cost of goods sold, Note 6, 8	-34,064	-30,499
GROSS PROFIT	**54,468**	**47,847**
Selling expenses, Note 6, 8	-32,185	-27,687
Administrative expenses, Note 6, 8, 9	-2,145	-1,778
OPERATING PROFIT	**20,138**	**18,382**
Interest income	1,060	793
Interest expense	-8	-5
PROFIT AFTER FINANCIAL ITEMS	**21,190**	**19,170**
Tax, Note 10	-5,896	-5,582
PROFIT FOR THE YEAR	**15,294**	**13,588**
All profit is attributable to the parent company's shareholders.		
Earnings per share, SEK*	18.48	16.42
Number of shares*	827,536,000	827,536,000

* Before and after dilution.

GROUP BALANCE SHEET

SEK m

30 November	2008	2007
ASSETS		
FIXED ASSETS		
Intangible fixed assets		
Brands, Note 11	443	–
Customer relationships, Note 11	123	–
Leasehold rights, Note 11	659	266
Goodwill, Note 11	431	–
	1,656	**266**
Tangible fixed assets		
Buildings and land, Note 12	480	466
Equipment, tools, fixture and fittings, Note 12	11,961	8,821
	12,441	**9,287**
Long-term receivables	**476**	**253**
Deferred tax receivables, Note 10	**1,299**	**883**
TOTAL FIXED ASSETS	**15,872**	**10,689**
CURRENT ASSETS		
Stock-in-trade	**8,500**	**7,969**
Short-term receivables		
Accounts receivables	1,991	1,122
Other receivables	1,206	356
Prepaid expenses, Note 13	948	634
	4,145	**2,112**
Short-term investments, Note 14	–	**4,900**
Liquid funds, Note 15	**22,726**	**16,064**
TOTAL CURRENT ASSETS	**35,371**	**31,045**
TOTAL ASSETS	**51,243**	**41,734**

	2008	2007
EQUITY AND LIABILITIES		
EQUITY		
Share capital, Note 17	207	207
Reserves	1,410	263
Retained earnings	20,039	18,035
Profit for the year	15,294	13,588
TOTAL EQUITY	**36,950**	**32,093**
Long-term liabilities*		
Provisions for pensions, Note 19	228	156
Deferred tax liabilities, Note 10	1,818	651
Other provisions, Note 20	368	–
	2,414	**807**
Short-term liabilities**		
Accounts payable	3,658	2,483
Tax liabilities	1,279	2,036
Other liabilities	3,255	1,468
Accrued expenses and prepaid income, Note 23	3,687	2,847
	11,879	**8,834**
TOTAL LIABILITIES	**14,293**	**9,641**
TOTAL EQUITY AND LIABILITIES	**51,243**	**41,734**
Pledged assets and contingent liabilities	–	–

* Only provisions for pensions are interest-bearing.

** No current liabilities are interest-bearing.

GROUP CHANGES IN EQUITY

SEK m

All shareholders' equity is attributable to the parent company's shareholders since there are no minority interests. See also Note 21.

	Share capital	Translation effects	Hedging reserves	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2007	207	263	–	31,623	32,093
Translations effects, hedging reserves	–	1,679	-739	–	940
Deferred tax	–	–	207	–	207
Income and expenses posted directly to equity	–	1,678	-532	–	1,147
Profit for the year	–	–	–	15,294	15,294
Total income and expenses	–	1,679	-532	15,294	16,441
Dividend	–	–	–	-11,584	-11,584
Shareholders' equity, 30 November 2008	**207**	**1,942**	**-532**	**35,333**	**36,950**

	Share capital	Translation effects	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2006	207	22	27,550	27,779
Translations effects, hedging reserves	–	241	–	241
Income and expenses posted directly to equity	–	241	–	241
Profit for the year	–	–	13,588	13,588
Total income and expenses	–	241	13,588	13,829
Dividend	–	–	-9,515	-9,515
Shareholders' equity, 30 November 2007	**207**	**263**	**31,623**	**32,093**

The Group's managed capital consists of shareholders' equity. The Group's goal with respect to managing capital is to enable good growth to continue and to be prepared to exploit business opportunities. It is essential that the expansion, as in the past, proceeds with the same high degree of financial strength and continued freedom of action. Based on this policy, the Board of Directors has established a dividend policy whereby the dividend should equal around half of the profit for the year after tax. In addition, the Board may propose that surplus liquidity may also be distributed. H&M meets the capital requirements set out in the Swedish Companies Act. No other external capital requirements exist.

GROUP CASH FLOW STATEMENT

SEK m

1 December–30 November	2008	2007
Profit after financial items*	21,190	19,170
Provision for pensions	72	27
Depreciation	2,202	1,814
Tax paid	-5,940	-5,557
Cash flow from current operations before changes in working capital	**17,524**	**15,454**
Cash flow from changes in working capital		
Current receivables	-1,343	-421
Stock-in-trade	-183	-615
Current liabilities	1,968	963
CASH FLOW FROM CURRENT OPERATIONS	**17,966**	**15,381**
Investment activities		
Investment in leasehold rights	-446	-86
Investments in/sale of buildings and land	-23	-56
Investments in fixed assets	-4,724	-3,466
Acquisition of subsidiaries, Note 21	-555	–
Change in financial investments, 3–12 months	4,900	3,848
Other investments	-242	-96
CASH FLOW FROM INVESTMENT ACTIVITIES	**-1,090**	**144**
Financing activities		
Dividend	-11,584	-9,515
CASH FLOW FROM FINANCING ACTIVITIES	**-11,584**	**-9,515**
CASH FLOW FOR THE YEAR	**5,292**	**6,010**
Liquid funds at beginning of the year	**16,064**	**9,877**
Cash flow for the year	5,292	6,010
Exchange rate effect	1,370	177
Liquid funds at the end of year	**22,726**	**16,064**

* Interest paid amounts for the Group to SEK 8 m (5).
Received interest amounts for the Group to SEK 1,070 m (822).

PARENT COMPANY INCOME STATEMENT

SEK m

1 December–30 November	2008	2007
Sales including VAT	136	10,738
Sales excluding VAT	136	7,112
Internal sales excluding VAT, Note 5	5,175	2,517
Cost of goods sold, Note 6, 8	-32	-3,579
GROSS PROFIT	**5,279**	**6,050**
Selling expenses, Note 6, 8	-1,773	-2,934
Administrative expenses, Note 6, 8, 9	-1,388	-1,092
OPERATING PROFIT	**2,118**	**2,024**
Dividend from subsidiaries	12,839	8,465
Interest income	438	449
Interest expense	0	0
PROFIT AFTER FINANCIAL ITEMS	**15,395**	**10,938**
Year-end appropriations, Note 25	-663	130
Tax, Note 10	-534	-751
PROFIT FOR THE YEAR	**14,198**	**10,317**

Store operations in Sweden were run up until 31 May 2007 by the Parent Company. Internet and catalogue sales in Sweden were run up until 30 November 2007 by the Parent Company. In conjunction with Group restructuring activities, these businesses have been transferred to separate subsidiaries. The departments for design, logistics and buying that previously were part of the Parent Company were also transferred into a separate subsidiary as of 1 June 2007. The external revenue that still remains in the Parent Company in the amount of SEK 136 m refers to franchise revenues and remuneration for administrative expenses related to franchising.

PARENT COMPANY BALANCE SHEET

SEK m

30 November	2008	2007
ASSETS		
FIXED ASSETS		
Tangible fixed assets		
Buildings and land, Note 12	58	59
Equipment, tools, fixture and fittings, Note 12	356	258
	414	**317**
Financial fixed assets		
Shares and participation rights, Note 26	583	17
Receivables from subsidiaries	345	0
Long-term receivables	13	10
Deferred tax receivables, Note 10	51	32
	992	**59**
TOTAL FIXED ASSETS	**1,406**	**376**
CURRENT ASSETS		
Stock-in-trade	**–**	**407**
Short-term receivables		
Accounts receivables	–	508
Receivables from subsidiaries	8,579	5,786
Tax receivables	143	–
Other receivables	46	42
Prepaid expenses and accrued income, Note 13	12	40
	8,780	**6,376**
Short-term investments, Note 14	**–**	**4,900**
Liquid funds, Note 15	**6,525**	**1,417**
TOTAL CURRENT ASSETS	**15,305**	**13,100**
TOTAL ASSETS	**16,711**	**13,476**

	2008	2007
EQUITY AND LIABILITIES		
EQUITY		
Restricted equity		
Share capital, Note 17	207	207
Restricted reserves	88	88
	295	**295**
Non-restricted equity		
Retained earnings, Note 18	783	2,050
Profit for the year	14,198	10,317
	14,981	**12,367**
TOTAL EQUITY	**15,276**	**12,662**
Untaxed reserves, Note 27	**782**	**119**
Long-term liabilities*		
Provisions for pensions, Note 19	**193**	**113**
Short-term liabilities**		
Accounts payable	98	124
Tax liabilities	–	5
Other liabilities	219	221
Accrued expenses and prepaid income, Note 23	143	232
	460	**582**
TOTAL LIABILITIES	**1,435**	**814**
TOTAL EQUITY AND LIABILITIES	**16,711**	**13,476**
Pledged assets	–	–
Contingent liabilities, Note 28	11,751	12,431

* Provisions for pensions are interest-bearing.

** No current liabilities are interest-bearing.

Store operations in Sweden were run up until 31 May 2007 by the Parent Company. Internet and catalogue sales in Sweden were run up until 30 November 2007 by the Parent Company. In conjunction with Group restructuring activities, these businesses have been transferred to separate subsidiaries. The departments for design, logistics and buying that previously were part of the Parent Company were also transferred into a separate subsidiary as of 1 June 2007.

PARENT COMPANY CHANGES IN EQUITY

SEK m

	Share capital	Restricted reserves	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2007	207	88	12,367	12,662
Dividend	–	–	-11,584	-11,584
Profit for the year	–	–	14,198	14,198
Shareholders' equity, 30 November 2008	**207**	**88**	**14,981**	**15,276**

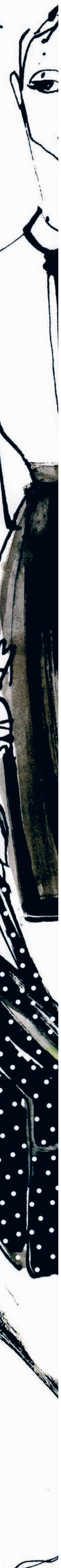
	Share capital	Restricted reserves	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 December 2006	207	88	11,565	11,860
Dividend	–	–	-9,515	-9,515
Profit for the year	–	–	10,317	10,317
Shareholders' equity, 30 November 2007	**207**	**88**	**12,367**	**12,662**

PARENT COMPANY CASH FLOW ANALYSIS

SEK m

1 December–30 November	2008	2007
Profit after financial items*	15,395	10,938
Provision for pensions	80	14
Depreciation	88	88
Tax paid	-701	-924
Cash flow from current operations before changes in working capital	**14,862**	**10,116**
Cash flow from changes in working capital		
Current receivables	-2,261	-831
Stock-in-trade	407	352
Current liabilities	-117	-1,094
CASH FLOW FROM CURRENT OPERATIONS	**12,891**	**8,543**
Investment activities		
Investments in/sale of buildings and land	-2	–
Net investments in fixed assets	-183	114
Acquisition of subsidiaries, Note 21	-566	–
Change in financial investments, 3–12 months	4,900	100
Other investments	-348	21
CASH FLOW FROM INVESTMENT ACTIVITIES	**3,801**	**233**
Financing activities		
Dividend	-11,584	-9,515
CASH FLOW FROM FINANCING ACTIVITIES	**-11,584**	**-9,515**
CASH FLOW FOR THE YEAR	**5,108**	**-737**
Liquid funds at beginning of year	**1,417**	**2,154**
Cash flow for the year	5,108	-737
Liquid funds at end of year	**6,525**	**1,417**

* Interest paid amounts for the parent company to SEK 0 m (0).
Received interest amounts for the parent company to SEK 436 m (452).



NOTES TO THE FINANCIAL STATEMENTS

CORPORATE INFORMATION

The parent company H & M Hennes & Mauritz AB (publ) is a limited company domiciled in Stockholm, Sweden. The parent company's corporate identity number is 556042-7220. The company is listed on the Stockholm stock exchange, NASDAQ OMX Stockholm AB. The Group's business consists mainly of the sale of clothing and cosmetics to consumers. The company's financial year is 1 December – 30 November. The Annual Report was approved for publication by the Board of Directors on 28 January 2009 and will be submitted to the Annual General Meeting for adoption on 4 May 2009.

The holding of Ramsbury Invest AB (formerly Stefan Persson Placering AB) of shares in H & M Hennes & Mauritz AB represents 12.1 percent of all of the shares and about 57.3 percent of the total number of votes. Ramsbury Invest AB (556423-5769) is thus formally the parent company of H & M Hennes & Mauritz AB.

1 ACCOUNTING PRINCIPLES

BASIS FOR PREPARATION OF THE ACCOUNTS

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB) and the interpretations provided by the International Financial Reporting Interpretations Committee (IFRIC). Since the Parent Company is a company within the EU, only IFRS approved by the EU are applied. The consolidated accounts also contain disclosures in accordance with the Swedish Financial Reporting Board's recommendation RFR 1.1, Supplementary Accounting Rules for Groups.

The statements are based on historical acquisition costs, apart from certain financial instruments which are reported at fair value.

The functional currency for the parent company is Swedish kronor, which is also the reporting currency for the parent company and for the Group. Unless otherwise indicated, all amounts are reported in millions of Swedish kronor (SEK m).

The Parent Company

In the preparation of its financial statements, the parent company has applied the Swedish Financial Reporting Board's recommendation RFR 2.1, Accounting for Legal Entities. The Swedish Annual Accounts Act has also been applied. The main deviation from the Group's accounting principles is that the parent company does not apply IAS 39.

CHANGES IN ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

The accounting principles and disclosure requirements applied for 2007/2008 are the same as those applied in the previous year, with the exception of the following:

- IFRS 7 Financial Instruments: Disclosures – involves greater disclosure with respect to the bearing of financial instruments on the company's financial position and profits, and the nature and extend of the risks associated with these.
- Amendments to IAS 1 Presentation of Financial Statements – disclosures about capital – involves increased disclosures about capital in annual financial statements.
- The application of the above standards and statements has had no effect on the Group's position or profit.

FUTURE ACCOUNTING PRINCIPLES AND DISCLOSURE REQUIREMENTS

A number of new standards, amendments and interpretations of existing standards have been published, but have not yet entered into force. The standards, amendments and interpretations below, which are deemed applicable to the Group, are not expected to have any effect on the consolidated accounts on their introduction beyond the provision of supplementary information in certain cases:

- IFRS 3 Business Combinations (revisions) and related revisions to IAS 27 Consolidated and Separate Financial Statements (effective from 2009/10) – affect the accounting of future business combinations.
- IFRS 8 Operating Segments (effective from 2009/10) – contains disclosure requirements with respect to the Group's operating segments and require that financial statements be based on the internal segments determined by executive management and the accounting principles applied.
- IFRIC 13 Customer Loyalty Programmes (effective from 2008/09) – requires that rewards from customer loyalty programmes be accounted for as a separate component in the sale transaction in which they are awarded, and that the amount of proceeds allocated to the award credits, measured at fair value, be reported as deferred income and distributed over the period when the obligation is fulfilled.
- Revised IAS 1 Presentation of Financial Statements (effective from 2009/10) – the revision requires, among other things, that items previously reported in the shareholders' equity calculation but that are not shareholder transactions be presented in an expanded income statement or in a separate report.

ESTIMATES AND ASSESSMENTS

The preparation of the Annual Report and consolidated accounts requires estimates and assumptions to be made, as well as judgements in the application of the accounting principles. These affect recorded amounts for assets, liabilities, income, expenses and supplementary information. The estimates and assumptions are reviewed regularly and are based on historical experience, other relevant factors and expectations for the future. The actual outcome may therefore deviate from previous estimates and assumptions. It is the company's assessment that the estimates and assumptions made in the statements up to 30 November 2008 will not significantly affect the results and position for the forthcoming financial year.

CONSOLIDATED ACCOUNTS

General

The consolidated accounts cover the parent company and its subsidiaries. Subsidiaries are included in the consolidated accounts from the date of acquisition, which is the date on which the parent company gains a determining influence, and are included in the consolidated accounts until such date as the determining influence ends. The acquisition method is used in the preparation of the consolidated accounts. The net assets of acquired subsidiaries are determined based on a valuation of the fair value of the assets, liabilities and contingent liabilities at the time of acquisition. If the acquisition cost of the subsidiary's shares exceeds the calculated value at the time of acquisition of the Group's share of the net identifiable assets of the acquired

company, the difference is reported as goodwill upon consolidation. If the acquisition cost is less than the finally established value of the net identifiable assets, the difference is reported directly in the income statement. The financial reports for the parent company and the subsidiaries included in the consolidated accounts cover the same period and have been prepared in accordance with the accounting principles that apply to the Group. Intra-group transactions such as income, expenses, receivables and liabilities, as well as unrealised gains and losses are eliminated entirely in the preparation of the consolidated accounts.

Minority interests
In 2008 H&M acquired 60 percent of the shares in FaBric Scandinavien AB. The parties have reached an agreement whereby H&M has the opportunity/obligation to acquire the remaining shares within three to five years. The calculated value of the put options allocated to minority shareholders in connection with the acquisition is reported as a provision for an additional contingent consideration. Therefore no minority interest is reported. Any change in fair value of the put options/consideration will be reported as an adjustment of goodwill.

Translation of foreign subsidiaries
Assets and liabilities in foreign subsidiaries are translated at the exchange rate on the closing date, while the income statement is translated at the average exchange rate for the financial year. The translation difference arising from this, and also as a result of the fact that the net investment is translated at a different exchange rate at the end of the financial year than at the beginning of the financial year, is posted directly to equity as a translation reserve. On disposal of a foreign business the accumulated exchange rate differences in the income statement are posted together with the profit or loss on disposal. Where foreign businesses are concerned, the accumulated translation differences attributable to the period before 1 December 2004 – the date of adoption of IFRS – have been set at zero in accordance with the transitional rules in IFRS 1.

FOREIGN CURRENCY
Receivables and liabilities in foreign currencies are converted at the exchange rate on the closing date. Exchange rate differences arising on translation are reported in the income statement with the exception of exchange rate differences in respect of loans, which are to be regarded as net investment in a foreign business. Such exchange rate differences are posted directly to equity as translation effects.

INCOME
The Group's income is generated mainly by sales of clothing and cosmetics to consumers. Sales revenue is reported less value-added tax, returns and discounts as sales excluding VAT in the income statement. Income is reported in connection with sale/delivery to the customer. Franchise sales have two components: sales of goods to franchisees, which are reported on delivery of the goods, and franchise fees, which are reported when the franchisee sells goods to the customer. The Group's income exhibits seasonal variations. The first quarter of the financial year is normally the weakest and the last quarter the strongest. Interest income is reported as it is earned.

MARKETING
Advertising costs and other marketing activities are expensed on a continuous basis.

INTANGIBLE FIXED ASSETS
Intangible fixed assets with a finite useful life are reported at cost less accumulated amortisation and any accumulated write-downs. Amortisation is distributed linearly over the assets' expected useful life. See also Note 8 and Note 11.

Goodwill is the amount by which the acquisition cost exceeds the fair value of the Group's share in the acquired subsidiary's identifiable net assets upon acquisition. Goodwill on acquisition of subsidiaries is reported as intangible assets. Intangible assets with an indefinite useful life including goodwill are tested annually for impairment. If the book value of the asset exceeds the recoverable amount (the highest of the net realisable value and the value in use) the necessary amount is written down. Any write-down is recognised in profit/loss.

TANGIBLE FIXED ASSETS
Costs relating to intangible fixed assets are reported in the balance sheet if it is likely that the company will gain from the future financial benefits associated with the asset and if the asset's acquisition cost can be reliably calculated. Costs relating to ongoing maintenance and repair are reported as an expense in the period in which they arise. Tangible fixed assets are reported at cost less accumulated depreciation and any accumulated write-downs. Depreciation is distributed linearly over the asset's expected useful life. No depreciation is applied to land. See also Note 8 and Note 12. The book value of tangible fixed assets is tested for impairment. If the asset's book value exceeds the recoverable amount (the highest of the net realisable value and the value in use) the required amount is written down. Any write-down is recognised in profit/loss.

LEASING
Leasing agreements in which a substantial portion of the risks and benefits of ownership are retained by the lessor are classified as operational leases. As of the closing day the Group had no leasing agreement reported according to the rules for financial leases. Minimal leasing agreements relating to operational leases are recognised in the income statement as an expense and distributed linearly over the term of the agreement. The Group's main leasing agreements are rental agreements for premises. Variable (sales-based) rents are recognised in the same period as the corresponding sales.

FINANCIAL INSTRUMENTS
Financial instruments are assessed and recognised in accordance with the rules in IAS 39. Financial instruments recognised in the balance sheet include on the assets side, liquid funds, accounts receivable, short-term investments, long-term receivables and derivatives. On the liabilities and equity side are accounts payable and derivatives. Financial instruments are recognised in the balance sheet when the Group becomes a party to the contractual terms of the instrument. Financial assets are removed from the balance sheet when the contractual rights to the cash flows from the asset cease. Financial liabilities are removed from the balance sheet when the obligation is met, cancelled or ends.

The Group classifies its financial instruments in the following categories:

Financial assets and liabilities at fair value through profit or loss
This category consists of two sub-groups: financial assets and liabilities held for trading, and other financial assets and liabilities that the company initially chose to place in this category when they were first recognised. Assets and liabilities in this category are assessed continually at fair value, with changes in value recognised in profit/loss.

Loans receivable and accounts receivable
This category primarily covers cash and bank balances as well as accounts receivable. Cash and bank balances are valued at the accrued acquisition cost. Accounts receivable have a short expected term and are recognised at the original invoiced amount without discount, with deductions for doubtful receivables.

Financial assets held to maturity
Financial assets held to maturity are assets with payment flows that are fixed or that can be established in advance and with a fixed term which the Group has the express intention and capacity to hold until maturity. Assets in this category are valued at accrued acquisition cost, with the effective interest rate being used to calculate the value. As of the closing date, all of the Group's short-term investments fell into this category.

Financial assets that may be sold
This category contains financial assets that were either placed in this category at the time of acquisition or have not been classified in any other category. These are valued continually at fair value, with changes in value recognised in equity. No financial assets have been classified in this category.

Other financial liabilities
Financial liabilities that are not held for trading are assessed at their accrued acquisition value. Accounts payable fall into this category. These have a short expected term and are recognised at the nominal amount with no discounting.

Reporting of derivatives used for hedging purposes
All derivatives are reported initially and continually at fair value in the balance sheet. The result of revaluation of derivatives used for hedging is reported as described in the section Derivatives and Hedge Accounting below.

LIQUID FUNDS

Liquid funds covers cash and bank balances as well as short-term investments with a term of maximum three months from the date of acquisition. These investments carry no significant risk of changes in value.

DERIVATIVES AND HEDGE ACCOUNTING

The Group's policy is for derivatives to be held for hedging purposes only. Derivative instruments comprise forward currency contracts used to hedge the risk of exchange rate fluctuation for internal and external product flows.

H&M applies hedge accounting in accordance with IAS 39. To meet the requirements of hedge accounting there must be a clear link to the hedged item. In addition, the hedge must effectively protect the hedged item, hedge documentation must have been prepared and the effectiveness must be measurable.

In hedge accounting, derivatives are classified as cash flow hedging or as fair value hedging. As of 30 November 2008 all of the Group's derivatives were in the cash flow hedging category. How these hedging transactions are reported is described below.

Hedging of forecast currency flows – cash flow hedging
Currency exposure relating to future forecast flows is hedged through forward currency contracts. Derivatives that hedge the forecast flow are reported in the balance sheet at fair value. Changes in value are reported directly in equity in the hedge reserve until such time as the hedged flow is recognised in the income statement, at which time the hedging instrument's accumulated changes in value are transferred to the income statement where they then correspond to the profit/loss effects of the hedged transaction.

Hedging of contracted currency flows – fair value hedging
Currency exposure relating to future contracted flows is hedged through forward currency contracts. When a hedging instrument is used to hedge fair value, the hedges are reported at fair value in the balance sheet and, correspondingly, the contracted flow is also reported at fair value with regard to the currency risk being hedged. Changes in the value of a derivative are reported in the income statement together with changes in the value of the hedged item.

STOCK-IN-TRADE

Stock-in-trade is valued at the lower of the acquisition cost and the net realisable value. For stock-in-trade in the stores the acquisition cost is determined by reducing the selling price by the calculated gross margin (retail method). The net realisable value is the estimated market value less the calculated selling expenses.

PENSIONS

H&M has several different plans for benefits after employment has ended. The plans are either defined benefit or defined contribution plans. Defined contribution plans are reported as an expense in the period in which the employee performs the service to which the benefit relates. Defined benefit plans are assessed separately for the respective plan based on the benefits earned during the previous and current periods. The defined benefit obligations less the fair value of managed assets are reported under the heading "Provisions for Pensions." Defined benefit plans are primarily found in Sweden. Pension obligations are assessed annually with the help of independent actuaries according to the so-called Projected Unit Credit Method. The assessment is made using actuarial assumptions. These assumptions include such things as the discount rate, anticipated salary and pension increases as well as the expected return on managed assets. Changes in the actuarial assumptions and outcomes that deviate from the assumptions give rise to actuarial gains or losses. Such gains or losses are recognised in profits in the year they arise. For salaried employees in Sweden, H&M applies the ITP plan through an insurance policy with Alecta. According to the statements by the Swedish Financial Reporting Board (UFR 3), this is a defined benefit plan that covers a number of employers. The plan will be reported as a defined contribution plan until the company gains access to the information allowing this plan to be reported according to the rules for defined benefit plans. Alecta's surplus may be allocated to the insured employer and/or the insured employees. As of 30 September 2008, Alecta's consolidation ratio was 126.0 percent (164.0). The consolidation ratio is calculated as fair value of managed assets as a percentage of the obligations, calculated in accordance with Alecta's actuarial assumptions. This calculation is not in line with IAS 19. See Note 19 for further information.

OTHER PROVISIONS
Provisions are reported in the balance sheet when there is an undertaking as a result of an event occurring and it is likely that an outflow of resources will be required for the undertaking and when the amount can be reliably estimated. Other provisions include additional contingent consideration relating to put options allocated to minority shareholders.

INCOME TAX
Income taxes in the income statement represent current and deferred corporation tax payable by Swedish and foreign subsidiaries. Current tax is tax that will be paid or received in respect of the current year as well as adjustments to current tax attributable to previous periods. The income tax rate in force in each country is applied. The statutory income tax rate in Sweden is 28 percent. Beginning in the 2009/2010 financial year the income tax rate in Sweden will be reduced to 26.3 percent. Deferred tax is calculated according to the balance sheet method based on temporary differences arising between reported and fiscal values of assets and liabilities. Deferred tax is calculated using the tax rates that are expected to apply in the period when the receivables are deducted or the liabilities are settled, based on the tax rates (and the tax legislation) in force on the closing date. Deferred tax receivables for temporary differences and loss carry-forward are recognised only to the extent it is likely that these will be able to be utilised. As of the closing date, the Group had no loss carry-forward other than the reported deferred tax receivables. The recorded values of deferred tax receivables are tested as of each closing date and reduced where it is no longer deemed likely that they will be able to be utilised.

CASH FLOW ANALYSIS
The cash flow analysis is prepared according to the indirect method. The reported cash flow covers only transactions involving payments in or out.

SEGMENT REPORTING
The Group's business consists mainly of sales of clothing and cosmetics to consumers. Internal follow-up is carried out by country. In order to clearly present the information for different segments, the operations are divided into three geographical areas: the Nordic region, Euro Zone countries excluding Finland, and the Rest of the World. The risks and opportunities are similar in each segment. The parent company and subsidiaries with no external sales are reported in a separate segment, Group Functions. There is no internal division into different business segments and thus reporting in secondary segments is not relevant.

Transactions between segments take place on normal commercial terms.

2 FINANCIAL RISKS
The Group's financing and management of financial risk is done centrally within the Group's finance department and is done according to a financial policy established by the Board of Directors. The financial policy is the most important financial control tool for the company's financial activities and establishes the framework within which the company works. The Group's accounting principles for financial instruments, including derivatives, are described in Note 1.

In the course of doing business the Group is exposed to risk associated with financial instruments, such as liquid funds, short-term investments, accounts receivable and accounts payable. The Group also executes transactions involving currency derivatives for the purpose of managing currency risk that arises in the course of the Group's business.

The risks relating to these instruments are primarily the following:

- Interest risk associated with liquid funds and short-term investments
- Currency risk associated with foreign currency flows
- Credit risk associated with financial assets and derivative positions

INTEREST RISK
Interest risk is the risk that the value of a financial instrument will vary due to changes in market interest rates. Interest risk relates to the risk that the Group's exposure to changes in market interest rates may affect net profit. The Group's exposure to risk from changes in interest rates relates to liquid funds and short-term investments. In accordance with the financial policy, the Group's surplus liquidity is invested in current bank accounts or interest-bearing instruments with high liquidity (investments in banks). The original term of the investments as of the closing date is up to three months. The financial policy permits investments of up to two years. The Group's liquid funds as of the closing date amounted to SEK 22,726 m. An interest increase of 0.5 percentage points would increase the Group's annual profit before tax by SEK 114 m. A corresponding decrease in interest would reduce the profit before tax by the same amount.

CURRENCY RISK
Currency risk is the risk that the value of a financial instrument will vary due to changes in exchange rates. To avoid this risk relating to financial investments, all surplus liquidity is invested in local currencies in the respective country. Most of the surplus liquidity is in Sweden and is invested in SEK. The Group's accounts payables in foreign currencies are mainly handled in Sweden and are to a large extent hedged through forward currency contracts. At the translation of accounts payable for the year to the closing day exchange rate, the translation effect was SEK -183 m, of which SEK 165 m was compensated for by forward contracts and the remaining SEK -18 m affected the year's pre-tax profit.

Transaction exposure associated with commercial flows

The payment flows in the form of payments in foreign currencies for accounts receivable and payable expose the Group to currency risk. To manage the currency risk relating to changes in exchange rates, the Group hedges its currency risk within the framework of the financial policy. The currency risk exposure is dealt with at the central level. Most of the Group's sales are made in euro and the Group's most significant purchase currencies are the US dollar and the euro. Fluctuation in the US dollar/euro exchange rates is the single largest transaction exposure within the Group. To hedge the flow of goods in foreign currencies and thereby reduce the effects of future exchange rate fluctuation, the majority of the Group's flow of goods, both internal and external, are hedged under forward contracts on an ongoing basis throughout the year. Since the sole purpose of this currency management is to reduce risk, only exposure to the product flows is hedged.

The Group's exposure to outstanding derivative instruments is reported in Note 16.

The Group's operating profit for the year was affected by exchange rate differences relating to product flows in the amount of SEK 31 m (375).

Translation exposure on consolidation of units outside Sweden

In addition to the effects of transaction exposure, the profits are also affected by translation effects as a result of changes in exchange rates for the local currencies of the various foreign subsidiaries against the Swedish krona, compared to the same period the previous year. The underlying profit/loss in a market may be unchanged in the local currency, but when converted into SEK may increase in SEK if the Swedish krona has weakened or decrease if the Swedish krona has strengthened. These translation effects have affected profit after tax for the year in the amount of SEK 207 m (-199), compared to the result that would have been reported in SEK if exchange rates had remained the same. Translation effects affect the Group's net assets on consolidation of the foreign subsidiaries' balance sheets (translation exposure in the balance sheet). No exchange rate hedging (equity hedging) is carried out for this risk. The translation difference for the year, which is recognised directly in Group equity, amounts to SEK 1,679 m (241).

CREDIT RISK

Credit risk is the risk that a party in a transaction involving financial instruments may not be able to fulfil its commitment and thereby cause a loss to the other party. Credit exposure arises when liquid funds including short-term investments, are invested, but also in the form of a counterparty risk associated with trading in derivatives. To limit credit risk, forward contract transactions are only executed with counterparties with a good credit rating, and funds are only invested in banks with a minimum rating of A-1/A- (Standard & Poor) and P2/A3 (Moody's). In the autumn 2008 only investments with a maximum term of one month were made. Maximum credit exposure is equivalent to the book value of liquid assets and short-term investments.

Credit risk also arises in connection with sales on credit in the area of the Group's Internet and catalogue sales. The total accounts receivable as of the closing date amounted to SEK 1,138 m. The receivables are shared between a large number of customers with low amounts per customer. The average debt was around SEK 2,000. The loss on accounts receivable was SEK 41 m.

3 SEGMENT REPORTING

	2008	2007
Nordic region		
External net sales	15,323	15,017
Operating profit	1,154	7,033
Operating margin in %	7.5	46.8
Assets, excluding tax receivables	4,059	17,826
Liabilities, excluding tax liabilities	1,168	3,317
Investments	268	322
Depreciation	198	231
Euro Zone excluding Finland		
External net sales	49,961	43,430
Operating profit	2,938	8,316
Operating margin in %	5.9	19.1
Assets, excluding tax receivables	14,190	14,716
Liabilities, excluding tax liabilities	2,911	2,703
Investments	2,439	1,778
Depreciation	1,051	872
Rest of the World		
External net sales	23,248	19,899
Operating profit	1,196	3,033
Operating margin in %	5.1	15.2
Assets, excluding tax receivables	9,234	8,309
Liabilities, excluding tax liabilities	1,601	934
Investments	1,827	1,508
Depreciation	823	711
Group Functions		
Net sales to other segments	51,558	–
Operating profit	14,850	–
Operating margin in %	28.8	–
Assets, excluding tax receivables	22,461	–
Liabilities, excluding tax liabilities	5,516	–
Investments	659	–
Depreciation	130	–
Eliminations		
Net sales to other segments	-51,558	–
Total		
External net sales	**88,532**	**78,346**
Operating profit	**20,138**	**18,382**
Operating margin in %	**22.7**	**23.5**
Assets, excluding tax receivables	**49,944**	**40,851**
Liabilities, excluding tax liabilities	**11,196**	**6,954**
Investments	**5,193**	**3,608**
Depreciation	**2,202**	**1,814**

Internal follow-up of the business is carried out by country. To clearly present information on different segments, the operations are divided into three geographical regions: the Nordic Region, Euro Zone excluding Finland, and the Rest of the World. There is no internal division into different business segments and thus reporting in secondary segments is not relevant. In 2007 the Group structure was reviewed and refined in order to facilitate the division of the logistics function into regions and to support the expansion in progress. As a result of this, the central functions of design, logistics, stock-keeping and buying were transferred into a separate subsidiary. The parent company and all other subsidiaries with no external sales are being reported as of 1 December 2007 in a separate segment: Group Functions. A great deal of the Group's value-added is created in this segment. The internal pricing model was adapted in 2007 accordingly. As a result, the operating profit and operating margin in individual segments for the current financial year are not comparable with previous years.

4 NET SALES BY COUNTRY

	2008	2007
Sweden	5,973	5,788
Norway	4,235	4,123
Denmark	3,102	3,003
UK	6,401	6,404
Switzerland	4,534	3,909
Germany	21,434	18,674
Netherlands	5,710	5,166
Belgium	2,581	2,344
Austria	4,195	3,797
Luxembourg	316	299
Finland	2,013	1,843
France	6,686	5,830
USA	6,264	5,612
Spain	5,006	4,428
Poland	2,081	1,481
Czech Republic	564	514
Portugal	634	556
Italy	2,229	1,452
Canada	1,629	1,290
Slovenia	500	409
Ireland	418	358
Hungary	254	165
Slovakia	115	68
Greece	253	118
China	827	456
Japan	188	–
Franchise	390	259
Total	**88,532**	**78,346**

5 ROYALTIES FROM GROUP COMPANIES

The parent company's internal sales include royalties received from Group companies of SEK 5,145 m (2,517).

6 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS

2008	Board, MD executive management salary	Salary, other employees	Payroll overheads total	of *which* pens. total	of *which* pens. Board, MD exec mgmt
Sweden, parent company	49	372	263	128	85
Subsidiaries	52	11,324	2,434	90	4
Group total	**101**	**11,696**	**2,697**	**218**	**89**

2007	Board, MD executive management salary	Salary, other employees	Payroll overheads total	of *which* pens. total	of *which* pens. Board, MD exec mgmt
Sweden, parent company	44	804	306	90	26
Subsidiaries	39	9,042	1,941	81	7
Group total	**83**	**9,846**	**2,247**	**171**	**33**

BOARD FEES

Board fees for the year as approved by the AGM amounted to SEK 4.25 m (3.9). The Board consists of nine ordinary members elected by the AGM. There are also two employee representatives with two deputies. Seven of the Board members are women, six are men and five of the 13 are employed within the company. During the year Board fees of SEK 4.25 m have been paid out as follows:

	SEK
Stefan Persson, Chairman	1,350,000
Fred Andersson	375,000
Mia Brunell Livfors	375,000
Lottie Knutson	375,000
Sussi Kvart	450,000
Bo Lundquist	450,000
Stig Nordfelt	500,000
Karl-Johan Persson	0
Melker Schörling	375,000

REMUNERATION PAID TO SENIOR EXECUTIVES

Based on a resolution regarding guidelines passed by the 2008 AGM – see Administration Report page 7.

REMUNERATION TO THE MANAGING DIRECTOR

Remuneration to the Managing Director in the form of salary and benefits amounted to SEK 16.8 m (14.0) which included a bonus of SEK 2.1 m (1.5). The pension expenses for the Managing Director during the year were SEK 60.2 m (20.6), of which SEK 59.8* m comprises pension commitments entered as liabilities. The pension commitments entered as liabilities for the year relating to the Managing Director include actuarial losses of SEK 38 m. The total pension commitments entered as liabilities amount to SEK 136.7 m (76.9). The retirement age for the Managing Director is 65. The Managing Director receives a pension of 65 percent of the fixed salary for three years and thereafter a lifetime pension equivalent to 50 percent of the same salary.

The Managing Director is entitled to a 12-month period of notice. In the event the company terminates his employment contract, the Managing Director will also receive severance pay of an extra year's salary. The Managing Director's terms of employment are determined by the Board of Directors.

REMUNERATION TO OTHER MEMBERS OF EXECUTIVE MANAGEMENT

Remuneration to other members of the executive management team in the form of salary and benefits were paid in the amount of SEK 38.5 m (26.0) which included bonuses of SEK 2.6 (3.2). Pension expenses relating to other members of executive management during the year amounted to SEK 24.9* m (5.2). Other members of executive management are twelve individuals, four of whom are women. In addition to the Managing Director, the executive management team includes those responsible for the following functions: Finance, Buying, Production, Sales, Expansion, IR, Accounts, Marketing, HR, Communications, Corporate Social Responsibility and Security. There are rules in place for these individuals with respect to supplements to retirement pension beyond the ITP plan. The retirement age varies between 60 and 65. The cost of this commitment is partially covered by separate insurance policies.

In addition, bonuses amounting to SEK 8.0 m (6.1) where paid out to country managers. No severance pay agreements exist within the Group other than for the Managing Director as described above.

The terms of employment for other members of the executive management team are determined by the Managing Director and the Chairman of the Board.

* The actuarial losses are due to the change in the discount rate.

7 AVERAGE NUMBER OF EMPLOYEES

	2008 Total	Male %	2007 Total	Male %
Sweden	4,924	21	4,456	18
Norway	1,575	7	1,509	7
Denmark	1,335	6	1,278	6
UK	4,275	24	3,872	22
Switzerland	1,599	12	1,474	12
Germany	10,746	19	10,085	20
Netherlands	2,395	19	2,254	18
Belgium	1,332	15	1,400	16
Austria	1,986	10	1,936	12
Luxemburg	134	11	134	16
Finland	840	10	823	11
France	3,396	25	2,950	25
USA	6,820	31	6,329	30
Spain	4,528	20	3,415	19
Poland	1,956	21	1,150	28
Czech Republic	281	6	249	7
Portugal	606	25	425	22
Italy	1,052	30	753	27
Canada	1,011	22	800	20
Slovenia	129	15	115	17
Ireland	220	15	188	19
Hungary	135	12	98	12
Slovakia	65	38	45	24
Greece	247	20	85	24
China	1,109	26	646	34
Japan	203	33	–	–
Russia	26	23	–	–
Other countries	505	48	560	41
Group total	**53,430**	**21**	**47,029**	**20**

SICKNESS ABSENCE IN THE PARENT COMPANY

	Sickness absence as % of reg working hours		% of sickness absence lasting over 60 days	
	2008	2007	2008	2007
Female employees	2.6	5.0	35.4	46.1
Male employees	1.7	3.1	5.9	28.7
Employees in age group < 30 years	1.9	3.2	0.0	20.7
Employees in age group 30–49 years	2.3	5.2	29.2	50.4
Employees in age group > 50 years	1.3	8.4	0.0	60.8
All employees	**2.2**	**4.7**	**24.7**	**44.3**

As of 1 December 2007 the operations of the parent company have been divided between three Swedish companies. The information is therefore not comparable.

8 DEPRECIATION

Depreciation has been calculated at 12 percent of the acquisition cost of equipment and leasehold rights and 20 percent for computer equipment and vehicles, based on estimated useful life. Depreciation on brands and customer relations relating to FaBric Scandinavien AB is assessed at 10 percent of the acquisition cost. Buildings are depreciated at 3 percent of acquisition cost. No depreciation is applied to land values. Depreciation for the year is reported in the income statement as follows:

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Cost of goods sold	245	203	11	12
Selling expenses	1,825	1,505	73	72
Administrative expenses	132	106	4	4
Total	**2,202**	**1,814**	**88**	**88**

9 AUDIT FEES

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Ernst & Young				
Audit assignments	14.5	12.8	2.2	2.4
Other assignments*	14.0	18.4	0.6	11.5
Other auditors				
Audit assignments	2.9	2.5	–	–
Other assignments	1.1	1.3	–	–
Total	**32.5**	**35.0**	**2.8**	**13.9**

* Other assignments refers mainly to tax advice in connection with changes to internal pricing principles and refinement of the Group structure.

10 TAX

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Tax expense (-) / tax receivable (+):				
Current tax				
Tax expense for the period	-5,034	-6,408	-556	-758
Adjusted tax expense for previous years	-1	120	3	–
Total	-5,035	-6,288	-553	-758
Deferred tax				
Deferred tax receivable (+) / tax expense (-) in respect of temporary differences stock-in-trade	32	787	–	–
Deferred tax receivable (+) / tax expense (-) in respect of loss carry-forward	1	-15	–	–
Deferred tax receivable (+) / tax expense (-) in respect of pension provisions	20	–	19	–
Deferred tax receivable (+) / tax expense (-) in respect of tax allocation reserve	-1,017	–	–	–
Deferred tax receivable (+) / tax expense (-) in respect of intangible fixed assets	10	–	–	–
Deferred tax receivable (+) / tax expense (-) in respect of other temporary differences	93	-66	–	7
Total	-861	706	19	7
Total	**-5,896**	**-5,582**	**-534**	**-751**

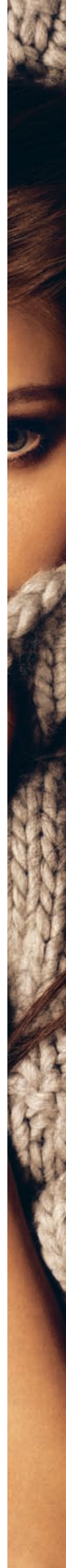
Reconciliation between current tax rate and effective tax rate:

	GROUP 2008	GROUP 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
Expected tax expense according to the Swedish tax rate of 28%	-5,933	-5,367	-4,126	-3,099
Difference in foreign tax rates	279	-358	–	–
Non-deductible /non taxable	-153	-61	-8	-17
Other	-88	84	–	-5
Tax for previous years	-1	120	3	–
Tax-free dividend subsidiary	–	–	3,597	2,370
Total	**-5,896**	**-5,582**	**-534**	**-751**

Reported deferred tax receivable relates to:

	GROUP 2008	GROUP 2007	PARENT COMPANY 2008	PARENT COMPANY 2007
Pensions	56	36	51	32
Loss carry-forward in subsidiaries	3	2	–	–
Temporary differences in stock-in-trade	819	787	–	–
Hedge reserve	207	–	–	–
Other temporary differences	214	58	–	–
Total	**1,299**	**883**	**51**	**32**

The loss carry-forward is expected to be utilised within the next few years.



Reported deferred tax expense relates to:

	GROUP	
	2008	2007
Intangible fixed assets	159	–
Tangible fixed assets	432	465
Stock-in-trade	210	186
Tax allocation reserve	1,017	–
Total	**1,818**	**651**

11 INTANGIBLE FIXED ASSETS

	GROUP	
	2008	2007
Brand*		
Opening acquisition cost	–	–
Acquisitions during the year	470	–
Closing acquisition cost	470	–
Opening depreciation	–	–
Depreciation for the year	-27	–
Closing accumulated depreciation	-27	–
Closing book value	**443**	**–**
Customer relations*		
Opening acquisition cost	–	–
Acquisition during the year	131	–
Closing acquisition cost	131	–
Opening depreciation	–	–
Depreciation for the year	-8	–
Closing accumulated depreciation	-8	–
Closing book value	**123**	**–**
Leasehold rights		
Opening acquisition cost	476	392
Acquisitions during the year	446	86
Sales/disposals	-77	-15
Translation effects	45	13
Closing acquisition cost	890	476
Opening depreciation	-210	-170
Sales/disposals	77	15
Depreciation for the year	-74	-50
Translation effects	-24	-5
Closing accumulated depreciation	-231	-210
Closing book value	**659**	**266**
Goodwill*		
Opening acquisition cost	–	–
Acquisitions during the year	431	–
Closing acquisition cost	431	–

* Brand, customers relations and goodwill have arisen through the acquisition of the company FaBric Scandinavien AB. An impairment test was carried out at the end of 2008. The value in use has been assessed based on discounted cash flows according to the forecasts for the next ten years and with an annual growth rate of 2 percent in subsequent years. A discount rate of 12 percent before tax was used. No impairment was identified.

12 BUILDING, LAND & EQUIPMENT

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Buildings				
Opening acquisition cost	564	503	107	107
Acquisitions during the year	23	56	2	–
Sales/disposals	-35	–	–	–
Translation effects	44	5	–	–
Closing acquisition cost	596	564	109	107
Opening depreciation	-158	-143	-51	-48
Sales/disposals	4	–	–	–
Depreciation for the year	-16	-14	-3	-3
Translation effects	-14	-1	–	–
Closing accumulated depreciation	-184	-158	-54	-51
Closing book value	**412**	**406**	**55**	**56**
Land				
Opening acquisition cost	60	60	3	3
Acquisitions during the year	0	–	–	–
Sales/disposals	–	–	–	–
Translation effects	8	–	–	–
Closing book value	**68**	**60**	**3**	**3**

The tax assessment values for the Swedish properties amount to SEK 71 m (57). The book value of these amounts to SEK 58 m (59).

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Equipment				
Opening acquisition cost	16,173	13,605	736	1,001
Acquisitions during the year	4,724	3,466	183	123
Sales/disposals	-1,346	-999	-150	-388
Translation effects	1,469	101	–	–
Closing acquisition cost	21,020	16,173	769	736
Opening depreciation	-7,352	-6,471	-478	-543
Sales/disposals	1,203	905	150	150
Depreciation for the year	-2,077	-1,750	-85	-85
Translation effects	-833	-36	–	–
Closing accumulated depreciation	-9,059	-7,352	-413	-478
Closing book value	**11,961**	**8,821**	**356**	**258**

The Group has no significant leasing agreements other than the rental agreements for rented premises entered into at normal, market rates. Rental costs for the 2008 financial year amounted to SEK 9,776 m (8,467), of which sales-based rent amounted to SEK 740 m (657).

Rent according to the Group's rental agreements (basic rent excluding any sales-based rent) amounts to SEK m:

Due 2009	8,918
Due 2010–2013	26,368
Due 2014 and thereafter	18,728

13 PREPAID COSTS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Prepaid rent	642	549	4	14
Other items	306	85	8	26
Total	**948**	**634**	**12**	**40**

14 SHORT-TERM INVESTMENTS

This balance sheet item includes interest-bearing investments, i.e. investments in securities issued by banks or in short-term bank deposits. As of 30 November 2008 there were no investments with terms longer than 3 months except all short-term investments classified as liquid funds, see Note 15.

15 LIQUID FUNDS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Cash and bank balances	3,028	1,649	8	109
Short-term investments 0–3 months	19,698	14,415	6,517	1,308
Total	**22,726**	**16,064**	**6,525**	**1,417**

Investments are made on market terms and interest rates are between 1.1 and 8.7 percent. The difference in interest rates depends on the currency in which the funds are invested.

16 FORWARD CONTRACTS

The table below shows the outstanding forward contracts as of the closing date:

Currency pair	Book value and fair value		Nominal amount		Average remaining term in months	
Sell/buy	2008	2007	2008	2007	2008	2007
NOK/USD	–	2	–	231	–	3
DKK/USD	–	-6	–	199	–	3
GBP/USD	–	-7	–	455	–	3
CHF/USD	–	-9	–	298	–	3
EUR/USD	–	-88	–	2,525	–	3
PLN/USD	–	-12	–	195	–	3
CZK/USD	–	–	–	–	–	–
CAD/USD	–	1	–	82	–	3
SEK/USD	–	-6	–	494	–	3
NOK/SEK	-1	–	830	–	4	–
GBP/SEK	-27	–	1,210	–	4	–
DKK/SEK	-46	–	637	–	4	–
CHF/SEK	-90	–	1,209	–	4	–
EUR/SEK	-820	–	11,950	–	4	–
PLN/SEK	9	–	633	–	4	–
USD/SEK	-216	–	1,380	–	4	–
SEK/USD	550	–	5,338	–	3	–
SEK/EUR	66	–	1,423	–	2	–
Total	**-575**	**-125**	**24,610**	**4,479**		

Forward contracts with a positive market value amount to SEK 660 m (7), which is reported under Other current receivables. Forward contracts with a negative market value amount to SEK 1,234 m (132), which is reported under Other current liabilities.

Of the outstanding forward contracts, profits of SEK 165 m have been recorded in the income statement with changes in value of the underlying hedged item. Residual fair value of SEK -739 m has been recorded in the hedge reserve in equity.

The market value is arrived at using information received from the banks.

17 SHARE CAPITAL

The share capital consists of 97,200,000 class A shares (ten votes per share) and 730,336,000 class B shares (one vote per share). There are no other differences between the rights of the shares. The total number of shares is 827,536,000.

18 APPROPRIATION OF PROFITS IN ACCORDANCE WITH THE 2008 ANNUAL GENERAL MEETING RESOLUTION

Unappropriated earnings as per balance sheet on 30 November 2008	12,367
Dividend SEK 14.00 per share	-11,584
Retained earnings	**783**

19 PROVISIONS FOR PENSIONS

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Capitalised value of defined benefit obligations	299	218	219	140
Fair value of managed assets	-71	-62	-26	-27
Provisions for pensions recorded in the balance sheet	228	156	193	113
Opening balance, 1 December	156	130	113	90
Reported pension expenses, net	82	39	84	28
Premiums paid	-4	-8	-2	-2
Pensions paid out	-6	-5	-2	-3
Recorded amount of defined benefit obligations, 30 November	**228**	**156**	**193**	**113**

The amounts recorded as pension expenses include the following items

Expenses for service during the current year	23	24	18	17
Interest expense	10	8	7	5
Expected return on managed assets	-3	-3	-1	-1
Actuarial gains and losses	51	9	59	6
Changes in foreign exchange rates for plans valued in a currency other than the reporting currency	1	1	1	1
Reported pension expenses, net	82	39	84	28

The cost of defined contribution pensions amounts to SEK 135 m (132).

Significant actuarial assumptions on the balance sheet date (weighted average amounts)

Discount rate	3.30%	4.37%	3.00%	4.25%
Expected return on managed assets	3.76%	4.32%	3.25%	4.00%
Future salary increases	4.67%	4.60%	5.00%	5.00%
Future pension increases (inflation)	2.06%	2.00%	2.00%	2.00%

20 OTHER PROVISIONS

	GROUP	
	2008	2007
Provision for additional consideration for FaBric Scandinavien AB	368	–
Total	**368**	–

21 COMPANY ACQUISITION

As announced in a press release on 6 March 2008, H&M has signed an agreement to acquire the privately owned Swedish fashion company FaBric Scandinavien AB, which designs and sells fashion under a number of own brands, such as Cheap Monday, and operates the store chains Weekday and Monki. Following approval by the relevant competition authorities, H&M acquired 60 percent of the shares in the company for SEK 551 m in cash on 30 April 2008. Thus FaBric Scandinavien AB is included in the consolidated accounts from 1 May 2008.

The parties also signed an agreement under which H&M has the opportunity/obligation to acquire the remaining shares within three to five years. The assessed value of the put options allocated to minority shareholders in connection with the acquisition is reported as a provision for an additional contingent consideration. Therefore no minority interest is reported. At the time of acquisition the provision was SEK 368 m. Any change in fair value of the put options/additional consideration will be recorded as an adjustment of goodwill. The total consideration including the provision for put options allocated to minority shareholders is calculated at SEK 919 m. To this are added acquisition costs of SEK 8 m, making the total acquisition cost SEK 927 m. The acquisition gives rise to goodwill of SEK 431 m after intangible fixed assets identified relating to the brands of SEK 470 m and customer relations of SEK 131 m and a deferred tax liability of SEK 169 m. Goodwill arising from the acquisition relates to synergy effects etc. achieved due, among other things, to economies of scale in production, logistics, expansion and know-how in the existing organisation.

The assets and liabilities included in the acquisition are as follows:

SEK m	Reported value in FaBric Scandinavien AB	Value according to acquisition analysis
Intangible fixed assets		
– Brands*		470
– Customer relations*		131
– Leasehold rights	8	8
Tangible fixed assets	42	42
Financial fixed assets	1	1
Stock-in-trade	48	48
Other current assets	51	51
Liquid funds	4	4
Deferred tax liabilities	-5	-174
Non current liabilities	-22	-22
Current liabilities	-63	-63
Acquired identifiable net assets		**496**
Goodwill		431
Total	**64**	**927**

Consideration for shares in subsidiary	551
Acquisition expenses	8
Provision for additional consideration/put options	368
Total acquisition cost	**927**

* The utilisation period for these assets has been assessed as ten years.

FaBric Scandinavien AB's result after tax for the shortened financial year, 1 May 2008 to 30 November 2008, amounted to SEK 9 m, sales excluding VAT for the same period amounted to SEK 218 m.

22 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2008	Loan receivables and accounts receivable	Financial assets held to maturity	Deriv. for hedging recog. at fair value in equity	Other financial liabilities	Total booked value
Other long-term receivables	–	476	–	–	476
Accounts receivable	1,991	–	–	–	1,991
Other receivables	–	–	660	–	660
Short-term investments	–	–	–	–	–
Liquid funds	3,028	19,698	–	–	22,726
Total liquid funds	**5,019**	**20,174**	**660**	**–**	**25,853**
Accounts payable	–	–	–	3,658	3,658
Other liabilities	–	–	1,234	–	1,234
Total financial liabilities	**–**	**–**	**1,234**	**3,658**	**4,892**

2007	Loan receivables and accounts receivable	Financial assets held to maturity	Derivatives for fair value hedging	Other financial liabilities	Total booked value
Other long-term receivables	–	253	–	–	253
Accounts receivable	1,122	–	–	–	1,122
Other receivables	–	–	7	–	7
Short-term investments	–	4,900	–	–	4,900
Liquid funds	1,649	14,415	–	–	16,064
Total financial liabilities	**2,771**	**19,568**	**7**	**–**	**22,346**
Accounts payable	–	–	–	2,483	2,483
Other liabilities	–	–	132	–	132
Total financial liabilities	**–**	**–**	**132**	**2,483**	**2,615**

The fair value of all assets and liabilities corresponds to the book value since the assets and liabilities that are recognised at the accrued acquisition cost have short remaining terms.

23 ACCRUED EXPENSES AND DEFERRED INCOME

	GROUP		PARENT COMPANY	
	2008	2007	2008	2007
Holiday pay liability	524	547	35	44
Payroll overheads	425	182	52	61
Payroll liability	512	441	3	22
Costs relating to premises	1,032	761	1	0
Other accrued overheads	1,194	916	52	105
Total	**3,687**	**2,847**	**143**	**232**

24 RELATED PARTY DISCLOSURES

Ramsbury Invest AB (formerly Stefan Persson Investment AB) is the parent company of H & M Hennes & Mauritz AB. The H&M Group leases the following store premises in properties directly or indirectly owned by Stefan Persson and family: Drottninggatan 50–52 in Stockholm, Drottninggatan 56 in Stockholm, Kungsgatan 55 in Gothenburg, Stadt Hamburgsgatan 9 in Malmö, Amagertorv 23 in Copenhagen and Oxford Circus in London, and since January 2008 premises for H&M's head office in Stockholm. Rent is paid at market rates and amounted to SEK 156 m (49) for the financial year.

Board member Karl-Johan Persson has received compensation in form of a salary of SEK 0.7 m (1.2) for work carried out for the subsidiary H & M Hennes Ltd. Information regarding salaries and other remuneration to related parties is provided in Note 6.

25 APPROPRIATIONS

	PARENT COMPANY	
	2008	2007
Provision for tax allocation reserve	-662	–
Depreciation in excess of plan	-1	130
Total	**-663**	**130**

26 PARTICIPATIONS IN GROUP COMPANIES

All Group companies are wholly owned except FaBric Scandinavien AB which is owned to 60 percent. The parties also signed an agreement under which H&M has the opportunity/obligation to acquire the remaining shares within three to five years.

2008
PARENT COMPANY SHAREHOLDING

	Corporate-ID number	No. of shares	Book value	Domicile
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
H & M Hennes & Mauritz Sverige 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
H & M Hennes & Mauritz GBC AB	556070-1715	1,000	2.6	Stockholm
H & M Hennes & Mauritz International B.V.		40	0.1	Netherlands
H & M India Private Ltd		1,633,500	2.9	India
H & M Hennes & Mauritz Japan KK		99	12.0	Japan
FaBric Scandinavien AB	556663-8523	828	560.0	Tranås
Total			**583.4**	

SUBSIDIARIES' PARTICIPATIONS

	Corporate ID number	Domicile
Carl Axel Pettersons AB	556027-7351	Stockholm
H & M Hennes & Mauritz A/S		Norway
H & M Hennes & Mauritz A/S		Denmark
H & M Hennes Ltd		UK
H & M Hennes & Mauritz SA		Switzerland
H & M Trading SA		Switzerland
H & M Hennes & Mauritz B.V. & Co. KG		Germany
Impuls GmbH		Germany
H & M Hennes & Mauritz Logistics GBC GmbH		Germany
H & M Hennes & Mauritz Logistics GmbH & Co. KG		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
Hennes & Mauritz SL		Spain
H & M Hennes & Mauritz sp. z.o.o.		Poland
H & M Hennes & Mauritz Logistics sp. z.o.o.		Poland
H & M Hennes & Mauritz CZ, s.r.o.		Czech Republic
Hennes & Mauritz Lda		Portugal
H & M Hennes & Mauritz S.r.l.		Italy
H & M Hennes & Mauritz Inc.		Canada
H & M Hennes & Mauritz d.o.o.		Slovenia
H & M Hennes & Mauritz (Ireland) Ltd		Ireland
H & M Hennes & Mauritz Kft		Hungary
H & M Hennes & Mauritz Far East Ltd		Hong Kong
Puls Trading Far East Ltd		Hong Kong
H & M Hennes & Mauritz Holding Asia Ltd		Hong Kong
H & M Hennes & Mauritz Ltd		Hong Kong
Hennes & Mauritz (Shanghai) Commercial Ltd Co		China
H & M Hennes & Mauritz SK s.r.c.		Slovakia
H & M Hennes & Mauritz A.E.		Greece
Monki AB	556686-8609	Tranås
Weekday AB	556427-8926	Stockholm
Weekday Brands AB	556675-8438	Tranås
Weekday A/S		Denmark
H & M Hennes & Mauritz LLP Russia		Russia
H & M Hennes & Mauritz TR Tekstil ltd sirketi		Turkey

27 UNTAXED RESERVES

	PARENT COMPANY	
	2008	2007
Tax allocation	662	–
Depreciation in excess of plan	120	119
Total	**782**	**119**

28 CONTINGENT LIABILITIES

	PARENT COMPANY	
	2008	2007
Parent company's lease guarantees	11,751	12,431
Total	**11,751**	**12,431**

29 KEY RATIO DEFINITIONS

Return on equity:
Profit for the year divided by average shareholders' equity.

Return on capital employed:
Profit after financial items plus interest expense divided by average shareholders' equity plus interest-bearing liabilities.

Share of risk-bearing capital:
Shareholders' equity plus deferred tax liability divided by the balance sheet total.

Equity/assets ratio:
Shareholders' equity in relation to balance sheet total.

Equity per share:
Shareholders' equity divided by number of shares.

P/E ratio:
Price per share divided by earnings per share.

Comparable units:
Comparable units imply the stores and the internet and catalogue sales countries that have been in operation for at least a financial year. H&M's financial year extends from 1 December to 30 November.

SIGNING OF THE ANNUAL REPORT

The undersigned hereby provide an assurance that the Annual Report and consolidated accounts have been drawn up in accordance with IFRS international accounting standards, as adopted by the EU, and with good accounting practice, and that they provide a true and fair view of the Group's and the parent company's position and earnings, and also that the Administration Report provides a true and fair view of the development of the Group's and the parent company's business, position and earnings, and also describe the significant risks and uncertainties faced by the companies making up the Group.

Stockholm, 28 January 2009

Stefan Persson
Chairman of the Board

Fred Andersson
Board member

Mia Brunell Livfors
Board member

Lottie Knutson
Board member

Sussi Kvart
Board member

Bo Lundquist
Board member

Stig Nordfelt
Board member

Marianne Norin-Broman
Board member

Karl-Johan Persson
Board member

Melker Schörling
Board member

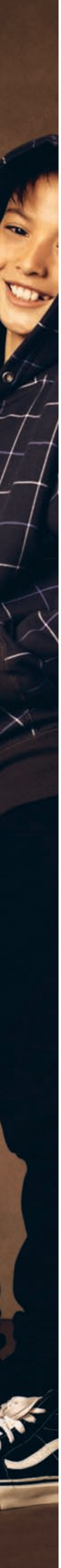
Margareta Welinder
Board member

Rolf Eriksen
Managing director

Our audit report was submitted on 29 January 2009

Åsa Lundvall
Authorised Public Accountant
Ernst & Young AB

Erik Åström
Authorised Public Accountant
Ernst & Young AB



AUDITORS' REPORT

To the Annual General Meeting of H & M Hennes & Mauritz AB (publ) Corporate identity number 556042-7220

We have audited the annual accounts, consolidated accounts, accounting records and the administration of the Board of Directors and the Managing Director of H & M Hennes & Mauritz AB for the financial year 1 December 2007 to 30 November 2008. The company's annual accounts and consolidated accounts are included in this document on pages 5–31. These accounts, the administration of the company and compliance with the Annual Accounts Act in the preparation of the annual report and the application of IFRS international accounting standards, as adopted by the EU, and of the Annual Accounts Act to the consolidated accounts 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.

Our audit was conducted in accordance with generally accepted auditing standards in Sweden. This means that we planned and performed the audit in order to obtain a high, but not absolute, degree of assurance that the annual accounts and consolidated accounts are free from material misstatement. An audit includes examinating, 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 and the Managing Director and evaluating the significant assessments made by the Board and the Managing Director in preparing the annual accounts and consolidated accounts, as well as assessing the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances in 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 has been prepared in accordance with the Annual Accounts Act and gives a true and fair view of the company's and the Group's earnings and financial position in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been compiled in accordance with IFRS international accounting standards, as adopted by the EU, and the Annual Accounts Act and give a true and fair view of the Group's earnings and financial position. The administration report is consistent with the other section of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting 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 2009

Åsa Lundvall	Erik Åström
Authorised Public Accountant	Authorised Public Accountant
Ernst & Young AB	Ernst & Young AB

FIVE YEAR SUMMARY

1 December–30 November

THE FINANCIAL YEAR	2008	2007	2006	2005	2004
Sales including VAT, SEK m	104,041	92,123	80,081	71,886	62,986
Sales excluding VAT, SEK m	88,532	78,346	68,400	61,262	53,695
Change from previous year, %	+13	+15	+12	+14	+11
Operating profit, SEK m	20,138	18,382	15,298	13,173	10,667
Operating margin, %	22.7	23.5	22.4	21.5	19.9
Depreciation for the year, SEK m	2,202	1,814	1,624	1,452	1,232
Profit after financial items, SEK m	21,190	19,170	15,808	13,553	11,005
Profit after tax, SEK m	15,294	13,588	10,797	9,247	7,275
Liquid funds and short-term investments, SEK m	22,726	20,964	18,625	16,846	15,051
Stock-in-trade, SEK m	8,500	7,969	7,220	6,841	5,142
Equity, SEK m	36,950	32,093	27,779	25,924	22,209
Number of shares, thousands*	827,536	827,536	827,536	827,536	827,536
Earnings per share, SEK*	18.48	16.42	13.05	11.17	8.79
Shareholders' equity per share, SEK*	44.65	38.78	33.57	31.33	26.84
Cash flow from current operations per average number of shares, SEK*	21.71	18.59	14.57	12.25	10.46
Dividend per share, SEK	15.50**	14.00	11.50	9.50	8.00
Return on shareholders' equity, %	44.3	45.4	40.2	38.4	34.4
Return on capital employed, %	61.1	63.7	58.7	56.3	51.9
Share of risk-bearing capital, %	75.7	78.5	80.0	80.2	82.5
Equity/assets ratio, %	72.1	76.9	78.1	78.1	79.0
Total number of stores	1,738	1,522	1,345	1,193	1,068
Average number of employees	53,430	47,029	40,855	34,614	31,701

* Before and after dilution.
** Proposed by the Board of Directors.

Definition on key figures, see Note 29.

The International Financial Reporting Standards (IFRS) are applied with effect from 2005/2006. The restatement of the 2004/2005 figures according to IFRS has not involved any adjustment. 2003/2004 has been reported according to previously applied principles based on the Swedish Financial Accounting Standards Council's recommendations.

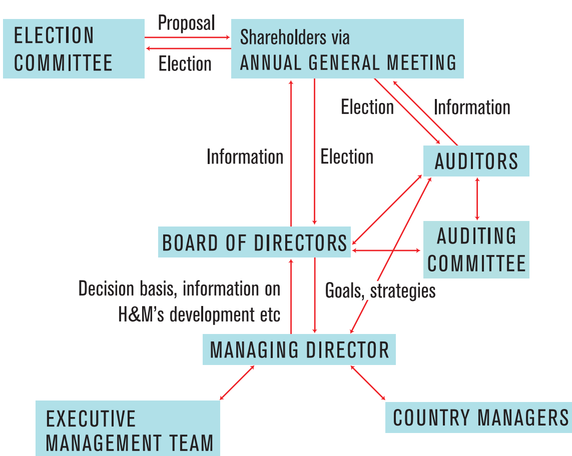
CORPORATE GOVERNANCE REPORT 2008 H & M HENNES & MAURITZ AB

H&M applies the Swedish Code of Corporate Governance and has therefore prepared this corporate governance report in accordance with the Code. This corporate governance report for 2008 describes H&M's corporate governance, management and administration as well as internal control over financial reporting. The Corporate Governance Report for 2008 is not part of the formal Annual Report and has not been reviewed by the company's auditors.

The Code is based on the principle of "comply or explain", which means that companies applying the Code may deviate from individual rules provided they give an explanation of the deviation. The box below gives a brief statement of the rules from which H&M deviates. Explanations for the deviations are given in the relevant sections later in the report.

Deviations from the Code:
- The Chairman of the Board is the chairman of the Election Committee.
- H&M has no remuneration committee.

H&M's CORPORATE GOVERNANCE STRUCTURE



Corporate governance is basically about how the company is to be run in order to safeguard the owners' interests. H&M's corporate governance is regulated by both external regulations and internal control documents.

Examples of external regulations:
- the Swedish Companies Act
- accounting legislation, including
- the Swedish Bookkeeping Act and Annual Accounts Act
- stock exchange rules
- Swedish Code of Corporate Governance

Examples of internal control documents:
- articles of association
- instructions and work plan for the Board of Directors and for the Managing Director
- Code of Ethics
- policies and guidelines

SHAREHOLDERS AND ANNUAL GENERAL MEETING

The general meeting is the company's highest decision-making body and is the forum in which shareholders exercise their right to decide on the company's affairs. The Annual General Meeting is convened once a year in order to carry out tasks such as adopting the annual accounts and consolidated accounts, discharging the members of the Board of Directors and the Managing Director from liability and deciding how the profit or loss for the past financial year is to be allocated. The meeting also elects the Board of Directors and – when necessary – auditors for the forthcoming period of office. Extraordinary general meetings can be convened where there is a particular need to do so. At the end of the financial year H&M had 183,436 shareholders. H&M's shares are listed on the Stockholm Stock Exchange, NASDAQ OMX Stockholm AB.

ELECTION COMMITTEE

The Election Committee is the general meeting's body for creating a decision basis for the meeting as regards election of the Board of Directors, Chairman of the Board, auditors and the chairman of the Annual General Meeting, as well as fees to the Board and auditors, plus principles for the Election Committee. An account of the work of the Election Committee ahead of each Annual General Meeting is available in a separate document on the website. Since the 2008 Annual General Meeting the members of H&M's Election Committee have been elected by the meeting.

THE BOARD OF DIRECTORS

The task of the Board of Directors is to manage the company's affairs on behalf of the shareholders.

In addition to laws and recommendations, H&M's Board work is regulated by the Board's work plan, which contains rules on the distribution of work between the Board and the Managing Director, financial reporting, investments and financing. The work plan is established once a year.

AUDITING COMMITTEE

The Board's Auditing Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting. This work includes dealing with critical accounting matters and financial reports issued by the company. The tasks of the Auditing Committee also include dealing with internal control matters and compliance with regulations.

AUDITORS

The auditors are appointed by the shareholders at the Annual General Meeting every four years. The auditors scrutinise the company's annual report and accounts, the consolidated accounts and the management of the company by the Board and Managing Director.

MANAGING DIRECTOR

The Managing Director is appointed by the Board of Directors and is responsible for the daily management of the company as directed by the Board. This means that the Managing Director must place particular importance on recruiting senior executives, buying and logistics matters, pricing policy and sales, marketing, development of the store network and IT development. The Managing Director reports to the Board on H&M's

development and produces decision bases for investments, expansion, etc. The role of Managing Director also includes contact with the financial market, the media and authorities.

EXECUTIVE MANAGEMENT TEAM AND COUNTRY MANAGERS

H&M has a matrix organisation in which country managers and the members of the executive management team report directly to the Managing Director (see section on control environment). The matrix organisation consists both of the sales countries, headed by the country managers, and the central functions/departments, for which the executive management team is responsible.

ANNUAL GENERAL MEETING 2008

All shareholders who are entered by name in the register of shareholders and have notified their attendance on time are entitled to participate in the meeting and vote for all their shares. Shareholders who cannot be present in person may be represented by a proxy. H&M's Annual General Meeting 2008 was held in Victoriahallen at the Stockholm International Fairs on 8 May. 974 shareholders attended the meeting, representing 80.9 percent of the votes and 60.7 percent of the capital. H&M's Board of Directors, management and Election Committee as well as the company's two auditors attended the meeting.

IN THE MAIN, THE FOLLOWING RESOLUTIONS WERE PASSED:

- Lawyer Sven Unger was elected chairman of the meeting.
- The balance sheets and income statements for the parent company and for the Group were adopted.
- A dividend to shareholders of SEK 14.00 per share was approved.
- The members of the Board and the Managing Director were discharged from liability for the 2006/2007 financial year.
- The number of Board members elected by the meeting to serve until the next AGM was set at nine, with no deputies elected by the meeting.
- The fees paid to Board members until the next AGM were set at SEK 4,250,000 in total, to be distributed as follows: Chairman of the Board SEK 1,350,000; Board members SEK 375,000; members of the Auditing Committee an extra SEK 75,000; and the chairman of the Auditing Committee an extra SEK 125,000. No fees are to be paid to any member employed by the company.
- Mia Brunell Livfors was elected as a new ordinary member. Fred Andersson, Lottie Knutson, Sussi Kvart, Bo Lundquist, Stig Nordfelt, Karl-Johan Persson, Stefan Persson and Melker Schörling were re-elected as ordinary members. Stefan Persson was re-elected as Chairman of the Board.
- The proposed principles for the Election Committee were approved.
- The proposed guidelines for remuneration paid to senior executives were adopted.

The minutes of the Annual General Meeting were posted on the website within two weeks of the meeting.

Material from the meeting, such as the notice of the meeting, the Board's statement concerning allocation of profit and the Managing Director's address and presentation, minutes, etc. were translated into English and posted on the website.

ANNUAL GENERAL MEETING 2009

H&M's Annual General Meeting 2009 will be held in Victoriahallen at the Stockholm International Fairs on 4 May. To register to attend the 2009 AGM please see page 46 in H&M in figures 2008 including the annual accounts and the consolidated accounts or visit www.hm.com under Investor Relations/Corporate Governance/Annual General Meeting. Since September 2008 information has been provided on the website concerning shareholders' rights to raise matters at the meeting and when such business must be received by H&M in order to be included in the notice of the meeting.

ELECTION COMMITTEE

The members of the Election Committee were elected by the 2008 AGM, as recommended by the Code. The Election Committee was elected on the basis of its principles, which in brief state that the Election Committee shall be made up of the Chairman of the Board plus four other members each representing one of the four biggest shareholders as at 29 February 2008, apart from the shareholder that the Chairman of the Board represents.

The Election Committee's principles also include a procedure for replacing any member who leaves the Election Committee before its work is completed. To read the principles of the Election Committee in full, please see the document "Account of the work of H&M's Election Committee 2008" under Investor Relations/Corporate Governance/Election Committee at www.hm.com.

The composition of the Election Committee following election at the 2008 AGM was as follows:

- Stefan Persson, Chairman of the Board
- Lottie Tham, representing Lottie Tham
- Tomas Nicolin, representing Alecta
- Jan Andersson, representing Swedbank Robur Fonder
- Peter Lindell, representing AMF Pension

Deviating from the Code, the Election Committee appointed Stefan Persson as chairman of the Election Committee, on the grounds that this may be deemed an obvious choice in view of the ownership structure of H&M.

Since the 2008 AGM the Election Committee has held two meetings at which minutes were taken and was also in contact between these times. As a basis for its proposals to the 2009 AGM the Election Committee carried out an assessment of the composition of the Board of Directors. This assessment was partly based on Stefan Persson's verbal account of the work of the Board. The work of the Board functioned well over the course of the year.

No special fees were paid to the Election Committee's chairman, nor to any other member of the Committee.

Shareholders wishing to submit proposals to the Election Committee can do so either to individual members of the Election Committee or by e-mail to valberedningen@hm.com.

H&M's BOARD OF DIRECTORS

SUSSI KVART
Board member and member of the Auditing Committee.

KARL-JOHAN PERSSON
Board member.

MARIANNE NORIN-BROMAN
Employee representative.

MELKER SCHÖRLING
Board member.

STIG NORDFELT
Board member and Chairman of the Auditing Committee.

STEFAN PERSSON
Chairman of the Board.

LOTTIE KNUTSON
Board member.

FRED ANDERSSON
Board member.

AGNETA RAMBERG
Deputy employee representative.

MIA BRUNELL LIVFORS
Board member.

BO LUNDQUIST
Board member and member of the Auditing Committee.

TINA JÄDERBERG
Deputy employee representative.

MARGARETA WELINDER
Employee representative.

FACTS ABOUT THE BOARD MEMBERS

STEFAN PERSSON

Chairman of the Board. Born 1947.

PRIMARY OCCUPATION:
Working Chairman of the Board of H&M.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Member of the board of MSAB and board assignments in family-owned companies.

EDUCATION:
Stockholm University & Lund University, 1969–1973.

WORK EXPERIENCE:

1976–1982	Country Manager for H&M in the UK and responsible for H&M's expansion abroad.
1982–1998	Managing Director and Chief Executive Officer of H&M.
1998–	Chairman of the Board of H&M.

FRED ANDERSSON

Board member. Born 1946.

PRIMARY OCCUPATION:
CEO of Coromandel förvaltning AB.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Chairman of Corem Property Group, Climate Well AB, Oriflame East Africa Ltd., Kenya, member of the board of Bonnier Industrier, Hammarplast Industrier.

EDUCATION:
Economics, Finnish Institute of Exports.

WORK EXPERIENCE:
Founder of Indoor Design in Helsinki, a design company with its own production.

1984–1989	Managing Director of Ikea of Sweden, Ikea's product range and buying company.
1989–1992	CEO of Scandic Hotels.
1992–1993	Consulting assignment for Securum.
1993–1996	Managing Director, Volvo Personbilar Sverige.
1996–1998	Chairman and responsible for EF's Whitbread project.
1998	Founded the Coromandel companies.
2002–2008	CEO and partner in the Nicator Group.
2008–	CEO of Coromandel förvaltning AB.
2008–	Chairman of Oriflame East Africa Ltd. Kenya.

MIA BRUNELL LIVFORS

Board member. Born 1965.

PRIMARY OCCUPATION:
Managing Director and Chief Executive Officer of Investment AB Kinnevik.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Member of the boards of Efva Attling Stockholm AB, Metro International S.A., Tele2 AB, Transcom WorldWide S.A., Korsnäs AB and Mellersta Sveriges Lantbruks AB since 2006, and of Millicom International Cellular S.A. and Modern Times Group MTG AB since 2007.

EDUCATION:
Economics, Stockholm University.

WORK EXPERIENCE:

1989–1992	Consensus AB
1992–2006	Various managerial positions within Modern Times Group MTG AB and Chief Financial Officer 2001–2006.
2006–	Managing Director and CEO of Investment AB Kinnevik.

LOTTIE KNUTSON

Board member. Born 1964.

PRIMARY OCCUPATION:
Communications Director at Fritidsresor Group Nordic with responsibility for communications as well as corporate social responsibility.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
No positions other than as member of the Board of H&M.

EDUCATION:
Université de Paris III, Diplôme de Culture Française, 1985–1986.
Theatre History, Stockholm University, 1989.
Department of Journalism at Stockholm University, 1987–1989.

WORK EXPERIENCE:

1988–1989	Journalist, Svenska Dagbladet.
1989–1995	Communications department at SAS Group.
1995–1996	PR Consultant, Johansson & Co.
1996–1998	PR and Communications Consultant, Bates Sweden.
1998–1999	Communications Consultant, JKL.
1999–	Communications Director at Fritidsresor Group for the Nordic countries.

SUSSI KVART

Board member and member of the Auditing Committee. Born 1956.

PRIMARY OCCUPATION:
Consulting, with a focus on strategic business advice, corporate governance and board procedures.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Chairman of Kvinvest AB. Member of the boards of Healthcare Provision – Stockholm County Council, Stockholms Stadshus AB, Transparency International Sweden and DGC One AB.

EDUCATION:
Bachelor of Laws, Lund University 1980.

WORK EXPERIENCE:

1983–1989	Lagerlöf law firm (now Linklaters), as lawyer from 1986.
1989–1991	Political Expert, Riksdagen (Swedish parliament), parliamentary office of the Swedish Liberal Party.
1991–1993	Political Expert, Swedish Cabinet Office.

1993–1999	Company Lawyer, LM Ericsson.
1997–2001	Member of Aktiebolagskommittén (Swedish Companies Act Committee).
2000–2001	Lawyer and Business Developer, LM Ericsson, Corporate Marketing and Strategic Business Development.
2002–	Sussi Kvart AB.

BO LUNDQUIST
Board member and member of the Auditing Committee.
Born 1942.

PRIMARY OCCUPATION:
Head of family-owned investment company. Board assignments.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Chairman of the boards of Stockholm University College of Physical Education and Sports (GIH), Teknikmagasinet AB (unlisted company); member of the board of Frans Svanström AB (unlisted company). Member of the Board of the Anders Wall Foundation for Free Enterprise.

EDUCATION:
M.Sc. Engineering, Chalmers University of Technology in Gothenburg 1968.

WORK EXPERIENCE:

1970–1974	Administrative Director, Luleå University
1975–1978	Divisional Manager, SSAB.
1978–1982	Sales Manager, Sandvik.
1982–1984	Managing Director, Bulten.
1984–1990	Vice President, Trelleborg.
1991–1998	Managing Director and Chief Executive Officer, Esselte.
1994–1998	Involved in various central trade and industry organisations, including Chairman of the Federation of Swedish Commerce and Trade.

STIG NORDFELT
Board member and Chairman of the Auditing Committee.
Born 1940.

PRIMARY OCCUPATION:
Consulting, with a focus on board procedures.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Member of the boards of CGU Life AB and Capinordic Asset Management AB.

EDUCATION:
M.Sc. Business and Economics from the School of Business, Economics and Law, Gothenburg University 1963.

WORK EXPERIENCE:

1964–1981	Authorised Public Accountant, Reveko AB, Stockholm; from 1971, Senior Partner and joint owner.
1982–1985	Managing Director, Tornet AB, Stockholm.
1986–2006	Managing Director, Pilen AB, Stockholm.

KARL-JOHAN PERSSON
Board member. Born 1975.

PRIMARY OCCUPATION:
Board assignments and responsible for expansion, business development, brand and new business at H&M.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
H&M's subsidiaries in Denmark, the USA, the UK and Germany. The Swedish Chamber of Commerce in the UK and the GoodCause Foundation.

EDUCATION:
European Business School, London, 1996-2000.

WORK EXPERIENCE:

2001–2004	Managing Director, European Network.
2005–2007	Head of Business development and COS, at H&M.
2007–	Responsible for expansion, business development, brand and new business at H&M.

MELKER SCHÖRLING
Board member. Born 1947.

PRIMARY OCCUPATION:
Founder and owner of MSAB.

OTHER SIGNIFICANT BOARD ASSIGNMENTS:
Chairman of MSAB, AarhusKarlshamn AB, Hexagon AB, Hexpol AB and Securitas AB.

EDUCATION:
M.Sc. Business and Economics from the School of Business, Economics and Law, Gothenburg University 1970.

WORK EXPERIENCE:

1970–1975	Controller, LM Ericsson, Mexico.
1975–1979	Controller, ABB Fläkt, Stockholm.
1979–1983	Managing Director, Essef Service, Stockholm.
1984–1987	Managing Director, Crawford Door, Lund.
1987–1992	Managing Director and CEO, Securitas AB, Stockholm.
1993–1997	Managing Director and CEO, Skanska AB, Stockholm.

MARIANNE NORIN-BROMAN
Employee representative on the H&M Board since 1995.
Born 1944.

MARGARETA WELINDER
Employee representative on the H&M Board since 2007.
Born 1962.

TINA JÄDERBERG
Deputy employee representative on the H&M Board since 2007.
Born 1974.

AGNETA RAMBERG
Deputy employee representative on the H&M Board since 1997.
Born 1946.

COMPOSITION OF THE BOARD OF DIRECTORS AND ATTENDANCE DURING THE YEAR

Name	Year	Inde-pendent[1]	Inde-pendent[2]	Fees[3] (SEK)	Board meetings	Auditing Committee	Share-holding	Shares by related parties
Stefan Persson, Chairman	1979	No	No	1,350,000	7/7		186,274,400	97,200,000[4]
								3,200,000[5]
Fred Andersson	1990	Yes	Yes	375,000	6/7		800	
Mia Brunell Livfors	2008	Yes	Yes	375,000	4/4[8]			300[6]
Lottie Knutson	2006	Yes	Yes	375,000	6/7		600	
Sussi Kvart	1998	Yes	Yes	450,000	7/7	4/4	2,200	850
Bo Lundquist	1995	Yes	Yes	450,000	7/7	4/4		20,000[7]
Stig Nordfelt	1987	Yes	Yes	500,000	7/7	4/4	4 000	
Karl-Johan Persson	2006	No	No		6/7		6,066,000	
Melker Schörling	1998	Yes	No	375,000	7/7		114,000	
Marianne Norin-Broman, employee representative	1995	No	No		7/7		70	145
Margareta Welinder, employee representative	2007	No	No		7/7			
Tina Jäderberg, deputy employee representative	2007	No	No		3/7			
Agneta Ramberg, deputy employee representative	1997	No	No		7/7			

1) Independent of the company and the company management as defined by the Swedish Code of Corporate Governance.
2) Independent of major shareholders in the company as defined by the Swedish Code of Corporate Governance.
3) Fees as resolved at the 2008 Annual General Meeting. The fees relate to the period until the next AGM is held and will be paid out in 2009.
4) Class A shares owned through Ramsbury Invest AB.
5) Class B shares owned through Ramsbury Invest AB.
6) Shares held together with related parties.
7) Shares owned through Bo Lundquist's company Smideseken AB.
8) Elected by the AGM on 4 May, 2008.

There are no outstanding share- or share price-related incentive programmes for the Board of Directors.

COMPOSITION OF THE BOARD OF DIRECTORS

During the financial year, H&M normally holds five regular Board meetings and one statutory Board meeting. Extraordinary Board meetings are held when the need arises. The Board consists of nine ordinary members elected by the AGM and no deputy members. There are also two employee representatives with two deputies. Seven of the members of the Board are female and six male; five out of thirteen are employed within the company. The Managing Director attends all Board meetings except when the Managing Director's work is being evaluated. The Managing Director reports to the Board on the operational work within the Group and ensures that the Board is given relevant and objective information on which to base its decisions. Other members of the management such as the CFO and Chief Accountant also attend in order to provide the Board with financial information. The Board is assisted by a secretary who is not a member of the Board.

WORK OF THE BOARD IN 2008

H&M's Board held five regular Board meetings during the year, as well as a statutory Board meeting and an extraordinary meeting held by telephone. One of the meetings is an extended meeting and is generally held abroad. In 2008 this Board meeting was held in London, UK, and included visits to some of the stores there. The attendance of the Board members is reported in the table Composition of the Board of Directors and Attendance during the Year. Managing Director Rolf Eriksen was present at all the Board meetings during the year.

The Board meetings begin with a discussion of the company's financial situation, with costs and sales as the main focus. The various financial reports and the Annual Report are discussed and verified before being published. Accounting and auditing matters are dealt with within the Auditing Committee and reported back to the Board.

Matters dealt with at the Board meetings in 2008 included the company's main aims for the year, the acquisition of FaBric Scandinavien AB, the rate of expansion and the results of expansion into markets such as Japan, Hong Kong and Shanghai as well as new franchise countries such as Egypt, Saudi Arabia, Oman and Bahrain. The Board also reviewed the executive management team's risk assessment. In addition, the Managing Director reported on the status of new concepts such as COS and H&M Home as well as for example developments in buying work and Internet and catalogue sales, future marketing campaigns, the modernisation of the stores, the development of IT support, preparations for expansion into Russia, etc. The Board was kept informed of the company's CSR and environmental work. Decisions taken by the Board in 2008 include planned expansion via franchise into Israel in 2010 as well as investments to increase the total number of stores and the level of these investments.

The Board also discussed strategic matters such as competition and development opportunities, and also revised its financial policy and information policy.

In connection with the Board's review of the proposed annual report for 2008, auditors Åsa Lundvall and Erik Åström gave an account of the year's audit work.

INDEPENDENCE ACCORDING TO THE CODE

The composition of H&M's Board meets the independence requirements set of members by the NASDAQ OMX Stockholm AB and the Code. This means that the majority of the Board members elected by the general meeting are independent of the company and the company management. At least two of these are also independent of the company's major shareholders.

FINANCIAL REPORTING

H&M's financial reporting is carried out in compliance with the laws, statutes, agreements, regulations and recommendations that apply to companies listed on NASDAQ OMX Stockholm AB. It falls to the Board of Directors to ensure the quality of financial reporting with the help, for example, of the Auditing Committee (see text below). More information is available in the section on internal control over financial reporting.

AUDITING COMMITTEE

H&M's Auditing Committee is made up of three Board members. The Committee is appointed annually by the Board of Directors at the statutory Board meeting held in conjunction with the AGM. The Auditing Committee is responsible for preparation of the Board's work on quality assurance of the company's financial reporting. The Committee is also the main path of communication between the Board and the company's auditors.

The Auditing Committee, which comprises chairman Stig Nordfelt and members Sussi Kvart and Bo Lundquist, held four meetings during the financial year at which minutes were taken.

During the year the Committee addressed issues concerning the company's financial reporting and internal control, gathered information on the scope and focus of auditing assignments, and also gathered information on matters including development and the work on refinement and review of the Group structure, the effects of the acquisition of FaBric on the accounts and IT development. It also discussed the annual report and interim reports. The Auditing Committee also carried out an assessment of the work of the auditors as a basis for the Election Committee's proposal for election of auditors at the 2009 AGM. Authorised Public Accountants Åsa Lundvall and Erik Åström attended the Auditing Committee's meetings and reported to the Committee on their auditing work. The meetings were also attended by Leif Persson, CFO and Anders Jonasson, Chief Accountant,

The fees invoiced by the auditors over the past three financial years are as follows:

AUDIT FEES (SEK m)

	GROUP			PARENT COMPANY		
	2008	2007	2006	2008	2007	2006
Ernst & Young						
Audit assignments	14.5	12.8	11.3	2.2	2.4	2.4
Other assignments*	14.0	18.4	10.8	0.6	11.5	4.8
Other auditors						
Audit assignments	2.9	2.5	2.3	–	–	–
Other assignments	1.1	1.3	1.1	–	–	–
Total	**32.5**	**35.0**	**25.5**	**2.8**	**13.9**	**7.2**

* Other assignments refers mainly to tax advice in connection with changes to internal pricing principles and refinement of the Group structure.

among others; the newly appointed CFO Jyrki Tervonen also attended the last Auditing Committee meeting of the financial year. The Committee's meetings are always minuted. The minutes are then distributed to the Board.

INFORMATION ON AUDITORS

The Annual General Meeting appoints auditors every four years. The 2005 AGM appointed Authorised Public Accountants Åsa Lundvall and Erik Åström and deputies Torsten Lyth and Anders Wiger from the Ernst & Young AB accounting firm. The 2008 AGM resolved that, as previously, the auditors' fees should be paid based on the invoices submitted.

Åsa Lundvall, Authorised Public Accountant, has conducted auditing assignments for H&M for a number of years and has been a deputy auditor since the 2003 Annual General Meeting. At the 2005 AGM Åsa Lundvall was appointed as regular auditor for H&M.

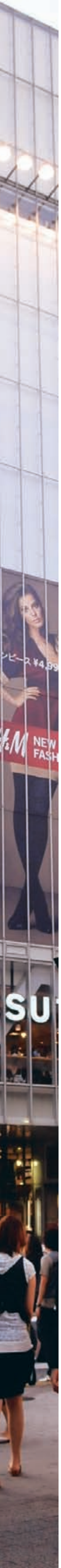
Erik Åström, Authorised Public Accountant, conducts auditing assignments for a number of listed companies, such as Hakon Invest, Investment AB Kinnevik, Modern Times Group, Saab, Svenska Handelsbanken and Apoteket.

Ernst & Young AB is a member of a global network used for auditing assignments for most of the Group companies and meets H&M's requirements with respect to competence and geographical coverage. The auditors' independent status is guaranteed partly by legislation and professional ethics, partly by the accounting firm's internal guidelines and partly by the Auditing Committee's guidelines regulating which assignments the accounting firm is permitted to conduct in addition to the audit.

COMPANY MANAGEMENT

H&M's Managing Director is responsible for the day-to-day operations. The Managing Director has appointed a team of senior executives with ongoing responsibility for the various parts of the business.

This team consists of the Managing Director himself and twelve other individuals, four of whom are women. The executive management team is responsible for the following functions: Finance, Buying, Production, Sales, Expansion, Accounts, Human Resources, Marketing, Communications, Investor Relations, Security and Corporate Social Responsibility.



INFORMATION ABOUT THE MANAGING DIRECTOR

Rolf Eriksen has long, sound experience of the retail sector, starting with five years' training in decoration and scene painting in Copenhagen, Denmark, which he completed in 1964. He then worked as a marketing manager for the next 20 years for the Danish department store ANVA in Copenhagen.

Rolf Eriksen joined H&M in 1986 as Country Manager for H&M Denmark. For a four-year period in the 1990s he was also Country Manager for H&M Sweden. In March 2000 he became Managing Director and CEO of H & M Hennes & Mauritz AB. Since September 2008 Rolf Eriksen has been a member of the board of Bang & Olufsen A/S.

Rolf Eriksen's shareholding in H&M as at 30 November 2008 was 42,300.

GUIDELINES FOR REMUNERATION PAID TO SENIOR EXECUTIVES

In accordance with the Swedish Annual Accounts Act, the 2008 AGM adopted guidelines for remuneration paid to senior executives at H&M. To view the full guidelines refer to the Administration Report on page 7 of H&M in figures 2008 including the annual accounts and the consolidated accounts.

H&M deviates from the Code in having no Remuneration Committee, since the Board of Directors may be regarded as carrying out these tasks. The Board decides the remuneration to the Managing Director in accordance with the guidelines established at the 2008 AGM. The terms of employment of other senior executives are decided by the Managing Director and Chairman of the Board. No severance pay agreements exist within H&M other than for the Managing Director.

INTERNAL CONTROL

This section has been prepared in accordance with the Swedish Code of Corporate Governance, i.e. it is a description of how internal control over financial reporting is organised.

The Board of Directors is responsible for the company's internal control, the overall aim of which is to safeguard the company's assets and thereby its shareholders' investment.

COSO

H&M uses the COSO framework as a basis for internal control over financial reporting. The COSO framework, which is issued by the Committee Of Sponsoring Organizations of the Treadway Commission, is made up of five components: control environment, risk assessment, control activities, information and communication, and monitoring.

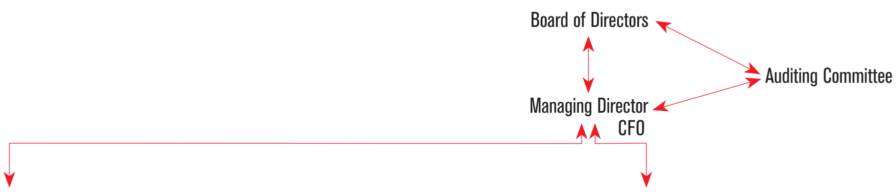
CONTROL ENVIRONMENT

The control environment forms the basis of internal control, because it includes the culture that the Board and management communicate and by which they work. The control environment is made up primarily of ethical values and integrity, expertise, management philosophy, organisational structure, responsibility and authority, policies and guidelines, as well as routines.

Of particular importance is that management documents such as internal policies, guidelines and manuals exist in significant areas and that these provide colleagues with good guidance. Within H&M there exists above all a Code of Ethics, a policy that permeates the entire company since it describes the way in which our colleagues should act in relation to the company and in business transactions with suppliers.

H&M's INTERNAL CONTROL STRUCTURE IS BASED ON:

- The division of work between the Board of Directors, the Auditing Committee and the Managing Director, which is clearly described in the Board's formal work plan. The executive management team and the Auditing Committee report regularly to the Board based on established routines.
- The company's organisation and way of carrying on business, in which roles and the division of responsibility are clearly defined.
- Policies, guidelines and manuals; of these, the Code of Ethics, the financial policy, the information policy, the communications policy and the store instructions are examples of important overall policies.
- Awareness among colleagues of the maintenance of good control over financial reporting.
- Reporting.



Sales countries	Central functions/departments*									
	Finance/ Accounts	Buying	Production	Sales	Marketing	Expansion	Communications	HR	CSR	Security
Country 1										
Country 2										
Country 3										
Country 4										
Country 5										
etc										

* Executive management team

H&M has a matrix organisation, which means that those on the executive management team with responsibility for a function are responsible for the results of work within their function in each country (the vertical arrows). The country managers are responsible for profitability in their country and thereby have overall responsibility for all the functions within their business (the horizontal arrows). The country organisation is in turn divided into regions, with a number of stores in each region.

All the companies within the H&M Group have the same structure and accounting system with the same chart of accounts. This simplifies the creation of appropriate routines and control systems, which favours internal control and facilitates comparisons between the different companies.

There are detailed instructions for the store staff that control daily work in the stores. Many other guidelines and manuals are also available within the Group. In most cases these are drawn up in the central departments at the head office in Stockholm and then communicated to the respective department in the country offices. Each central department regularly reviews its guidelines and manuals to see which need updating and whether new guidelines need to be developed.

RISK ASSESSMENT

H&M carries out regular risk analysis to review the risks of errors within its financial reporting. Operational risks are also charted on an ongoing basis. Among other things, during the year the company carried out a thorough update of the risk analysis in order to obtain an overall picture of the main risks within each function as well as the systems and methods that are in place to minimise any impact of a risk. Where financial reporting is concerned, H&M has identified certain areas with a higher intrinsic risk of errors, including stock-in-trade shrinkage, cash-desk manipulation and misappropriation of merchandise. Another risk area is the valuation of stock-in-trade, including assessments relating to dead stock.

To limit the risks there are appropriate policies and guidelines as well as processes and controls within the business.

CONTROL ACTIVITIES, INFORMATION AND COMMUNICATION

Policies and guidelines are of particular importance for accurate accounting, reporting and provision of information, and also define the control activities to be carried out.

H&M's policies and guidelines relating to the financial process are updated on an ongoing basis. This takes place primarily within the central function concerned and is communicated to the countries via e-mail and the intranet as well as at meetings.

The aim of the control activities is to discover, prevent and correct inaccuracies and non-compliance. Control activities include such things as account reconciliation, analytical follow-up, comparisons between income statement and balance sheet items and controls in IT systems.

In 2008 the company's general IT controls were reviewed by an external party. These controls were mainly assessed with the assistance of those responsible for the system and system areas in certain business processes.

H&M has a communications policy providing guidelines for communication with external parties. The purpose of the policy is to ensure that all information obligations are met and that the information provided is accurate and complete

MONITORING

As part of the company's 2008 internal control work, the central departments followed up the assessment carried out in 2007 of the respective functions in the sales countries using the COSO model. During the year the action plans drawn up in 2007 to strengthen internal control further were reviewed.

Within the stores, annual controls are performed by internal shop controllers with the aim of finding out the strengths and weaknesses of the stores and how any deficiencies can be corrected. Follow-up and feedback in respect of any problems found during the assessment of internal control form a central part of internal control work.

The Board of Directors and the Auditing Committee continuously evaluate the information provided by the executive management team, including in respect of internal control. The Auditing Committee's task of monitoring the efficiency of internal control by the management team is of particular interest to the Board. This work includes checking that steps are taken with respect to any problems detected and suggestions made during the assessment by the central departments and internal shop controllers as well as by external auditors. The work on internal control during the year has further increased awareness of internal control within the Group.

INTERNAL AUDIT

In the company's opinion, the assessment and monitoring of internal control carried out in the sales countries by all the central departments – such as Accounts, Communications, Security, Logistics and Production – as well as the work carried out by internal shop controllers largely corresponds to the work performed in other companies by an internal audit function. H&M's Board has therefore not found it necessary to establish a specific internal audit function. The issue of a specific internal audit function will be reviewed again in 2009.

Stockholm, January 2009

The Board of Directors

More information on H&M's corporate governance work can be found in the section on Corporate Governance under Investor Relations at www.hm.com

THE H&M SHARE

KEY RATIOS PER SHARE

	2008	2007	2006	2005	2004
Shareholders' equity per share, SEK	44.65	38.78	33.57	31.33	26.84
Earnings per share, SEK	18.48	16.42	13.05	11.17	8.79
Change from previous year, %	+13	+26	+17	+27	+14
Dividend per share, SEK	15.50*	14.00	11.50	9.50	8.00
Market price on 30 november, SEK	298.00	399.00	319.00	253.00	216.00
P/E ratio	16	24	24	23	25

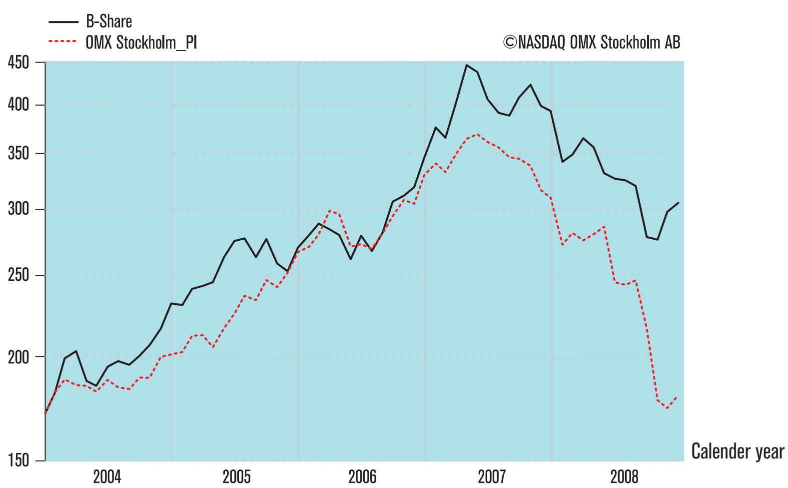
* Proposed by the Board of Directors

DISTRIBUTION OF SHARES, 30 NOVEMBER 2008

Shareholdings	Number of shareholders	%	Number of shares	%	Average shares per shareholder
1–1,000	170,242	92.8	32,374,847	3.9	190
1,001–5,000	10,040	5.5	22,236,694	2.7	2,215
5,001–10,000	1,376	0.8	10,139,624	1.2	7,369
10,001–50,000	1,175	0.6	24,982,912	3.0	21,262
50,001–100,000	197	0.1	14,036,037	1.7	71,249
100,001–	406	0.2	723,765,886	87.5	1,782,675
Total	**183,436**	**100**	**827,536,000**	**100**	**4,511**

MAJOR SHAREHOLDERS, 30 NOVEMBER 2008

	No. of shares	% of voting rights	% of total shares
Stefan Persson and family	304,872,400	69.3	36.8
Lottie Tham and family	44,040,200	2.6	5.3
Alecta Pensionsförsäkring	28,584,000	1.7	3.5
Swedbank Robur Fonder	24,076,818	1.4	2.9
JP Morgan Chase Bank	21,767,526	1.3	2.6
Clearstream Banking	15,021,182	0.9	1.8
AMF Pensionsförsäkrings AB	13,350,000	0.8	1.6
SSB CL Omnibus	10,740,883	0.6	1.3
Fjärde AP-Fonden	10,722,384	0.6	1.3
BNY GCM Client ACC	10,387,000	0.6	1.3




DRESS
€ 69.90

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at Victoriahallen, Stockholm International Fairs, Stockholm, on Monday, 4 May at 3 p.m. Shareholders who are registered in the share register print-out as of Monday, 27 April 2009 and who give notice of their intention to attend the AGM no later than Monday, 27 April 2009 at 12 noon, will be entitled to participate in the AGM.

NOMINEE SHARES

Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own name in order to be entitled to participate in the AGM. In order to re-register shares in time, shareholders should request temporary owner registration, which is referred to as voting right registration, well in advance of 27 April 2009.

NOTICE

Shareholders must provide notice of their intention to participate in the Annual General Meeting by post, fax, telephone or via H&M's website to:

H & M Hennes & Mauritz AB
Head Office/Carola
SE-106 38 Stockholm
Telephone: +46 (0)8 796 55 00
Fax: +46 (0)8 796 55 44
www.hm.com/arsstamma

Shareholders must provide their name, civil identity number and telephone number (daytime) when providing notice of their intention to participate.

DIVIDEND

The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting a dividend for 2008 of SEK 15.50 per share. The Board of Directors has proposed 7 May 2009 as the record day. With this record day, Euroclear Sweden AB (formerly VPC AB) is expected to pay the dividend on 12 May 2009. To be guaranteed dividend payment, the H&M shares must have been purchased no later than 4 May 2009.

FINANCIAL INFORMATION

H & M Hennes & Mauritz AB will provide the following information:

26 March 2009	Three Month Report
4 May 2009	Annual General Meeting 2009 at 3 p.m. at Victoriahallen, Stockholm International Fairs, Stockholm
25 June 2009	Half Year Report
24 September 2009	Nine Month Report
28 January 2010	Full Year Report
25 March 2010	Three Month Report
29 April 2010 at 3 p.m.	Annual General Meeting 2010

As previously, we plan to publish sales figures for each month on the 15th of the subsequent month. If the 15th falls on a weekend, the sales figures will be published on the following weekday. However, H&M plans to publish the sales figures for February, May, August and December in each of the subsequent interim reports.

This information is available at www.hm.com

CONTACT DETAILS

HEAD OFFICE

H & M Hennes & Mauritz AB
Mäster Samuelsgatan 46A
SE-106 38 Stockholm
Tel.: +46 (0)8 796 55 00

For information on H&M and the addresses of the country offices, see www.hm.com

CONTACTS HEAD OFFICE

MANAGING DIRECTOR AND CEO ROLF ERIKSEN
FINANCE JYRKI TERVONEN
ACCOUNTS ANDERS JONASSON
SALES JONAS GULDSTRAND
BUYING ANNA ATTEMARK/MADELEINE PERSSON
DESIGN ANN-SOFIE JOHANSSON
PRODUCTION KARL GUNNAR FAGERLIN
CORPORATE SOCIAL RESPONSIBILITY INGRID SCHULLSTRÖM
EXPANSION, BUSINESS DEVELOPMENT, BRAND AND NEW BUSINESS KARL-JOHAN PERSSON
MARKETING PER SJÖDELL
COMMUNICATIONS KRISTINA STENVINKEL
INVESTOR RELATIONS NILS VINGE
HUMAN RESOURCES PÄR DARJ
IT KJELL-OLOF NILSSON
LOGISTICS DANNY FELTMANN
SECURITY ANGELIKA GIESE

DISTRIBUTION POLICY

H&M's Annual Report 2008 is in two parts: Part I H&M in words and pictures 2008 and Part II H&M in figures 2008 including the Annual Accounts and Consolidated Accounts. H&M sends the printed version of Part I and Part II of H&M 2008 to those shareholders who have expressly requested that the printed version be posted to them. Part I and Part II are available at www.hm.com


JEANS
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www.hm.com