



Annual Report 2001

H&M

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Business concept

H&M's business concept is to offer fashion and quality at the best price.

In order to be able to offer the latest fashion, we have a design and purchasing department that creates our clothing collections. We are able to maintain the best price by:

- having few intermediaries
- buying in large volumes
- having long experience of the clothing industry
- having a good understanding of which goods to buy from which market
- having effective distribution systems
- being cost-conscious at every stage



FINANCIAL HIGHLIGHTS

	2001	2000
Gross sales, including VAT, SEK M	46,528.2	35,876.1
Change, %	+ 30	+ 9
Sales outside Sweden, SEK M	41,095.0	30,621.0
Sales outside Sweden as a percentage of gross sales, %	88	85
Operating margin, %	13.8	12.4
Profit after financial items, SEK M	5,734.0	4,003.2
Net profit for the year, SEK M	3,816.4	2,552.7
Earnings per share, SEK	4.61	3.08
Change from previous year, %	+ 50	- 17
Return on shareholders' equity, Note 19, %	27.9	23.0
Return on capital employed, Note 19, %	41.6	35.8
Debt/equity ratio, Note 19, %	1.2	1.2
Share of risk-bearing capital, Note 19, %	77.8	79.8
Solidity, Note 19, %	75.6	75.7
Number of stores in Sweden	118	115
Number of stores outside Sweden	653	567
Total number of stores	771	682
Average number of employees	22,944	20,680



AN EVENTFUL AND PROFITABLE YEAR

I ended my report last year with the comment that, as far as H&M was concerned, 2001 had every indication of being a fun, eventful and profitable year. And I am very pleased to be able to report that the year lived up to our expectations – even if 2001 in many ways has been dramatic with a weakening business cycle and terror attacks that affected us all and that led to great uncertainty.

Rapid pace

H&M is today in a strong position. We are an international fashion company that at the close of the financial year boasted 771 stores and a headcount of 34,000 in 14 countries. Nearly 90 per cent of our sales are now made outside Sweden.

We have two successful seasons behind us and during the year we strengthened our position in all our markets. The pace has been a rapid one throughout the company, and particularly so in our growth markets.

In Germany, which is H&M's biggest market, we now have over 200 stores. During the year we also opened flagship stores in France – on Boulevard Haussmann in Paris – and in the UK, on London's Kensington High Street. New stores in the USA included one in Man-

hattan's SoHo district and several stores in and around Boston.

In total 93 new stores were opened during the year.

Strong profit level

Turnover for the year amounted to SEK 46.5 billion, an increase of 30 per cent – or 20 per cent with comparable exchange rates.

Profit after financial items was SEK 5.7 billion, up by SEK 1.7 billion or 43 per cent on last year. This profit equals a return on equity of 28 per cent.

This is a strong result, on a par with our record year of 1999, despite a weak first quarter and notwithstanding continued strong expansion in new markets.

Factors in our success

H&M's strong development during the year is due to a number of factors.

Absolutely the most pleasing element is that our collections have been so good and have been so well received by our customers. This is the single most important factor if things are to go well for H&M. In the course of the year we have also gradually brought our buying volumes into equilibrium and achieved a well balanced range. Overall this

resulted in substantially lower price reductions than last year.

We have made ongoing improvements to our logistics flow and have been able to cut lead times from the idea until the finished product is in the store. We have also continued to force down costs throughout the organisation. The results of the cost cutting programme introduced in spring 2000 can now fully be seen.

Last but not least, H&M's success has been due to fantastic commitment from our employees at all levels in the company.

Increased customer focus

We are constantly trying to get better at following up both our customers and developments in the market in order to be able to offer an attractive range. Our customers must always be able to find what they are looking for at H&M, whether they come in for everyday garments or for something hip and trendy. What's more, the price and the quality must be right.

In 2001 we worked on identifying more clearly the products that attract our major customer groups. The fact that we got these collections right – they are produced in large volumes – has been a major factor in H&M's good profitability over the year.

We have also carried out more in-depth analysis of our spearhead garments. These are important, because many of H&M's future volume items are generated from this group. Moreover, they help to strengthen H&M's image as a fashion company. One indication that we are at the forefront in this respect is that in June H&M's clever designers were awarded the Gold Button design prize by the fashion magazine *Damernas Värld*.

Unique fashion show

One of the highpoints of the year was in May, when we held a fashion show for over 500 Swedish and foreign journalists at Dalhalla, a former limestone quarry in the Swedish region of Dalarna.

Similar events are organised every four or five years in our various sales countries. It is a way of gathering together the media in H&M's 14 markets and creating publicity for our collections.

The choice of Dalhalla was based partly on the great international interest that has surrounded Scandinavian design in recent years and partly on H&M's Swedish origins. The unique setting provided a thrilling contrast to the big designer shows that usually take place in Paris, London or New York.

The fashion year drives our business

Design and fashion, and thus the fashion year, are the drivers behind H&M's business. The fashion year is geared around the spring and autumn collections. Over the year we worked on buying more and more garments during the season, which helps reduce the risk of buying mistakes and also means we can quickly replenish items that are selling well.

Our aim is to have the shortest possible transitional periods between the seasons. Attractive collections and continual restocking with new goods allows us to extend the seasons into the winter and summer periods, which helps establish a strong basis for achieving good margins.

H&M's responsibilities

H&M cooperates with 900 independent suppliers in Europe and Asia that produce our products. Every supplier that signs a contract with H&M undertakes to abide by our Code of Conduct. The requirements cover issues such as fire safety, the working environment and a ban on child labour. We check that suppliers are meeting their commitments through regular inspections.

During a recent trip to Asia I had opportunity to visit several of our suppliers, includ-

ing some of those in China. I met with our inspectors and got to see with my own eyes the extensive work that we put into checking the working conditions in our suppliers' factories. H&M cannot guarantee that there will never be any shortcomings, but it is good to know that we have a well-functioning organisation in place which continuously makes sure that our Code of Conduct is being observed.

USA still an important expansion market

H&M opened its first store in the USA in the year 2000. It received a rapturous reception and by the end of the past financial year we had 30 stores in the north-eastern United States. However, we know from experience that moving into a new market is expensive. What's more, the USA represents a brand new continent for us.

The investment in the USA is an investment in the future that we have great faith in. We are not happy with the operating costs, however, which are still at too high a level. To improve efficiency in existing stores the rate of expansion in the US market will therefore be somewhat slower than previously stated. The uncertainty in the American

market since September 11 has also played a part in this decision.

Nonetheless, I would like to point out that H&M will continue to expand substantially in the USA. In 2002 we expect to open a further 12 stores, including a number of stores in Philadelphia.

Growth with good profitability

H&M's strong expansion is continuing and around 90 new stores are planned in total for 2002. We are in a strong financial position, which gives us the freedom to act and to grow at our own pace. H&M's strong presence in all 14 markets provides a firm foundation for continued growth. The primary expansion will take place in our growth markets of Germany, France, the USA, Spain and the UK.

We will also be growing in our other markets, both by establishing new stores and by developing and strengthening our existing business. The focus in 2002 will be on further improvements in profitability.

H&M is well equipped for further growth and expansion and I am highly optimistic about the year ahead.

R. Eriksen
Rolf Eriksen

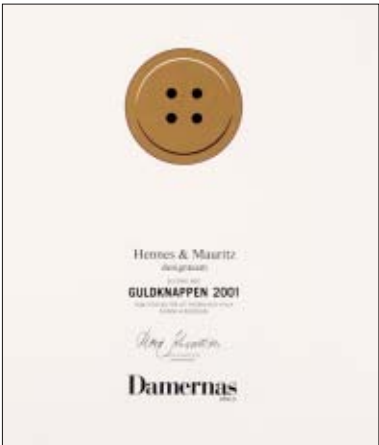




Parisians now have a new landmark to orientate by on Boulevard Haussman.



A new store was opened on Kensington High Street.



The magazine Damernas Värld yearly awards the Golden Button prize to Swedish clothing design.

Fashion show for the world's press

This year we invited 550 Swedish and foreign journalists to a very different fashion show at Dalhalla, a former limestone quarry in the Swedish region of Dalarna. 40 top international models showed off our Autumn/Winter collection on a catwalk built out over the water, culminating in the appearance to great acclaim of singer and actress Grace Jones. The event in Dalhalla was a great success and resulted in masses of media coverage both in Sweden and internationally.





H&M 2001

- Well-received collections and increased sales in all markets.
- 20 new stores open in the USA, including H&M's first store in Boston.
- Substantial expansion also in the UK and France, with new flagship stores on Kensington High Street in London and Boulevard Haussmann in Paris.
- At the end of the year there are over 200 H&M stores in Germany, H&M's biggest market.
- 2,400 inspections are carried out to check that H&M's suppliers are observing our Code of Conduct as regards good working conditions.
- The cost-cutting programme aimed at achieving savings of SEK 500m on a full-year basis is completed.
- Better provision of information: press conferences and analysis conferences in conjunction with quarterly reports, reporting of sales figures on a monthly basis.
- A spectacular fashion show attracts the world's press to Dalhalla.
- H&M is awarded the Gold Button design prize by the magazine Damernas Värld.
- H&M is named best European company by the European Business Press, a federation of fifty or so business journals around Europe.
- 93 stores opened and 4 closed.
- At the close of the year there are 771 H&M stores in 14 countries.

A VISIBLE BRAND

The H&M brand is one of our most important assets. We have identified four strategic components that make up our brand and are constantly working on the balance between these:

- Our products
- Our stores
- Our employees
- Our communication/advertising

Products

Our products – the backbone of H&M's business concept – are constantly undergoing improvements in both price and quality. The driving force is always to surpass our customers' expectations by offering a wide range, yet one that is still appropriate to our target groups. With 16 different concepts for women, men, young people and kids H&M has products for everyone with an interest in fashion.

Stores

Our stores are an incredibly strong medium that we will continue to develop. By having well-thought out displays we can create a feel of fashion and style that inspires our customers as well as guiding them and keeping them informed. Ever since the company's establishment in 1947 we have stuck by our principle of "best business location" and we continue to hold fast to it today, whether for a high-profile flagship store or a store in a smaller town.

Employees

All H&M's 34,000 or so employees are responsible for the brand and its development. The spirit of H&M today is the same at heart as in

our earliest years – open doors, direct communication, short decision paths, cost consciousness and sound common sense.

Communication/advertising

The keywords of clarity, simplicity and presence are consistent characteristics of H&M's communication activities. We handle our overall communication ourselves and buy in the best solutions within each discipline. This method is identical to how H&M works with suppliers in other areas.

Our communication shows what we stand for

H&M uses a number of communication tools to convey the business concept, including advertising, PR and our website. Our communication is a long-term part of building up the H&M brand. Our marketing has a major impact and it is therefore essential to convey a positive and healthy image and good values. We use different characters and a mix of different looks and styles for our various concepts.

Consistent advertising – variation in the mix

In the course of the year a great many advertising productions were implemented around Europe and in parts of the USA. H&M's advertisements can be seen primarily on billboards, in newspapers, fashion magazines, catalogues, cinema advertisements and on the Internet.

The design is clear and simple and aims to inform our customers about what's new at H&M and to show who we are and what we stand for. The advertisements show the latest





fashions as well as the price of the items. To make it as clear and as inspiring as possible we use professional models, photographers and stylists.

The advertisements are produced centrally in Sweden by H&M's advertising department in cooperation with freelance creative professionals and advertising agencies. They are largely identical in all our markets, but the media mix is adapted to local needs and conditions.

PR makes us heard above the noise

PR is a powerful tool for reaching various target groups in a growing media circus, which has become increasingly important as we establish the brand in new markets.

H&M works on PR on an ongoing basis and organises events such as meetings with the press to show the latest fashions. In Spring 2001 we also put on a very successful fashion show at Dalhalla in the Swedish region of Dalarna. The show brought together leading journalists from Europe and the USA and gave H&M extensive publicity.

Our website reaches all our target groups

H&M's website is aimed primarily at our customers, but also at other parties with an interest, shareholders and the media. The website features H&M's advertising campaigns, information about the company, our range and our stores as well as a job opportunities page. Temporary campaigns on the website are an important channel for creating contact and dialogue with young people.

Improved information

H&M now has more than 180,000 shareholders and is one of the most heavily traded shares on the Stockholm Exchange. We take our responsibility to provide financial information very seriously and are happy to follow the rules that apply to listed companies.

Over the year we have consolidated our information services and increased our accessibility. We hold press conferences and teleconferences for journalists and analysts every quarter in connection with our reports. We have also set up a separate investor relations function. Since September 2001 we have also been reporting our sales figures on a monthly basis.

However, we will continue to be cautious about passing on certain sensitive key figures, since we believe that for competitive reasons this is in the interests of both the company and its shareholders.



H&M HAS SOMETHING FOR EVERYONE

H&M's wide range is divided into 16 different concepts for women, men, teenagers and children. Each collection is aimed at a defined customer group. By offering fashion basics and clothes with a high fashion content within each collection, we allow our customers to combine different garments and find their own personal style.

Women's wear makes up the largest part of H&M's range, followed by children, teenage and men.

Most of the collections are represented in the majority of H&M's stores, but there are also stores that are specially aimed at women, children or teenagers or that sell only cosmetics and underwear.

Women

The various concepts offer a wide range for fashion-conscious women from 18 to 45 years of age - or who feel they fit into this age group and are interested in fashion.

Clothes - for the fashion-conscious woman who always follows the latest trends. She is not loyal to a particular style but instead is always on the lookout for a new look.

Hennes - represents current fashion for all women interested in fashion. The collection offers the latest trends and modern basics.

Mama - for the mother-to-be who wants to continue to dress fashionably during her pregnancy. The emphasis is on comfortable and modern materials in functional cuts. Styles follow the trends in the Hennes collection.

L.O.G.G./L.O.G.G. Sport - offer leisure favourites that are constantly updated according to the season's trends. The emphasis is on the choice of fabrics, designs and details.

BiB - aimed at plus-size women who are interested in fashion, offering trendy gar-





ments as well as functional basics. The emphasis is on continuity in the collection, a good fit and choice of material.

Children

H&M's four children's collections form a much valued part of H&M's range. The basic idea is to offer good, safe and functional children's clothing that also follows the fashions.

Baby Baby – sizes 50-80 cm, 0-12 months. Comfortable and practical babywear.

Chiboogi – for boys and girls, sizes 86-140 cm, 18 months-10 years. Playful and functional collection.

DUBBSTER – for boys and girls, sizes 86-164 cm, 18 months-14 years. Clothes in a denim style with a high fashion content.

L.O.G.G. – for boys and girls, sizes 86-164 cm, 18 months-14 years. Modern versions of classic favourites.

Teenage

Our range for young people is updated every season with the latest trends in music, film and street fashion.

Divided – for young guys and girls from 15 to 25 years of age. The concept is aimed at young people who want to have an individual and personal style. It includes both everyday wear and party wear as well as a wide range of denim garments.

Men

The men's range consists of four collections that are designed separately.

Clothes Men – reflects the very latest trends. Here, the latest fabrics, colours and silhouettes are important.

Conwell – for a well-dressed and casual style. A wide range of modern, up-to-the-minute garments.

L.O.G.G. – Label of Graded Goods. This collection consists of modern, contemporary casual clothes, which naturally follow the current trends in colours, cuts and details.

L.O.G.G. Sport – part of the L.O.G.G. collection. Functional influences in the details and materials, and the focus is on sport as fashion.

Underware and accessories

A wide range of underwear, accessories and hosiery is offered with all of the collections.

Cosmetics

H&M started selling cosmetics in 1975 and today sells cosmetics in Sweden, Norway, Denmark, Finland, Germany, Great Britain, Austria and Spain. The cosmetics department offers H&M products of good quality, both our own and selected outside brands. The product range consists of body care and hair care products, make-up and accessories. During the year the range was concentrated to focus more on our own-brand products. No testing is carried out on animals either during production or of finished products.

Beauty Box – make-up, accessories, hair care and body care. A wide range of modern products.

Divided – make-up and hair care products for

F.O.B. (Face of Beauty) – classic high quality make-up range.

Hair System – high-tech hair care range

L.O.G.G. Sport – fresh, practical body care for active people.

Conwell – new range of basic products for men. The range was introduced in 2001.





THE LOCATION – CRUCIAL FOR SUCCESS

H&M is always on the lookout for the best business locations for its stores. This has been a firm principle since 1947 and is no less true today. A presence on the best stopping streets is of crucial strategic importance for an inflow of customers and others of the world's foremost fashion companies can also be found at these addresses.

Our aim is to be the most attractive option for our customers in every town or city or other store location. We see it as an advantage to be close to our competitors, since this increases the pulling power of the area and gives us a better chance of offering more customers the opportunity to get a good deal.

By being represented at the hottest addresses in fashion's capital cities – Boulevard Haussmann in Paris, Kensington High Street in London and Fifth Avenue in New York – H&M is also able to profile itself as an up-to-the-minute fashion house.

Store display – an effective marketing tool

The stores play a vital part in building up our brand. Over the year further investments have been made in order to exploit the potential of display and improve service to our customers.

The stores are structured so as to be largely self-service. The aim is to create a comfortable and inspiring environment in which customers feel at home and can find what they are looking for in the range easily. H&M must always surprise them with something new. At the same time, customers must be able to find their way about in whichever H&M store they happen to find themselves.

The shop window is a central part of our presentation and must grab the customer's attention within the space of a few seconds. In the entrance area we give customers more tips by showing the possibilities offered by our garments. By hanging the clothes in clear programmes and using mannequins to inspire customers as to how the clothes can be put together we pass on ideas that allow customers to select on their own those items that suit their particular style.

A great deal of the responsibility for display exists at store level. The centrally designed methods of presentation are adapt-

ed to the specific situation and clientele of each individual store.

The stores must always look fresh and appealing. Minor renovations such as painting take place on an ongoing basis, while major renovations and refurbishments are carried out as needed. The furnishings are simple and uniform throughout H&M's stores, although modified to a certain extent to take account of location and property. The H&M store on Fifth Avenue in New York, for example, differs in design from a store in a shopping mall.

Mail order – H&M Rowells – a complementary sales channel

Since 1980 H&M has offered its customers an alternative and convenient way of shopping by mail order. Here, again, the business concept is to provide fashion and quality at the best price. Our mail order business, H&M Rowells, has customers in Sweden, Norway, Finland and Denmark.

Some of the range is the same as that found in our stores, but since the sales pattern is different there is also a separate range.



Shop online – a pilot project with potential for growth

E-commerce was started as a test activity in Sweden in March 1998. In 1999 the activity was extended to Denmark and Finland and in 2001 our online shop expanded to include



Norway. We are evaluating and continually improving our e-commerce site. A new clearer design was launched during the year to make it even easier to shop on the Web.

We are keeping a close eye on consumer purchasing behaviour and have the resources and experience to cope with any increased demand for e-commerce services quickly if necessary. We see the Internet as one of several distribution channels and anticipate that the bulk of our sales will continue to be made in our stores.

FROM VÄSTERÅS TO MANHATTAN

H&M has expanded substantially in recent years. At the end of the year H&M sold clothes and cosmetics in 771 stores in 14 countries. Turnover including VAT over the year amounted to SEK 46.5 billion, an increase of 30 per cent on last year. With comparable exchange rates the increase was 20 per cent. Sales outside Sweden accounted for 88 per cent of group turnover.

H&M's sales primarily take place in stores. In the course of the financial year 93 new stores were opened and four stores were closed. In Scandinavia H&M also sells fashion by mail order through H&M Rowells. In Sweden, Norway, Denmark and Finland a certain amount of sales are also conducted via the Internet.

Geographical spread

Today there are H&M stores in 13 European countries as well as in the USA. Germany is the biggest individual market with around a third of group turnover. Sweden accounts for 12 per cent of sales and remains our second-biggest market. H&M now has very good market coverage in Sweden. It is therefore likely that in terms of sales Sweden will be overtaken by our expansion markets of the UK, USA

and France within the space of a few years.

Our first stores outside Sweden were established in Norway and Denmark in the 1960s. Our first store outside Scandinavia was opened in the UK in 1976. The latest markets to be added are the USA and Spain, where H&M opened its first stores in 2000.

Expansion and growth strategy

H&M is an expansive and financially very strong company. Over the past four years turnover has more than doubled and the number of stores has increased from 490 to 771. This expansion has been entirely financed using our own resources. At the end of the financial year our solvency stood at 76 per cent, giving us the strength we need to grow at our own pace. H&M's strategy is for continued expansion while maintaining good profitability.

The availability of attractive business locations is decisive for our rate of expansion. H&M stores must always be at the best business location in a city or shopping centre. H&M stores vary in size from 300 to 4,000 square metres, are always owned and run by H&M, and are one of the most important symbols of the corporate brand.





H&M has great potential for continued expansion and growth and has a strong base to build on in all 14 of our markets.

H&M's markets can be divided into two categories: growth markets and other markets. Generally the majority of H&M's new stores in a year are opened in our growth markets.

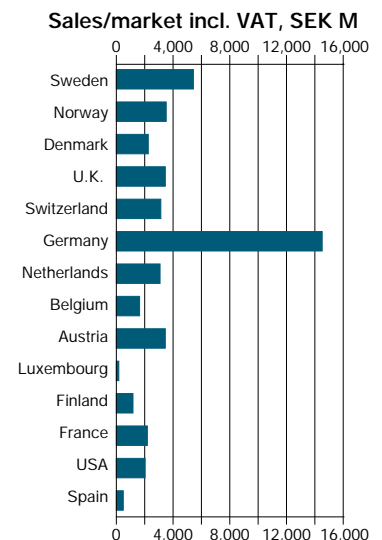
Growth markets

A growth market has a large population base and provides H&M with good opportunities to establish full-range stores in many locations for a long period.

Among H&M's growth markets are our relatively new markets of France, the USA and Spain. Here H&M has succeeded in establishing the brand and achieving good sales within a short space of time. These countries offer great opportunity to continue growing for many years to come. Germany and the UK, where H&M has been present for a long time, also represent important growth markets since H&M's market share is still small and the population base large.

In 2001 two-thirds of H&M's new stores were opened in the USA, Germany, UK, France and Spain.

In a brand new market it is important to study the environment and intended store locations on the spot, to see where our competitors are located and how customers behave. The overall assessment of the conditions is crucial to our choice of expansion strategy. The more stores and the greater the population base, the more potential customers there are. This increases the chances of quickly achieving a critical mass for the





purposes of logistics and central warehousing.

Our expansion generally starts from the biggest city in the region, where there is a high customer flow. We then establish more stores in the same region so as to utilise the infrastructure and get as great a return as possible from our advertising and marketing.

Other markets

The other H&M markets are at varying stages of development. The common denominator is that H&M is well established among both customers and other interested parties. This means that we can benefit from our knowledge of local conditions and of customers' purchasing patterns. Since the players in the market know us well, it is also easier to find good store locations and to recruit staff.

In certain markets, such as in the Netherlands and Austria, there is still good potential for growth by establishing new stores. Here we can grow cost-effectively because we have a functioning infrastructure in place and a

large base over which to distribute the costs.

In more mature markets such as in Scandinavia, however, it is difficult to increase market share further. In these countries H&M's stores are well distributed geographically and cover most of the areas of interest. The opportunities for expansion are therefore limited primarily to new stores in smaller towns and complementary stores in major cities.

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

Competitors

H&M has a number of internationally active

competitors. There is also competition at local level in the form of local chain stores and department stores. H&M sees itself as its own biggest competitor. We are constantly comparing the business with our own previous performance. Our aim is to surpass what we have achieved previously. We believe that this is the best way to ensure that we remain competitive.

Expansion in 2002

H&M will continue its expansion in 2002 with around 90 new stores; 10 stores will be closed.

Our main expansion will take place in our growth markets of Germany, France, the USA, Spain and the UK. We will also grow in our other markets, both by establishing new stores and by developing the existing business. Since the quality of the stores is of the utmost importance it is the availability of good business locations that determines our rate of expansion.

H&M is not planning to establish stores in any additional countries in 2002.

UK

Year established:	1976
No. of stores:	59
Turnover (SEK m):	3,453
Turnover (GBP m):	233
Employees:	1,768

H&M opened its first store in the UK back in 1976. Two years ago a major push was begun and in less than twelve months the number of stores rose by nearly 40 per cent. Today there are 59 H&M stores in the UK. Our market share remains small, leaving room for continued expansion in the years ahead.

Developments during the year

Turnover increased by 57 per cent during the year (47 per cent in local currency) to SEK 3,453m. 12 new stores were opened in the course of the year. This rapid expansion was in part made possible due to H&M's takeover of six stores with good locations from the Dutch chain C&A. The stores were opened in autumn 2001 after having been converted into bright new H&M stores.

During the year we also launched a new flagship store on Kensington High Street in London. This is H&M's seventh London store, excellently located on one of the big shopping streets where a number of well-known fashion houses have stores. With a shop floor area of 3,000 square metres extending over three storeys, the store offers all our concepts and has been very well received.

2002

H&M will continue to expand from its current position in major British cities and plans to open a further ten stores in 2002.

GERMANY

Year established:	1980
No. of stores:	206
Turnover (SEK m):	14,516
Turnover (DEM m):	3,091
Employees:	6,216

Germany is the H&M Group's biggest market and accounts for approximately a third of sales. At the end of the year there were 206 H&M stores in Germany. Germany overtook Sweden as our biggest market back in 1995.

Germany is still a very important growth area for H&M.

Developments during the year

2001 was a good year for H&M in Germany. Growth continued to be good and sales increased by 30 per cent (20 per cent in local currency), amounting to SEK 14,516m. 18 stores were opened in total. The sales figures for these new stores have been good.

In March one of the country's very biggest stores was opened in Nuremberg and this was also the H&M Group's 700th store. A number of stores have also been refurbished and expanded over the course of the year.

2002

Germany is a big market. Despite the fact that there are now over 200 H&M stores in Germany, H&M's market share is just a few per cent. H&M intends opening 22 stores in Germany in 2002, in parallel with continued work on increasing sales in existing stores.

FRANCE

Year established:	1998
No. of stores:	31
Turnover (SEK m):	2,187
Turnover (FFR m):	1,562
Employees:	1,366

France is one of H&M's youngest and most exciting markets. We moved into the country in 1998 and were immediately given a very positive reception. The number of stores was doubled both in the second and third financial year and major investments were made in building up warehouse and logistics capacity. Today H&M is represented primarily in the Paris region and in southern France.

Developments during the year

Turnover increased by 88 per cent in the course of the year (73 per cent in local currency), amounting to SEK 2,187m. The substantial expansion that was commenced in the year 2000 continued into 2001 with eight new stores. During the year there has been intensive work on adjusting buying volumes and stock levels for the new stores. The full effect of this work was felt in the fourth quarter.



H&M is always on the lookout for the best business locations for its new stores and during the spring we were able to open stores at some of the hottest addresses in Paris for example.

Our store on Boulevard Haussmann really deserves to be called a flagship store. This store, which is 2,300 square metres in size, was opened in February and is one of H&M's biggest stores in France, situated on a fashionable shopping street among a number of famous French department stores. During the autumn the Group also opened its first store in Grenoble.

2002

In 2002 H&M will take over nine stores from Marks & Spencer (three of them in the Paris region), quickly giving H&M stores in what are absolutely the best business locations. Overall around 13 new stores will be opened in the course of the year.

USA

Year established:	2000
No. of stores:	30
Turnover (SEK m):	2,027
Turnover (USD m):	197
Employees:	1,187

The year 2000 was something of a milestone for H&M as we crossed the Atlantic and began establishing stores in the USA. H&M's first store was opened in March 2000 in Manhattan, New York. In 2001 we continued our substantial expansion in the American market by opening downtown stores in New York and Boston as well as stores in big American shopping malls. Today we have 30 stores spread out across the densely-populated north-east USA.

Developments during the year

Turnover increased by 152 per cent in the course of the year (124 per cent in local currency), amounting to SEK 2,027m. Our expansion has continued according to plan and during the year 20 stores were opened in the US. In the fourth quarter the full effect of our work on adjusting stock levels and buying volumes to the growing sales could be seen. Sales figures for the year were good, although the events of September 11 had a negative effect on the American retail trade in the autumn.

In March H&M opened another store in New York, a store situated at the heart of trendy SoHo. The store sells our most fashion-oriented concepts in teenagewear, ladieswear

and menswear. The SoHo opening was preceded by a show with invited guests from the worlds of fashion and the media. During the year we also opened four stores on Long Island, New York. In the autumn we opened our first store in central Boston – a 3,000 square metre store selling all our concepts.

2002

H&M still has great faith in the USA as an important market for expansion. A further 12 stores are expected to open in 2002. The slightly slower rate of establishment than was planned previously is due partly to the uncertainty in the American market following September 11, 2001 and partly to our goal of achieving greater efficiency in our existing US stores more quickly. The changed situation in the American rental market is allowing H&M to be more selective and to obtain better terms in lease negotiations.

SPAIN

Year established:	2000
No. of stores:	10
Turnover (SEK m):	488
Turnover (ESP m):	8,832
Employees:	463

Spain is H&M's very youngest market, where our first store was opened in April 2000. Spain is a priority growth market, although expansion this year was somewhat slower than desired. The reason for this was the difficulty of finding sufficiently attractive store locations. H&M now has stores in Madrid, Barcelona, Zaragoza and Valencia.

Developments during the year

Turnover during the year amounted to SEK 488m, an increase of 161 per cent (141 per cent in local currency).

During the year H&M continued building up its Spanish organisation. A further three stores were opened. Valencia became a new H&M city in May. Madrid and Barcelona, Spain's two most important cities, each gained a new store in the autumn. The Madrid store was the first Spanish H&M store to sell clothes for all the family and was very well received by Spanish customers, who are getting to know and appreciate H&M more and more – not least for its fashion content and pricing.

2002

Our expansion in Spain will continue and it is planned that six stores will be opened during the year.



SWEDEN

Year established:	1947
No. of stores:	118
Turnover (SEK m):	5,433
Employees:	3,523

Sweden is H&M's home market and is where the company's head office is situated. It was in the Swedish town of Västerås that the founder of H&M, Erling Persson, opened his first store in 1947. Sweden is today H&M's second biggest market with 118 stores. One of the Group's biggest stores in terms of area can be found on Hamngatan in Stockholm.

The opportunities to grow by establishing new stores in Sweden are limited, however. H&M's market share is currently around 10 per cent and H&M has stores in most towns and cities. Here it is rather a matter of maintaining our market position and working all the time to improve efficiency.

Developments during the year

H&M's sales increased by 3 per cent in 2001, resulting in sales of SEK 5,433m. Four stores were opened in the course of the financial year; Värnamo was one of the towns to get its first H&M store. One store was closed. During the year we also started the building of a new central warehouse in Eskilstuna.

2002

H&M is planning to open around three more stores in Sweden in 2002. .

NORWAY

Year established:	1964
No. of stores:	67
Turnover (SEK m):	3,516
Turnover (NOK m):	3,086
Employees:	1,385

Norway was H&M's first foreign outpost, the first store being opened in Oslo in 1964. Today there are 67 stores spread all over the country and our market coverage is good.

Developments during the year

Sales in Norway increased by 21 per cent (10 per cent in local currency) in 2001, amounting to SEK 3,516m. Three stores were opened, one being a further store right in the centre of Bodø. In Oslo a new 30,000 square metre distribution centre was also taken into use during the year. This brings all our warehouse functions together in one place so that H&M's staff can make sure the Norwegian stores get their goods efficiently.

2002

One new store is planned for the year 2002..

DENMARK

Year established:	1967
No. of stores:	49
Turnover (SEK m):	2,251
Turnover (DKK m):	1,823
Employees:	939

Denmark is one of H&M's more mature markets and was the Group's second foreign venture. H&M has had a presence here since 1967. Today there are 49 stores and H&M is well established in the market.

Developments during the year

Sales increased by 19 per cent during the year (9 per cent in local currency), amounting to SEK 2,251m.

Three stores were opened, including the Group's first store in Næstved. One store was closed. Denmark's biggest store at Amager-torv in Copenhagen is gradually being refurbished to become a bright, modern store.

A new and efficient distribution centre was taken into use during the year. Thanks to this distribution and stock management have improved noticeably and Denmark now has one of the Group's most efficient logistics flows.

2002

It is expected that a further two stores will be opened in 2002.

FINLAND

Year established:	1997
No. of stores:	19
Turnover (SEK m):	1,173
Turnover (FIM m):	752
Employees:	502

Finland is H&M's most recent addition in Scandinavia and is one of the Group's youngest markets. The first Finnish store was not established until 1997. Nonetheless, H&M is today one of the best-known fashion chains in the market to customers of the 15-29 age group. There is potential for further growth in Finland.

Developments during the year

Sales increased during the year by 26 per cent (14 per cent in local currency), amounting to SEK 1,173m. Five stores were opened in the course of the financial year, including a kidswear store in Helsinki.

2002

In 2002 the H&M Group's most northerly store will be opened at Rovaniemi. The store will be situated right next to "Father Christmas's House" - a major Finnish tourist attraction that is a popular destination for the Germans, Japanese, Britons, French and others.

SWITZERLAND

Year established:	1978
No. of stores:	45
Turnover (SEK m):	3,137
Turnover (CHF m):	516
Employees:	1,097

Way back in 1978 Switzerland was the first market on continental Europe that H&M moved into. Today H&M has 45 stores in Switzerland, covering a large part of the country.

Developments during the year

Turnover increased by 26 per cent during the year (12 per cent in local currency), amounting to SEK 3,137m. Sales figures were good, with well-received collections.

Five stores were opened during the year. In spring a concept store for young fashion was opened in Bern. It was the Group's fourth store of this type. A new store with a very good city location was then opened in Lugano, in the Italian-speaking part of Switzerland. A further three stores have opened since the summer, one of them in Freiburg. One store was closed in 2001.





The big H&M store on the prestigious Bahnhofstrasse in Zurich was refurbished during the year and completed just in time for the start of the autumn season.

2002

No new H&M stores are planned for 2002.

NETHERLANDS

Year established:	1989
No. of stores:	57
Turnover (SEK m):	3,082
Turnover (NLG m):	739
Employees:	1,800

In 1989 H&M established its first base in the Netherlands, the first of the Benelux countries that the company moved into. Although H&M has been in the market a long time, there are still good opportunities for establishing new stores.

Developments during the year

Sales increased by 28 per cent (18 per cent in local currency), amounting to SEK 3,082m. During the year four stores were opened and one store was closed. One store was established in Dordrecht, a brand new city for H&M.

H&M is becoming big among young people in the Netherlands. In view of this two concept stores for young fashion were opened during the year in Amsterdam and Rotterdam. Sales have developed well in these stores. This gives Rotterdam five stores and Amsterdam nine.

2002

Four store openings are planned in the spring, including a new store in Alkmaar. Both markets are looked after from a shared head office in Brussels.

BELGIUM

Year established:	1992
No. of stores:	35
Turnover (SEK m):	1,640
Turnover (BEF m):	7,203
Employees:	710

In 1992 our first store in Belgium was opened and H&M now has 35 stores in Belgium. Notwithstanding relatively good geographical coverage, there is still potential for more new H&M stores to be established.

Developments during the year

During the year turnover increased by 13 per cent (5 per cent in local currency), amount-

ing to SEK 1,640m. A further store was opened in Ghent in the autumn.

2002

Five new stores are planned in Belgium in the coming year.

LUXEMBOURG

Year established:	1996
No. of stores:	4
Turnover (SEK m):	173
Turnover (LUF m):	761
Employees:	76

Luxembourg is the very smallest of H&M's markets with four stores and the operations are handled by the Belgian company. For geographical reasons the potential for expansion is limited.

Developments during the year

Sales increased by 20 per cent during the year (11 per cent in local currency), amounting to SEK 173m.

2002

It is planned that two new stores will be opened.

AUSTRIA

Year established:	1994
No. of stores:	41
Turnover (SEK m):	3,452
Turnover (ATS m):	5,170
Employees:	1,407

H&M opened its first store in Austria in 1994. At that time that the competition was relatively limited and the new venture quickly became profitable. Following accelerated expansion over the past year H&M now has 41 stores in Austria.

Developments during the year

Turnover increased by 19 per cent (9 per cent in local currency) in the course of the year, amounting to SEK 3,452m. Seven new stores were opened in 2001, most of them close to the Italian border. In the autumn another young fashion store opened in a new shopping centre in Vienna, while one of Vienna's biggest H&M stores was given a complete facelift during the year.

2002

Five new stores are planned in Austria in 2002, including two stores to be opened in Wels and Liezen in the spring.

From idea to store

Design and buying

The design and buying department in Stockholm is where H&M's collections are created. Its task is always to find the optimal balance between the three components that make up H&M's business concept – fashion, price and quality – for each customer group and market. The buying volumes and delivery dates are then decided.

21 production offices – 900 suppliers

H&M's 21 production offices in Europe, Asia and Africa are responsible for contacts with the 900 or so suppliers that manufacture our products. This means ensuring that the buyer's order is placed with the right supplier, that the goods are produced at the right price, are of good quality and checking that production takes place under good working conditions.

Packing and transport

The transport chain begins at one of our suppliers, where the goods are packed in boxes or prepared for transport as hanging garments. From European suppliers goods are generally sent by rail or road. From Asia the goods are shipped. Goods are transported by air only in exceptional cases.

Transshipment at the transit depot

Part of the goods flow is reloaded and sent on from the transit depot in Hamburg, but an increasingly large part is now sent direct to the distribution centres in each sales country.

A distribution centre in each country

Each H&M country has a distribution centre. From here the garments are distributed to central store warehouses or direct to stores. Certain goods are checked and prepared for sale at the distribution centre, for example by placing on hangers and finishing in steam tunnels.

Central store warehouse

As each store begins processing increasingly large volumes there is a greater need for flexibility in stock management. Some garments therefore today go direct from the distribution centre to a central store warehouse, from where the garments are called off in accordance with each store's unique sales pattern.

In the store

H&M stores are restocked every day with new items and special seasonal items. The lead time – i.e. the time it takes to turn an idea into a finished garment that is for sale in the store – varies between different product groups within a time scale of 3-4 weeks to six months.



WHERE H&M'S COLLECTIONS ARE CREATED

H&M has around 80 designers who work together with buyers, pattern designers and budget controllers to create collections for each concept.

During the planning stage an initial qualified assessment is carried out of what customers are expected to demand and this is checked against what sold well in the previous year. Inspiration is taken from all over the world – via travel, trade fairs, exhibitions, films and music – and is turned into fashions that will suit H&M's customers. The latest trends have to be picked up on at very short notice, while other trends can be predicted up to a year in advance.

Teamwork with clear roles

During the year the various team roles and the distribution of responsibility among the staff has been further clarified.

The designer produces the theme of the collection. Colours, cuts and materials are then discussed in the team, with everyone contributing their own particular area of competence – designers, pattern designers and buyers. The buyer then makes contact with H&M's production office. The team also gets important help from the sales merchandiser (there is one for each sales country) who contributes information on sales patterns and on what competitors are offering in each market. The budget controller is responsible for follow-up and project management.

There are many advantages to working in a team for each concept. Mixing different areas of competence which are each based on an interest in clothing creates creativity and team spirit. The staff must follow their instincts, be sensitive to trends, take a holistic view and have a desire to make a good deal. Flexibility is a keyword, as is achieving balance in the range.

Coordination between various teams is also important for creating an attractive range across the different collections.

Better analysis of customers and the product mix

In 2001 H&M's methods of analysing customer groups and market trends were further strengthened. The aim is that the customer must always be able to find what he or she is looking for. In addition, the price must be right and the garment must be of the required quality.

Our method of producing products that our customers want to have can be illustrated using a very simple triangular model. The triangle symbolises the breadth of H&M's range, from fashions that are sold in large quantities to the very latest trends.

In 2001 we increased our focus on the most profitable products – fashion garments at the base of the triangle. These attract lots of customers and can therefore be manufactured in large volumes. Our analysis of our spearhead garments has also become more in-depth. These are important because they

reinforce H&M's image as a fashion house. Moreover, many of H&M's future volume products are generated from this group.

Well-balanced fashion

2001 was characterised by simple, clean, easy-to-wear fashions. We also saw lots of combinations of black and white as well as modern classics. There was great interest in denim as well.

H&M's range was entirely in line with demand during the year as regards fashions, volumes and prices. Our rate of growth and ability to increase market share in all H&M markets in a tough market climate shows the strength of our business concept and our way of working.

Flexible production

H&M has 21 production offices, ten each in Europe and Asia as well as one in Africa. The production offices employ around 400 people, most of them local, who are responsible for contacts with the 900 or so suppliers who manufacture H&M's 500 million items. This means ensuring that the buyer's orders are



placed with the right supplier, that the goods are produced at the right price and are of good quality and checking that production takes place under good working conditions.

Around half of our goods are bought in Europe and the remainder primarily in Asia. Where an order is placed depends on many factors, such as price, transport times, import regulations and quality aspects.

Working with independent suppliers rather than owning our own factories makes the supply of H&M goods highly flexible, whilst at the same time the risks associated with tying up capital in machinery and stocks are considerably reduced.

Focus on lead times

H&M is constantly working on reducing lead times. Today the lead times vary from 3-4 weeks up to six months depending on the nature of the goods.

A well thought-out planning process which starts long before the actual manufacture takes place is one of the factors in our success and behind our development.

Efficient exchange of information between H&M and our suppliers allows materials etc. to be bought in early, while cuts and colours can be decided at a later stage in the process. The fact that the processing of test garments – testing and trials – is today taken care of direct in the production offices has also had a major impact on reducing lead times.

Our aim is to cut lead times further by continuing to develop our preparatory planning. The later a specific order can be placed, the less risk there is of buying errors and the greater the flexibility to restock stores with successful products.

Trends for Spring 2002

The coming Spring/Summer collection features a mix of styles in different materials, cuts and colours. Feminine/masculine, elegant/rock, frilly/sharply tailored – everything is possible.

A top with clean lines might be combined with casual trousers, or an austere canvas military jacket with an ultra-short sequined skirt. These clashes make the fashion picture varied and exciting. The garments will be out in H&M stores from as early as January and will be restocked on an ongoing basis during the spring.





COMPLETE RESPONSIBILITY MEANS INCREASED CONTROL

Logistics within H&M is both about physically moving goods from the production unit to the store and about the important feedback from the store to the buying department. In 2001 our logistics function dealt with around 500 million items or around 800,000 cubic metres of goods. Getting the right volume of goods to the right country, the right city and the right store at the right time requires a well planned distribution system.

H&M manages every part of the logistics chain, which means that the company controls every stage and acts as importer, wholesaler and retailer. This allows us to achieve economies of scale and to control the flow as regards costs, quality and delivery dates.

In total over 3,000 people work within H&M's logistics function. Stock management is primarily carried out under our own auspices, whilst transport is put out to contractors.

Continued focus on lead times

Simplicity, experience and continual improvements are keywords in H&M's goods flow. We are constantly working on reducing lead times, including through the development of our IT systems.

By relocating large parts of the production of clothes with a high fashion content to Europe while concentrating our production of volume items and basics on Asia we can cut lead times whilst maintaining flexibility.

Lower rate of investment

After last year's major investments in new infrastructure in H&M's new markets, developments in 2001 were somewhat calmer. In the USA we took a new central store warehouse in Connecticut into use and in Norway we moved the distribution centre to new premises in Oslo. In Germany the logistics facilities in Hamburg were expanded and in Belgium warehouse capacity in Brussels was also expanded in order to cope with the new stores that will be established in 2002. In Sweden the building of a new central warehouse in Eskilstuna was commenced.

At the end of the year H&M had 13 distribution centres – one in each country (apart from Luxembourg, which is supplied from Belgium). In addition, there are a number of separate central store warehouses as well as two logistics facilities, one in Sweden and one in Norway, for our mail order business H&M Rowells.





OUR EMPLOYEES CREATE THE SPIRIT OF H&M

Every H&M employee helps to convey what is also our business concept – fashion and quality at the best price.

At the end of the year H&M had around 34,000 employees. The year has been characterised by continued rapid expansion of the business primarily in the USA, Germany, France and the UK. We have also worked intensively on adjusting our manning levels to our growing sales. Thanks to great commitment from all our staff we have succeeded in this task.

An important challenge in conjunction with H&M's expansion and the large number of new appointments is to maintain and pass on the particular spirit of H&M throughout the organisation. We always prioritise straight, fast decision paths so as to avoid bureaucracy.

The spirit of H&M

The spirit of H&M is based on a number of values which describe in simple terms how we want to work and which are grounded in our business concept. The spirit of H&M is based on sound commonsense, taking the initiative, faith in the individual, direct communication, cost consciousness, team spirit, fast pace and continual improvement – always with the focus on the customer.

Within H&M we provide room for people to make their own decisions and take responsibility and staff get continual feedback on their performance. Locally organised competitions in and between stores also act as an important impetus for store staff.

Job rotation is an important element for H&M employees in most positions. Store managers regularly visit call-off warehouses and the staff and management in the country and Group offices complete work experience in stores. This creates understanding across boundaries and increased commitment.

Our in-house newspaper H&M News is one of a number of tools in which we com-

municate and strengthen the corporate culture as well as updating our staff on what is going on within the Group. The newspaper is issued four times a year.

Recruitment

At H&M we principally recruit internally. External recruitment is used primarily for sales staff for our stores. These later form a good recruitment base for positions of responsibility both in the stores and in other functions within the company. That way we ensure that the spirit of H&M is spread throughout the organisation, whilst at the same time giving our employees opportunity to develop continuously.

Our expansion in new markets over the year has involved the recruitment of a lot of new staff at all levels who, together with a



number of experienced key personnel from more established markets, have built up the organisations in the USA and Spain in particular. The stores in these countries are now run primarily by local staff. This is an example of how H&M is able to transfer experience and knowledge quickly and efficiently from mature to new markets.

During the year a new recruitment campaign was created in which H&M staff personally participate. In the campaign, which is used in all H&M countries, members of H&M's staff say how they personally experience H&M as an employer. This shows the

diversity within H&M whilst at the same time strengthening the credibility of the message.

Developing skills

Attracting and retaining competent staff is important for our success. We therefore work continually on developing skills. The biggest knowledge gain is made through active learning in everyday work and all training is carried out under the auspices of H&M itself.

Newly employed store staff undergo a three-week induction programme in which the emphasis is on passing on experience and skills. Each new member of staff is given a mentor. They then have continual training as needed, e.g. in customer care, textiles and display.

The induction programme guarantees that everyone has an equal grounding in H&M's way of working. We also carry out management training in which we place great emphasis on being a good communicator of H&M's values.

Organisation

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

In addition, H&M has 13 country offices that are responsible for the local functions in each country. H&M stores in Luxembourg are administered by the country office in Belgium.

H&M has 21 production offices, primarily in Europe and Asia, which take care of contacts with H&M's 900 or so suppliers.

At the end of the year H&M had 771 stores in 14 countries. The average number of employees was 22,944 (converted into full-time positions), 17 per cent of whom were male.

WE TAKE RESPONSIBILITY IN ALL STAGES

H&M's business concept is to give customers unbeatable value by offering fashion and quality at the best price. Our concept of quality means that customers must be satisfied with both our products and with H&M as a company.

Youth project in Bangladesh

H&M works actively to prevent child labour. Since 1999, for example, we have been running a well-regarded project in Bangladesh which aims to improve the prospects of young people who want to train as sewing machinists. Around 160 young people are trained annually at our training centre in Dhaka and are then given work experience at one of H&M's suppliers, where they are also offered permanent employment.

Support for human rights

H&M supports the nine principles of UN's Global Compact and OECD's guide lines for multinational companies.

Healthy ideals in advertising

H&M follows the International Chamber of Commerce's basic rules on advertising. Our marketing has a major impact and it is therefore essential for us to communicate a positive and healthy image. H&M's advertising images are not aimed to convey a specific ideal. The people we show in our advertisements must be healthy and wholesome. H&M deliberately distances itself from drug and alcohol abuse.

Our responsibility to our customers

We place great emphasis on quality assurance and on raising the quality of our products. In addition, we regularly carry out careful tests and quality controls. All the models in H&M's collections undergo a number of quality and safety tests.

Some tests are carried out in H&M's own laboratories and some in external laborato-

ries. A final quality test is carried out at our distribution centres before the garments are distributed to stores.

Our responsibility towards those who make our clothes

We endeavour to achieve long-term relations with our suppliers. When suppliers sign a



contract with H&M they undertake to abide by our high requirements. These requirements cover matters such as fire safety, the working environment, the right to unionisation and a minimum wage as well as the fact that child labour, unreasonable working hours, enforced labour and discrimination must not occur. These criteria are stated in H&M's Code of Conduct.

Not all our suppliers meet all these requirements from the start, but they must affirm their intention to make the necessary improvements if they are to be accepted as a supplier to H&M. Certain basic requirements are always set. For example, companies that do not pay the minimum wage are not accepted as suppliers to H&M until they can prove that they meet our requirements.

Follow-up of H&M's Code of Conduct is not just a matter of inspecting the factories, but rather our staff also have an advisory function. In each location a whole network of local contacts must be built up, such as with





lawyers with a knowledge of local legislation, schools, voluntary organisations and authorities.

Checks on compliance

Around 30 full-time local H&M Code of Conduct inspectors and 100 quality controllers in the production countries check regularly that the suppliers are observing our requirements. The inspectors follow an inspection report containing over 100 items. They interview the company management, inspect all the factory areas, check documentation such as payroll reports and time cards and in certain cases interview staff at the factories. H&M carried out 2,400 Code of Conduct inspections in the course of the year.

Reporting inspection results

After each inspection a report is written for the supplier specifying the points that need improvement. H&M and the supplier agree a date by which the improvements are to be implemented and the result is then followed up by H&M's inspectors.

"Clean Clothes"

In the international "Clean Clothes Campaign" a number of international organisations have drawn attention to the lack of insight into the work of the textiles industry as regards the working environment. In response, H&M – in cooperation with Lindex, Indiska, KappAhl and the Swedish group within the campaign has produced a concrete proposal for the form an independent inspection organisation might take. The proposal, which was presented under the name "Dress Code – a code of conduct for the textiles industry", is now being discussed at European level.

H&M's policy


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

war-inspired garments: H&M has decided not to use camouflage patterns on our garments.

offensive patterns: Tops with prints have been a big trend this year. Prints on tops and other garments must not be offensive, racist, sexist, political or religious.

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

For further information visit www.hm.com



H&M's Environmental Policy

Continuous improvements are significant for all H&M activities. This includes our environmental effort, which is conducted within the framework of our business operations. H&M's business concept is to give our customers unsurpassed value by offering fashion and quality at the best price. Our quality concept is based on ensuring that our customers are satisfied with our products and H&M as a company.

To this end, we are committed to acting responsibly in our community. We shall also cooperate with our suppliers to improve the social and environmental standards in the factories that manufacture H&M clothing, thereby contributing to sustainable development in these areas. To achieve this goal, H&M has adopted the following principles.

We shall:

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

ENVIRONMENTAL AWARENESS COMES NATURAL

H&M takes environmental matters extremely seriously and for a number of years has been working on increased environmental awareness. Back in the mid-1990s, for example, we introduced chemical restrictions and since then our suppliers have had to guarantee that they will abide by them. The Group's first environmental manager was appointed in 1997 and the following year H&M's environmental policy was adopted. H&M has also charted the Group's effect on the environment and identified the environmental aspects that are significant.

Environmental thinking is a natural part of our business. Our restrictions and objectives are revised on an ongoing basis. During the year H&M has carried out a number of environmental improvement measures. Products containing PVC, for example, are not allowed in or ranges since 1 January 2002.

H&M's overall environmental aims:

- *Environmental awareness* – Promotion of environmental awareness among our employees, suppliers and customers
- *Respect for nature* – Caution in decision-making out of respect for nature
- *Sustainable use of resources* – Resource conservation, recycling and reduction of waste
- *Healthy products* – Products that are safe to use and harmless to the environment during use and disposal
- *Clean production chain* – Sustainable production and production methods throughout the supply chain
- *Green transport* – Clean and efficient transport with limited influence on the climate

Our environmental work – an integral part of our business

H&M aims to integrate environmental work into its everyday business within every area. To ensure that the environmental work is being carried out and given priority H&M has appointed environmental officers in all the countries in which we are active and within

central departments.

It is a mark of recognition for our environmental work that during the year H&M was ranked as one of the foremost listed retail companies in the Dow Jones Sustainability Index, Dow Jones' index of companies contributing to sustainable development.

Chemical restrictions

H&M is endeavouring to ensure that chemicals that may be harmful to health and the environment are not used in the production of our goods. We therefore have a list of restricted chemicals that are not permitted to occur. The list is continually updated.

In 2001 H&M entered into cooperation with a number of companies, including two large well-known American consumer goods companies, to establish common restrictions. The aim is to produce an industry standard which thus has greater impact.

Cooperation with suppliers

All H&M's goods suppliers have signed an agreement to comply with the established chemical restrictions. In this way we can also contribute to reducing the environmental impact of the production stage, as well as in the incineration and recycling of worn-out clothing.

However, the greatest environmental impact comes from the dyeing of fabrics and processing of fibres. To increase environmental awareness in these early production stages, H&M carried out several pilot projects together with our suppliers. In one project we have started charting our suppliers' effect on the environment. This work will be expanded in 2002. The suppliers in our pilot project have also formulated environmental aims in conjunction with H&M.

A more detailed report of H&M's environmental work in 2001 is published on www.global-responsibility.com

EXTERNAL FACTORS INFLUENCING H&M

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

Fashion

Working in the fashion industry is a risk in itself. Fashion is a perishable item and there is always a risk that a collection is not appreciated 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 the goods with a high fashion content that are so important for H&M's image. To reduce the fashion risk H&M is working systematically on reducing lead times from the idea until the finished product is in the store. The production of clothing with a high fashion content is also increasingly being commissioned in Europe, where lead times are shorter. This allows production to be adapted to customer demand more quickly.

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

The weather

H&M's goods are bought in and launched in stores on the basis of a normal weather situation, i.e. assuming that autumn will arrive when it should according to the statistics and will maintain a certain temperature. Major departures from the norm will affect sales. The biggest effect is felt if there are major departures at the beginning of a season.

The economic cycle

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

Currency hedging

The most significant purchase currencies for the Group are the US dollar and related currencies. Fluctuations in the dollar/euro exchange rates form the largest individual transaction exposure within the Group. To hedge against fluctuations in the dollar rate and thus reduce the effects of future exchange rate fluctuations, the US dollar and related currencies are secured under forward contracts on an ongoing basis throughout the year. Since the sole aim of this currency management is to reduce the risks, only actual exposure is hedged.

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

Translation effects

In addition to the effects of transaction exposure, the Group's result is also affected by translation effects. These arise when a foreign subsidiary's profit/loss is converted into Swedish kronor in order to be consolidated in the Group accounts. Over the past year these have been affected by the fact that the Swedish krona has strengthened against the European currencies and weakened against the dollar. Thus the underlying profit/loss in each market may be unchanged, but then either reduced or increased when converted into Swedish kronor. Over the year the translation effect was negative to the tune of SEK 240 million.

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

Liquidity management

Liquid surplus funds are invested short-term in banks or in government securities in the local currency of the company in question. The Group does not utilise any derivative instruments in the interest-bearing securities market, nor does it trade in shares or similar instruments.





ADMINISTRATION REPORT

The Board of Directors and Managing Director of H & M Hennes & Mauritz AB (publ) submit herewith their report for the financial year 1 December 2000 to 30 November 2001.

TURNOVER

Turnover incl. VAT for the H&M Group increased during the year by 30 per cent (with comparable exchange rates, the increase was 20 per cent) compared with last year and amounted to SEK 46,528.2 M (35,876.1).

Increased customer focus, good collections and a well balanced assortment have resulted in very positive sales development during the year.

H&M has increased its market share in each country of operation.

In 2001, 93 new stores were opened and four were closed. Of the net increase of 89 stores, 37 were opened and two were closed during the fourth quarter. Group number of stores hereby amounts to 771 per 30 November 2001.

Sales outside Sweden accounted for 88 per cent (85) of total sales.

In the financial year 2001/2002, approximately 90 new stores are planned to open and approximately 10 to close down. The majority of the expansion will take place in H&M's growth markets Germany, France, the USA, Spain and U.K..

PROFITS

Gross profit for the year amounted to SEK 20,499.1 M (15,396.8), which corresponds to 51.6 per cent (50.6) of sales.

After deduction of selling and administrative expenses, operating profit was SEK 5,477.8 M (3,766.6). This corresponds to an operating margin of 13.8 per cent (12.4).

Operating profit has been charged with depreciation according to plan of SEK 900.1 M (629.1) and start-up costs, the part of investments in new stores that is charged directly to the income statement, of SEK 193.0 M (315.7). Operating margin calculated on the result after depreciation but before start-up costs thereby was 14.3 per cent (13.4).

Group financial net interest income amounted to SEK 256.2 M (236.6).

Profit after financial items was SEK 5,734.0 M (4,003.2), an increase of 43 per cent. This financial year has been positively affected by currency translation effects of SEK 560 M compared with last year.

After deduction of taxes of SEK 1,917.6 M (1,450.5), profit for the year amounted to SEK 3,816.4 M (2,552.7). The result achieved corresponds to earnings per share of SEK 4.61 (3.08).

Return on shareholders' equity was 27.9 per cent (23.0) and return on capital employed was 41.6 per cent (35.8).

This financial year, recommendation no 9, income taxes, issued by the Swedish Financial Accounting Standards Council, has been applied. The taxes for 2001 have thereby been reduced by SEK 152.0 M compared to earlier principles.

LIQUIDITY AND FINANCING

The Group balance sheet total increased by 30 per cent and was on 30 November 2001 SEK 20,410.3 M (15,700.4).

During the year, the H&M Group generated a positive cash flow from current operations of SEK 6,012.3 M (1,941.2). SEK 2,035.7 M (2,525.0) was invested through acquisitions of fixed assets.

The financial assets amounted to SEK 8,530.9 M (5,403.2), an increase of 58 per cent.

Stock-in-trade decreased by 3 per cent (+ 23) and amounted to SEK 4,332.4 M (4,448.7). Stock-in-trade equals 10.9 per cent (14.6) of turnover and 21.2 per cent (28.3) of total assets. The stock level has decreased as a result of adjusted purchase volumes and a good sales development.

The Group's debt ratio was 1.2 per cent (1.2). The share of risk-bearing capital was 77.8 per cent (79.8).

The Group's equity was on 30 November 2001 SEK 15,431.6 M (11,889.8), which apportioned on the 827,536,000 outstanding shares equals SEK 18.65 (SEK 14.37) per share.

DIVIDEND POLICY

H&M's financial goal is for the company to continue to enjoy healthy growth. We must continue to expand with the same high degree of financial strength. In view of this, the Board has determined that dividends should correspond to one-third of the profit per share after taxes. Although dividends will normally follow the profit trend, they may deviate in certain years.

The Board of Directors will propose to the Annual General Meeting a dividend of SEK 1.75 per share (SEK 1.35).

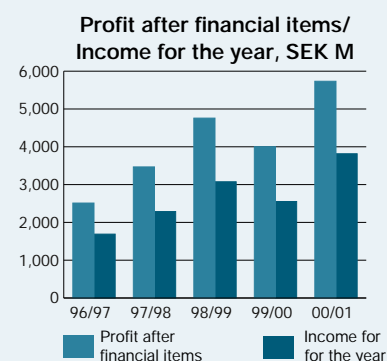
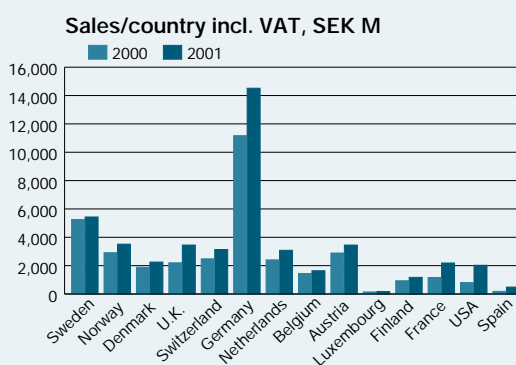
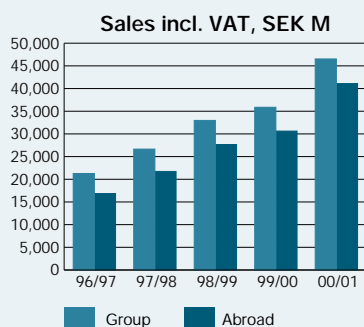
BOARD OF DIRECTORS' WORK

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

INCOME STATEMENTS

(SEK M)

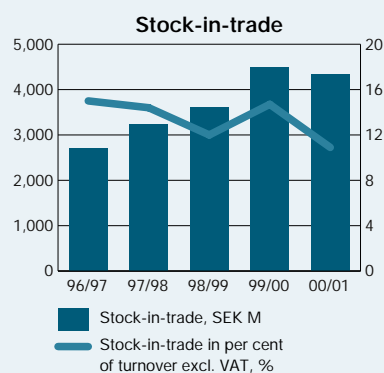
	GROUP		PARENT COMPANY	
	2000/2001	1999/2000	2000/2001	1999/2000
Turnover including VAT	46,528.2	35,876.1	6,112.0	5,733.7
Turnover excluding VAT, Note 1	39,698.8	30,453.7	4,979.6	4,696.6
Cost of goods sold, Notes 4, 5	- 19,199.7	- 15,056.9	- 2,721.4	- 2,628.6
GROSS PROFIT	20,499.1	15,396.8	2,258.2	2,068.0
Selling expenses, Notes 2, 4, 5	- 14,110.9	- 10,962.5	- 1,776.9	- 1,556.4
Administrative expenses, Notes 4, 5, 6	- 910.4	- 667.7	- 383.2	- 259.7
OPERATING PROFIT	5,477.8	3,766.6	98.1	251.9
Result from financial investments				
Dividend from subsidiaries			1,406.2	1,675.3
Interest income	275.1	254.4	143.3	116.6
Interest expense	- 18.9	- 17.8	- 10.0	- 9.1
PROFIT AFTER FINANCIAL ITEMS	5,734.0	4,003.2	1,637.6	2,034.7
Appropriations, Note 8			- 45.3	- 0.3
Taxes, Note 7	- 1,917.6	- 1,450.5	- 63.9	- 100.7
NET PROFIT FOR THE YEAR	3,816.4	2,552.7	1,528.4	1,933.7
Profit per share, SEK	4.61	3.08		
Number of shares: 827,536,000				



BALANCE SHEETS

(SEK M)

ASSETS	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Fixed Assets				
<u>Intangible Assets</u>				
Renting rights, Note 9	86.8	104.3	0.2	0.3
<u>Tangible Assets</u>				
Land and buildings, Note 9	607.6	516.9	122.2	126.6
Equipment, tools, fixtures and fittings, Note 9	5,572.8	4,337.4	406.7	407.7
	<u>6,180.4</u>	<u>4,854.3</u>	<u>528.9</u>	<u>534.3</u>
<u>Financial Assets</u>				
Shares and participation rights, Note 13			8.5	8.5
Long-term receivables, subsidiaries			24.0	24.0
Other long-term receivables	107.2	96.6	9.0	9.2
Deferred tax receivables	310.0			
	<u>417.2</u>	<u>96.6</u>	<u>41.5</u>	<u>41.7</u>
Total Fixed Assets	6,684.4	5,055.2	570.6	576.3
current assets				
Stock-in-trade	4,332.4	4,448.7	631.2	698.9
<u>Current receivables</u>				
Accounts receivable, trade	507.7	420.5	246.8	209.0
Accounts receivable from subsidiaries			3,679.5	3,244.8
Tax receivable			11.4	-
Other current assets	57.6	134.9	9.0	42.7
Prepaid expenses and accrued income, Note 10	297.3	237.9	48.1	41.5
	<u>862.6</u>	<u>793.3</u>	<u>3,994.8</u>	<u>3,538.0</u>
Short-term investments	5,063.1	3,813.8	1,353.0	960.0
Cash and bank balances	3,467.8	1,589.4	52.8	96.5
Total Current Assets	13,725.9	10,645.2	6,031.8	5,293.4
TOTAL ASSETS	20,410.3	15,700.4	6,602.4	5,869.7



BALANCE SHEETS

(SEK M)

EQUITY AND LIABILITIES	GROUP		PARENT COMPANY	
	2001	2000	2001	2000
Equity, Note 11				
<u>Restricted Equity</u>				
Share capital, Note 14	206.9	206.9	206.9	206.9
Restricted reserves	2,268.5	1,673.8	87.8	87.8
	<u>2,475.4</u>	<u>1,880.7</u>	<u>294.7</u>	<u>294.7</u>
<u>Non-restricted Equity</u>				
Profit brought forward, Note 15	9,139.8	7,456.4	3,133.7	2,317.2
Profit for the year	3,816.4	2,552.7	1,528.4	1,933.7
	<u>12,956.2</u>	<u>10,009.1</u>	<u>4,662.1</u>	<u>4,250.9</u>
Total Equity	15,431.6	11,889.8	4,956.8	4,545.6
Untaxed reserves, Note 16			578.6	533.3
<u>Provisions</u>				
Provisions for pensions	98.7	96.1	95.4	92.8
Provisions for deferred tax liabilities	755.9	639.4		
	<u>854.6</u>	<u>735.5</u>	<u>95.4</u>	<u>92.8</u>
<u>Long-term Liabilities</u>				
Liabilities to credit institutions	86.0	41.9	24.2	24.5
<u>Current Liabilities</u>				
Accounts payable, trade	998.1	925.3	355.9	215.3
Accounts payable, subsidiaries			172.4	24.7
Income tax liability	793.9	363.7		36.5
Other current liabilities	710.5	431.9	61.9	54.0
Accrued expenses and deferred income, Note 12	1,535.6	1,312.3	357.2	343.0
	<u>4,038.1</u>	<u>3,033.2</u>	<u>947.4</u>	<u>673.5</u>
TOTAL EQUITY AND LIABILITIES	20,410.3	15,700.4	6,602.4	5,869.7
Securities provided				
Real estate mortgages, not 18	32.5	32.5	32.5	32.5
Contingent liabilities	21.0	21.0	21.0	21.0

CASH FLOW ANALYSES

(SEK M)

	GROUP		PARENT COMPANY	
	2000/2001	1999/2000	2000/2001	1999/2000
Profit after financial items	5,734.0	4,003.2	1,637.7	2,034.7
Adjustment for items not affecting cash flow	- 859.5	- 821.4	- 22.8	- 24.5
Cash flow generated by current operations before changes in working capital	4,874.5	3,181.8	1,614.9	2,010.2
Cash flow generated by changes in working capital				
Changes in:				
Current receivables	- 40.3	- 208.0	- 456.8	- 469.4
Stock-in-trade	145.3	- 844.1	67.7	- 55.0
Current liabilities	1,032.8	- 188.5	273.9	- 16.8
Cash flow generated by current operations	6,012.3	1,941.2	1,499.7	1,469.0
Cash flow from investment activities				
Investments in fixed assets	- 2,035.7	- 2,525.0	- 81.0	- 136.0
Cash flow from financing activities	- 1,273.7	- 1,049.0	- 1,069.4	- 1,113.7
<i>of which dividend</i>	- 1,117.2	- 1,117.2	- 1,117.2	- 1,117.2
Cash flow for the year	2,702.9	- 1,632.8	349.3	219.3
Liquid funds, beginning of the period	5,403.2	6,832.4	1,056.5	837.2
Cash flow for the year	2,702.9	- 1,632.8	349.3	219.3
Changes in currency rates	424.8	203.6		
Liquid funds, end of the period	8,530.9	5,403.2	1,405.8	1,056.5

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

The accounting and valuation principles comply with the accounting laws, the recommendations issued by the Swedish Financial Accounting Standards Council and the Swedish Accounting Board.

This financial year, recommendation no 9, Income taxes, issued by the Swedish Financial Accounting Standards Council, has been applied.

Consolidated accounts

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

The value of stock-in-trade is reported in the consolidated financial statements net of market-value obsolescence.

Parent Company financial statements report the value of stock-in-trade net of the tax-deductible obsolescence reserve.

Foreign currency

The most significant purchase currencies for the Group are the US dollar and currencies related thereto. Fluctuation in the dollar/Euro exchange rate forms the largest individual transaction exposure within the Group. To hedge against fluctuations in the dollar rate and thus reduce the effects of future exchange rate movements, US dollars and related currencies are secured under forward contracts on an ongoing basis throughout the year. Since the sole aim of this currency management is to reduce the risks, only actual exposure is hedged. The Group's operating result for the year has been negatively affected by SEK 67 M (last year positively by SEK 59 M).

Translation effects also arise in respect of the Group's net assets on consolidation of the foreign subsidiaries' balance sheets. No equity hedging is carried out for this risk. The translation differences for the year, which are reported directly against Group equity, amount to SEK 684.6 M.

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

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

1 TURNOVER EXCLUDING VAT PER COUNTRY, SEK M

	2000/2001	1999/2000
Sweden	4,353	4,208
Norway	2,839	2,367
Denmark	1,801	1,511
U.K.	3,047	1,940
Switzerland	2,916	2,307
Germany	12,522	9,632
Netherlands	2,593	2,047
Belgium	1,356	1,196
Austria	2,893	2,422
Luxembourg	156	129
Finland	962	764
France	1,829	972
USA	2,012	798
Spain	420	161
Total	39,699	30,454

2 START-UP COSTS

Start-up costs are included in the selling expenses and refer to the cost involved in modernising and fitting out newly acquired premises and newly established operations. Start-up costs have been charged to the income statement in accordance with the accounting and taxation practice of each country. Start-up costs during the year amounted to SEK 193.0 M (315.7).

3 SALES TO GROUP COMPANIES

Parent Company net turnover includes SEK 499 M (SEK 760 M) concerning the internal sale of goods to subsidiaries.

4 SALARIES, OTHER REMUNERATION AND PAYROLL OVERHEADS (SEK M)

2001	Board + Man. Dir., Salary	Other, Salary	Payroll overheads Total	of which pensions Total	of which pensions** Board + Man. Dir.
Sweden	10.3	868.2	379.9	64.4	3.0
Norway	2.4	433.4	67.0	4.8	0.3
Denmark	1.3	230.0	17.1	10.4	
U.K.	3.0	367.1	23.9	1.4	0.2
Switzerland	3.1	370.0	51.2	0.7	0.2
Germany	4.2	1,343.9	281.5	0.2	0.1
Netherlands	1.4	280.1	68.3		
Belgium	1.6	157.7	35.5	0.5	0.1
Austria	1.4	285.5	81.7		
Luxembourg		13.6	1.7		
Finland	1.3	85.9	20.4	0.1	0.1
France	2.0	247.9	96.9	0.6	0.3
USA	2.6	367.2	61.0	3.4	0.1
Spain	2.9	61.1	16.5	0.3	
Other countries		107.1	10.2	3.2	
Group, total	37.5	5,218.7	1,212.8	90.0	4.4

	Board + Man. Dir., Salary	Other, Salary	Payroll overheads Total	of which pensions* Total	of which pensions** Board + Man. Dir.
2000					
Sweden	11.4	820.3	316.8	15.6	1.5
Norway	2.0	360.8	56.2	4.0	0.2
Denmark	2.3	195.0	13.4	8.8	
U.K.	2.8	247.1	19.1	1.3	0.1
Switzerland	3.3	320.2	37.8	0.8	0.3
Germany	4.3	1,133.6	231.0	0.3	
Netherlands		214.2	45.0		
Belgium	1.3	138.5	33.6	0.2	0.1
Austria	1.2	254.1	73.6		
Luxembourg		11.2	1.2		
Finland	1.0	76.1	17.2	0.2	0.1
France	1.6	144.0	55.9	0.4	0.1
USA	2.9	134.1	21.3	2.0	
Spain	1.9	30.5	8.2	0.1	
Other countries		80.8	6.6	2.9	
Group, total	36.0	4,160.5	936.9	36.6	2.4

*] Pension costs in Sweden have been reduced by SEK 34.3 M, which represents the company's repayment of pension funds from SPP.

**] Company and Group outstanding pension obligations to this group total SEK 5.2 M (5.0).

Severance pay

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

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

Terms of employment for other Group senior executive officers

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

Remuneration to the Managing Director amounted to SEK 4,775,000 (5,831,000). The usual premium for a Swedish ITP retirement plan should be added to the aforementioned figures.

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

5 DEPRECIATION ACCORDING TO PLAN (SEK M)

Equipment and leasehold rights have been depreciated at a rate of 12 per cent of acquisition cost, based on the estimated economic life. Real estate has been depreciated at 3 per cent of acquisition cost.

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

	GROUP		PARENT COMPANY	
	00/01	99/00	00/01	99/00
Cost of goods sold	105.2	77.0	13.0	12.3
Selling expenses	751.5	522.1	69.3	60.4
Administrative expenses	43.4	30.0	4.1	3.5
Total	900.1	629.1	86.4	76.2

6 AUDIT FEES (SEK M)

	GROUP		PARENT COMPANY	
	00/01	99/00	00/01	99/00
Ernst & Young				
Audit assignments	6.8	5.7	1.1	1.0
Other assignments	2.7	2.7	0.1	0.1
Other auditors				
Audit assignments	2.1	1.8		

7 TAX ON PROFIT FOR THE YEAR (SEK M)

	00/01	99/00
Present taxes paid	-1,997.6	-1,372.6
Deferred taxes	80.0*	- 77.9
Total	-1,917.6	-1,450.5

	GROUP	PARENT COMPANY
Present taxes paid	1,997.6	63.9
Deferred taxes	- 80.0 *	
	1,917.6	63.9
Expected tax expense according to Swedish tax rate 28 per cent	1,605.5	445.8
Difference in foreign tax rates	285.9	
Sundry non deductible/non taxable	26.2	11.7
Tax free dividend from subsidiary		- 393.6
	1,917.6	63.9

In the balance sheet under long-term receivables a deferred tax receivable of SEK 310 M is included, referring to loss carry forward estimated to be utilised within the next few years.

* of which tax on untaxed reserves - 72.0

8 APPROPRIATIONS (SEK M)

	00/01	99/00
Depreciation in excess of plan	- 14.7	- 28.0
Change in capital based tax equalisation reserve K		51.7
Change in accrued fund	- 30.6	- 24.0
Total	- 45.3	- 0.3

9 LEASEHOLD RIGHTS, REAL ESTATE AND EQUIPMENT (SEK M)

	Leasehold rights	Real estate	Equipment
Group			
Acquisition value carried forward	131.7	590.3	6,280.9
Acquisition for the year	1.6	67.8	1,843.0
Sales/disposal	- 18.6		- 157.1
Translation effects	11.1	44.5	449.9
Closing acquisition value	125.8	702.6	8,416.7

Depreciation carried forward	- 27.4	- 73.4	-1,943.5
Sales/disposal	5.6		132.1
Depreciation for the year	- 14.6	- 18.5	- 867.0
Translation effects	- 2.6	- 3.1	- 165.5
Closing accumulated depreciations	- 39.0	- 95.0	- 2,843.9
Closing residual value according to plan	86.8	607.6	5,572.8

Parent Company

Acquisition value carried forward	0.7	175.4	659.9
Acquisition for the year		0.5	80.4
Sales/disposal			- 19.5
Closing acquisition value	0.7	175.9	720.8

Depreciation carried forward	- 0.4	- 48.8	- 252.2
Sales/disposal			19.5
Depreciation for the year	- 0.1	- 4.9	- 81.4
Closing accumulated depreciations	- 0.5	- 53.7	- 314.1
Closing residual value according to plan	0.2	122.2	406.7

The Group has not entered into any leasing agreements. Contracts for leased premises have been entered at normal market terms. Rental charges for the financial year 2000/2001 amounted to SEK 4,277 M.

10 PREPAID EXPENSES AND ACCRUED INCOME (SEK M)

	GROUP		PARENT COMPANY	
	00/01	99/00	00/01	99/00
Prepaid rent	194.3	117.8	26.2	25.9
Accrued interest income	17.9	16.7	6.0	3.3
Other items	85.1	103.4	15.9	12.3
Total	297.3	237.9	48.1	41.5

11 CHANGE IN SHAREHOLDERS' EQUITY (SEK M)

	Share capital	Restricted reserves	Unappropriated earnings	Total shareholders' equity
Shareholders' equity 1 Dec. 2000	206.9	1,673.8	10,009.1	11,889.8
Effect of changed accounting principles		158.0		158.0
Adjusted shareholders' equity 1 Dec. 2000	206.9	1,831.8	10,009.1	12,047.8
Dividends			- 1,117.2	- 1,117.2
Capital shares in untaxed reserves		325.1	- 325.1	
Translation differences		111.6	573.0	684.6
Profit for the year			3,816.4	3,816.4
Shareholders' equity 30 Nov. 2001	206.9	2,268.5	12,956.2	15,431.6

12 ACCRUED EXPENSES AND PREPAID INCOME (SEK M)

	GROUP		PARENT COMPANY	
	00/01	99/00	00/01	99/00
Holiday pay liability	294.6	243.9	101.5	94.0
Payroll overheads	130.8	114.6	73.9	69.5
Accrued interest expense	1.5	8.1	1.5	6.8
Other items	1,108.7	945.7	180.3	172.7
Total	1,535.6	1,312.3	357.2	343.0

13 PARTICIPATION IN GROUP COMPANIES (all companies are wholly owned) (SEK M)

	Organisation number	Number of shares	Booked value	Domicile
Parent company participation				
K E Persson AB	556030-1052	1,000	0.1	Stockholm
AB Hennes	556056-0889	1,000	0.1	Stockholm
Big is Beautiful, BiB AB	556005-5047	3,300	0.4	Stockholm
Bekå AB	556024-2488	450	1.3	Stockholm
Impuls AB	556151-2376	1,250	0.1	Stockholm
Carl-Axel Herrmode AB	556099-0706	1,000	3.0	Stockholm
H & M Rowells AB	556023-1663	1,150	0.6	Stockholm
Mauritz AB	556125-1421	2,000	0.2	Stockholm
Erica Modehus AB	556070-1715	1,000	2.6	Stockholm
H & M Hennes & Mauritz International BV		40,000 NLG	0.1	Netherlands
			8.5	
Subsidiary participation in group companies				
Carl Axel Petterssons AB	556027-7351	1,200		Stockholm
H & M Hennes & Mauritz AS				Norway
H & M Hennes & Mauritz AS				Denmark
H & M Hennes Ltd				U.K.
H & M Hennes & Mauritz SA				Switzerland
H & M Trading SA				Switzerland
H & M Hennes & Mauritz Holding GmbH, Hamburg				Germany
H & M Hennes & Mauritz GmbH, Hamburg				Germany
Impuls GmbH, Hamburg				Germany
Modehaus H & M Hennes & Mauritz GmbH, München				Germany
Magis GmbH & Co. KG, Hannover				Germany
H & M Hennes & Mauritz Holding BV				Netherlands
H & M Hennes & Mauritz Netherlands BV				Netherlands
H & M Hennes & Mauritz USA BV				Netherlands
H & M Hennes & Mauritz Belgium NV				Belgium
H & M Hennes & Mauritz GesmbH				Austria
H & M Hennes & Mauritz OY				Finland
H & M Hennes & Mauritz SARL				France
H & M Hennes & Mauritz LP				USA
H & M Moda SL				Spain
H & M Reinsurance SA				Luxembourg
H & M Hennes & Mauritz Far East Ltd				Hong Kong
Puls Trading Far East Ltd				Hong Kong
H & M Hennes & Mauritz International Ltd				Hong Kong
Puls Trading International Ltd				Hong Kong

14 SHARE CAPITAL

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

15 APPROPRIATION OF PROFITS IN ACCORDANCE WITH THE RESOLUTION OF THE 2001 ANNUAL GENERAL MEETING (SEK M)

	SEK M
Unappropriated profit at 30 Nov. 00	4,250.9
Dividend, SEK 1.35 per share	- 1,117.2
Unappropriated profit carried forward	3,133.7

16 UNTAXED RESERVES (SEK M)

	00/01	99/00
Depreciation in excess of plan	223.1	208.4
Other untaxed reserves	355.5	324.9
Total	578.6	533.3

17 AVERAGE NUMBER OF EMPLOYEES

	00/01		99/00	
	Total	Males	Total	Males
Sweden, Parent Company	3,523	18%	3,556	17%
Norway	1,385	9%	1,321	8%
Denmark	939	6%	888	8%
U.K.	1,768	21%	1,325	22%
Switzerland	1,097	11%	1,047	9%
Germany	6,216	17%	5,928	17%
Netherlands	1,800	15%	1,656	15%
Belgium	710	16%	735	15%
Austria	1,407	16%	1,421	18%
Luxembourg	76	11%	58	14%
Finland	502	11%	519	14%
France	1,366	33%	948	14%
USA	1,187	38%	559	40%
Spain	463	18%	287	22%
Other countries	505	31%	432	16%
Group, total	22,944	17%	20,680	17%

18 SECURITIES PROVIDED (SEK M)

	00/01	99/00
Real estate mortgages provided for liabilities to credit institutes		
Sweden Dagskiftet Stockholm	7.5	7.5
Holmens gård, Borås	25.0	25.0
Total Parent Company	32.5	32.5

19 KEY FIGURE DEFINITIONS

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

PROPOSED DISTRIBUTION OF EARNINGS

GROUP

According to the Group Balance Sheet, unappropriated Group profit amounts to SEK 12,956.2 M.

At the disposal of the Annual General Meeting	SEK	4,662,151,292
The Board of Directors and Managing Director propose that:		
shareholders be paid a dividend of SEK 1.75 per share	SEK	- 1,448,188,000
To be carried forward as retained profits	SEK	<u>3,213,963,292</u>
	SEK	<u>4,662,151,292</u>

Stockholm, 29 January 2002

Stefan Persson
Chairman

Fred Andersson

Birgitta Brusberg*

Vivian Enochsson*

Werner Hofer

Sussi Kwart

Bo Lundquist

Stig Nordfelt

Melker Schörling

Rolf Eriksen
Managing Director

* Employee representative

AUDITORS' REPORT

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

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and managing director of H & M Hennes & Mauritz AB for year financial year 1/12 2000 – 30/11 2001. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated accounts are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and consolidated accounts.

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

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

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

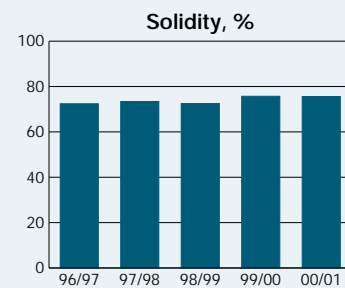
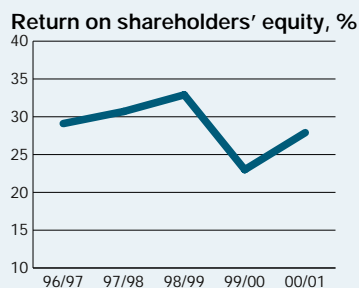
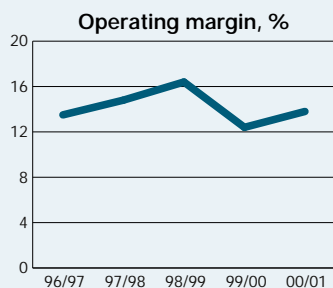
Stockholm, 30 January 2002

Åke Hedén
Authorised Auditor

Gunnar Widhagen
Authorised Auditor

FIVE-YEAR SUMMARY

	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001
Turnover, including VAT, SEK M	21,279.4	26,649.8	32,976.5	35,876.1	46,528.2
Change from previous year, %	+ 24	+ 25	+ 24	+ 9	+ 30
Sales outside Sweden, SEK M	16,853.1	21,730.1	27,667.4	30,621.0	41,095.0
Sales outside Sweden as a percentage of total sales, %	79	82	84	85	88
Operating margin, %	13.5	14.8	16.4	12.4	13.8
Profit after financial items, SEK M	2,511.9	3,468.2	4,758.6	4,003.2	5,734.0
Net profit for the year, SEK M	1,690.9	2,286.9	3,075.4	2,552.7	3,816.4
Cash and Bank balances including short-term investments, SEK M	3,797.0	5,159.9	6,832.4	5,403.2	8,530.9
Stock-in-trade, SEK M	2,708.4	3,237.9	3,609.3	4,488.7	4,332.4
Restricted equity, SEK M	1,392.0	1,626.5	1,651.2	1,880.7	2,475.4
Non-restricted equity, SEK M	5,081.4	6,779.4	8,642.6	10,009.1	12,956.2
Return on shareholders' equity, %, Note 19	29.1	30.7	32.9	23.0	27.9
Return on capital employed, %, Note 19	42.5	46.3	50.3	35.8	41.6
Debt/equity ratio, %, Note 19	2.1	1.6	1.3	1.2	1.2
Share of risk-bearing capital, %, Note 19	77.4	77.9	76.4	79.8	77.8
Solidity, %, Note 19	72.4	73.4	72.5	75.7	75.6
Interest cover, Note 19	198.8	252.3	324.7	225.9	304.4
Number of stores in Sweden	117	120	124	115	118
Number of stores outside Sweden	373	430	489	567	653
Total number of stores	490	550	613	682	771
Average number of employees	12,096	14,101	17,652	20,680	22,944



H&M SHARE

Business ratios per share	1996/1997	1997/1998	1998/1999	1999/2000	2000/2001
Shareholders' equity per share, SEK	7.82	10.16	12.44	14.37	18.65
Earnings per share, SEK	2.04	2.76	3.72	3.08	4.61
Change from previous year, %	+ 27	+ 35	+ 35	- 17	+ 50
Dividend per share, SEK	0.75	1.00	1.35	1.35	1.75*
Market price at financial year-end, SEK	89.25	150.25	270.00	169.00	213.00
P/E ratio	44	54	73	55	46

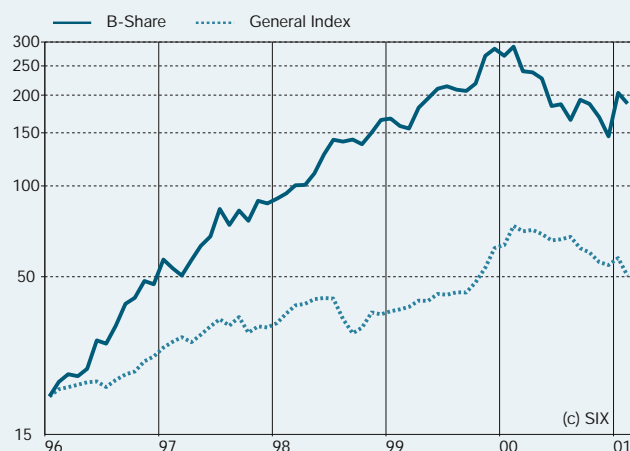
Distribution of shares, December 2001

Shareholdings	Number of shareholders		Number of shares		Average number of shares per shareholder	
		%		%		
1 – 1,000	170,083	92.6	33,974,664	4.1	200	
1,001 – 5,000	10,370	5.6	23,310,134	2.8	2,248	
5,001 – 10,000	1,430	0.8	10,657,542	1.3	7,453	
10,001 – 50,000	1,264	0.7	26,491,811	3.2	20,959	
50,001 – 100,000	163	0.1	11,798,173	1.4	72,381	
100,001 –	369	0.2	721,303,676	87.2	1,954,753	
TOTAL	183,679	100.0	827,536,000	100.0		

Major shareholders, December 2001

	Shares held	% of voting rights	% of capital stock
The Stefan Persson family	301,672,400	69.1	36.5
Liselott Tham	36,805,700	2.2	4.4
Robur Fonder	28,114,856	1.7	3.4
Alecta	26,608,148	1.6	3.2
SEB Fonder	17,958,600	1.1	2.2
Nordeas fonder	16,425,989	1.0	2.0
Handelsbanken fonder	13,519,942	0.8	1.6
Fjärde AP-fonden	10,470,200	0.6	1.3
Skandia	10,055,355	0.6	1.2
Andra AP-fonden	9,907,660	0.6	1.2

* Proposed dividend



BOARD OF DIRECTORS



STEFAN PERSSON

born 1947
Chairman, H&M
Member of the board since 1979
Other board assignments: AB
Electrolux and INGKA Holding B.V.
No. of shares in H&M:
283.474.400



FRED ANDERSSON

born 1946
Managing Director, Coromandel
Holding AB
Member of the board since 1990
Other board assignments: Consilium
AB, Indoor Group Ltd and Vi-
mare Invest AB
No. of shares in H&M: 4,300



BIRGITTA BRUSBERG

born 1937
Employee representative since
1992
No. of shares in H&M: 100



VIVIAN ENOCHSSON

born 1940
Employee representative since
1977
No. of shares in H&M: 600



WERNER HOFER

born 1935
Lawyer and partner of Luther &
Partner, Hamburg/Berlin
Member of the board since 1996
Other board assignments: Chair-
man of Puma AG, Electrolux
Deutschland GmbH and Ispat
Germany GmbH
No. of shares in H&M: 4,000



JAN JACOBSEN

born 1951
Deputy member of the board
since 1985
No. of shares in H&M: 200,000



SUSSI KVART

born 1956
Bachelor of Laws, Sussi Kvart
AB
Member of the board since 1998
Other board assignments: The
Swedish National Grid and
Stockholms Stadsteater AB
No. of shares in H&M: 2,200



BO LUNDQUIST

born 1942
Member of the board since 1995
Other board assignments: Chairman of ACSC AB, board member of CityMail AB
No. of shares in H&M: 20,000



AGNETA RAMBERG

born 1946
Deputy employee representative since 1997



STIG NORDFELT

born 1940
Managing Director, Pilen AB
Member of the board since 1987
Other board assignments: Chairman of United Care Scandinavia AB, NetLight Consulting AB and Surephone AB, board member of IBS AB
No. of shares in H&M: 4,000



MELKER SCHÖRLING

born 1947
Member of the board since 1998
Other board assignments: Chairman of Securitas AB, Hexagon AB and Karlshamn AB, vice chairman of Assa Abloy AB, board member of Skandia AB
No. of shares in H&M: 114,000



MARIANNE NORIN-BROMAN

born 1944
Deputy employee representative since 1995
No. of shares in H&M: 70



ROLF ERIKSEN

Born 1944
Chief Executive Officer and Managing Director of H&M
Deputy member of the board since 2000
No. of shares in H&M: 17,800



ADDRESSES

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K&M

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting will be held at the Stockholmsmässan (Victorihallen) in Stockholm on Friday, 19 April 2002, at 3 p.m.

Shareholders who are registered in the share register print-out on Tuesday, 9 April 2002 and give notice of their intention to participate in the Meeting no later than 12 noon, Monday 15 April 2002.

NOMINEE SHARES

Shareholders whose shares are registered in the name of a nominee must re-register their shares in their own names to be entitled to participate in the Meeting. In order to re-register shares for participation in the Meeting, shareholders should, in good time before 9 April 2002, request temporary owner registration, which is referred to as voting right registration.

NOTICE

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

H & M Hennes & Mauritz AB
Box 1421
SE-111 84 Stockholm, Sweden
Telephone +46 8 796 55 00, telefax +46 8 24 80 78

Shareholders wishing to participate in the Meeting must register their intention no later than 12 noon, Monday, 15 April 2002.

DIVIDEND

The Board of Directors has proposed Tuesday, 24 April 2002 as record day. VPC (Swedish Securities Register Centre) is expected to commence paying dividends on 29 April 2002.

The Board of Directors and the Managing Director have decided to propose to the Annual General Meeting a dividend for 2001 of SEK 1.75 per share.

FINANCIAL INFORMATION

H & M Hennes & Mauritz AB will provide the following information for the 2002 financial year:

First Quarter Report, including sales development – February	22 March
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Half Year Report, including sales development – May	19 June
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Nine Months Report, including sales development – August	19 September
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Full Year Report, including sales development – December	January 2003
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Annual Report	March 2003
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Sales development for the remaining months will be published around the 15th of the following month.

This information will also be available at www.hm.com

