

Address by CEO Karl-Johan Persson at H&M's AGM 2016

Good afternoon everybody, and a warm welcome to H&M's annual general meeting 2016. I am very pleased to see so many of you here today.

2015 IN BRIEF

As always, lots of exciting things are happening at H&M. We are continuing to grow and we are continuing to develop our offering to our customers.

2015 was a very expansive year for us; a year in which we opened 413 new stores net and ten new online markets. It was also a very good year in terms of sales and results.

SALES

We increased sales by 19 percent in Swedish kronor – and by 11 percent in local currencies – to SEK 210 billion including VAT. With continued strong expansion and well-received collections, we continued to take market share in a highly competitive market. Sales were good for all our brands: H&M, COS, & Other Stories, Monki, Weekday and Cheap Monday.

Today we have a presence in a total of 61 markets. Here we see the sales for some of our biggest markets. Germany remains H&M's largest market by far. However, the US is catching up, with strong expansion and strong sales development again in 2015. Sales were also very good in our third largest market, the UK, as well as in several of our markets in southern Europe. China has grown into one of our largest markets in a short time, with sales of SEK 10 billion in 2015.

EXPANSION IN 2015

We are continuing to grow in existing markets while at the same time also opening stores in new countries. So in 2015 we added 413 new stores net and we moved into five new markets. These were Taiwan, Peru and Macau, and then in October we opened our first stores in India and South Africa. The reception was very good in all the markets. We would like to show you a short film from one of the openings. It is from South Africa, at the opening of our first store in Cape Town.

Film from Cape Town

Yes, the atmosphere really was incredible – I was there myself, and it was amazing to meet all our customers and new colleagues. Later in the year we also opened a store in Johannesburg, where again we were really well received.

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We are also investing in building an even stronger H&M. For a number of years we have been in an intensive investment phase, investing in new brands and concepts and in IT and online. These are major long-term investments that we are making in order to further strengthen our position in the market and to secure our continued expansion in the long term; for example, we have invested in a new online platform that has made it possible for us to rapidly roll out H&M's e-commerce to further markets.

In 2015 alone we added a further 10 new online markets. These are Portugal, Poland, the Czech Republic, Romania, Slovakia, Hungary, Bulgaria, Belgium, Switzerland and Russia. Today, we offer ecommerce in 32 countries. We are very pleased with developments to date and with the investments we are making to increase our availability and our service to our customers.

Another example of our long-term investments is our new concept H&M Beauty, which we launched in July 2015. It is a broad concept for cosmetics, body care and hair styling with a wide range of products. H&M Beauty has got off to a really good start and can already be found in nearly 1,000 H&M stores in around 45 markets, and we plan to roll it out to a further 275 stores this year.

PROFIT FOR THE YEAR

At the same time as expanding and making major long-term investments for the future, our cost control still remains good. We continued to grow with good profitability in 2015. Profit for the year after tax increased to SEK 20.9 billion. That is our highest earnings to date, and comes despite the strong US dollar having made our purchasing considerably more expensive.

OUR EMPLOYEES

Decisive to our success are our employees and our corporate culture. Since being established in 1947, H&M's development has been based on the great commitment of our employees and on strong shared values. I would like to take this opportunity today to thank all our employees for doing a fantastic job once again over the past year. I am also pleased that the increase in profits in 2015 means that we have been able to contribute another SEK 75 million to the H&M Incentive Program, which is our incentive programme for all employees.

The expansion means that we have more and more colleagues around the world. In 2015 alone we created 16,000 new jobs within the H&M group. We are now more than 148,000 colleagues, and we plan to recruit many more new employees in 2016 as our expansion continues.

STORE EXPANSION

Before we look ahead to the future, here is a graph illustrating H&M's expansion over the years.

Since 2010 we have doubled the number of stores in the group, and in April this year we passed another milestone when we opened store number 4,000. This was in India, in the Mall of

India in New Delhi. The store, as we see here, was given a very good reception and is one of the many great flagship stores that we are opening this spring in several of our markets.

EXPANSION IN 2016

We see that we can continue to grow at a fast rate both through stores and online, in existing markets and in new countries, for many years to come. Our growth target to open 10–15 percent new stores per year with continued high profitability remains in place.

In 2016 we plan to open 425 new stores net. We are also looking forward to establishing H&M in three new markets. These are New Zealand, Cyprus and Puerto Rico.

This year we also plan to offer e-commerce in a further 11 existing H&M markets. Nine of these have already opened during the spring. All have got off to a good start: they are Ireland, Croatia, Slovenia, Estonia, Latvia, Lithuania, Luxembourg, Japan and Greece. Later in the year Canada and South Korea will also open. That means we will offer e-commerce in 34 markets by the end of the year, and preparations are well under way for the continued rollout of e-commerce to all our markets.

OUR BRANDS

Being able to offer customers more and more brands with different identities is another important part of our long-term work to further strengthen our future market position. And our new brands – COS, & Other Stories, Monki, Weekday and Cheap Monday – are becoming an increasingly important part of the group.

In 2016 the main focus of expansion will be on COS. The majority of the new stores will open in existing markets, but COS will also add five new markets during the year. & Other Stories, Monki and Weekday will also expand in new and existing markets. & Other Stories will open its first store in Ireland this year. Weekday has just opened its first store in Austria, where Monki will also open its first store later in the year.

SUSTAINABLE DEVELOPMENT

We are also continuing our work on sustainability, which is an integral part of our customer offering and our business.

For nearly 70 years H&M has grown by making fashion and good quality available to as many people as possible. Over the years H&M has been able to contribute to growth, both in Sweden and in other countries. Global trade has also made it possible for poor countries to develop. In Asia, the export-focused textile industry has contributed to jobs and reduced poverty in a number of countries where we are a buyer. If we, and other companies, continue to trade with these countries and to support the partners we work with there, then over time they will be able to move towards increased specialisation, greater productivity and higher wages. The

continued presence of long-term and responsible buyers is therefore of great importance for the future of these countries and of the people who live there.

We are also working for fair living wages in the textile industry. We are the only company in our sector to have implemented a model for fair living wages – the Fair Wage method. More and more of our suppliers have started using the Fair Wage method to achieve fairer wage setting for their employees. To bring about changes in the labour market that benefit the entire textile industry we are collaborating with a number of experts in this area. We are working in partnership with both local players and global organisations on this important issue.

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Our size gives us a fantastic opportunity to drive the development of a more sustainable and circular fashion industry. One example of this is our switch to renewable electricity. Our goal is for 100 percent of the electricity that we use in our own operations to come from renewable sources. In 2015 we increased the share of renewable electricity in the business globally from 27 percent to 78 percent. As a result, we reduced our greenhouse gas emissions by 56 percent over the year. By creating large-scale demand for renewable electricity, we are also helping to drive the development of sustainable energy solutions in more and more countries.

In our product range we are continually increasing the percentage of materials from sustainable sources. For example, we have increased the proportion of cotton that comes from sustainable sources to 31 percent of our total cotton usage, compared with 21 percent in 2014. Our goal is that by 2020 all the cotton in our product range will come from sustainable sources.

In the longer term, we are also working to close the loop for textile fibres. To be able to reuse textile fibres on a large scale new innovations are needed, and we are collaborating with various experts and innovators who are developing promising technologies for textiles recycling.

At the moment, we are still in the early days of this development. A first step is to ensure that old clothes are not thrown away, but instead are reused in different ways. Since 2013 our stores all over the world have collected discarded garments and textiles of any brand and in any condition. Ninety-nine percent of all the clothing collected is re-worn, reused or recycled. The final one percent is turned into energy. Our customers have already handed in more than 28,000 tonnes of textiles globally, which we are very pleased about because it shows how committed our customers are to this cause.

So those were a few examples of our work towards long-term sustainable development.

OUTLOOK

Looking briefly at the new year that has begun, we see many opportunities but we are also well aware of the challenges that exist.

In the first quarter of 2016 we continued to take market share. Our sales including VAT amounted to almost SEK 51 billion and profit before tax to just over SEK 3.3 billion. In local currencies, sales increased by 9 percent. This was somewhat below plan and should be seen in the light of a very good first quarter last year, when sales increased by 15 percent in local currencies and profits in SEK increased by a full 35 percent.

The result for the first quarter of 2016 was affected by a continued very negative US dollar effect, which made our purchasing much more expensive, and also by increased markdowns. Looking at the negative dollar effect, this will remain for purchases made for the second quarter of 2016 although the negative effect has begun to gradually decrease due to the start of the annualisation of last year's strong US dollar exchange rate.

As many of you know, the economic situation in many markets is uncertain. However, we firmly believe that our customer offering and our investments will lead to further increases in market share and will strengthen the H&M group's position even further in 2016.

We have a lot of exciting things going on. Our employees are wonderfully capable and we have a strong culture in our company, so we are positive as regards the future. As far as we are concerned, most things have yet to be done. We see great potential for us to continue to expand and develop for many years ahead.

Thank you. I will now hand over to the chairman of the meeting.