

Hermés Denmark ApS

Højbro Plads 4, kl. 1., 1200 København K

Company reg. no. 37 10 04 71

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 27 May 2019.

Lars Lokdam

Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

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Management's report

The managing director has today presented the annual report of Hermés Denmark ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

I consider the accounting policies used appropriate, and in my opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Copenhagen, 27 May 2019

Managing Director

Juliette Streichenberger

Independent auditor's report

To the shareholder of Hermés Denmark ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018, and of the results of the Company operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Hermés Denmark ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the Management's Review

Management is responsible for the Management's Review.

Our opinion on the Financial Statements does not cover the management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the Management's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be material misstated.

Moreover, it is our responsibility to consider whether the Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not identify any material misstatement in Management's Review.

Independent auditor's report

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent auditor's report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Hellerup, 27 May 2019

PricewaterhouseCoopers

Company reg. no. 33 77 12 31

Flemming Eghoff
State Authorized Public Accountant
mne30221

Company data

The company

Hermès Denmark ApS
Højbro Plads 4, kl. 1.
1200 København K

Company reg. no. 37 10 04 71
Financial year: 1 January - 31 December
4th financial year

Managing Director

Juliette Streichenberger

Auditors

PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Parent company

Hermès International, Société en Commandite par actions
24 rue du Faubourg Saint-Honoré, 75008 Paris, France

Management's review

The principal activities of the company

The object of the Company is to establish and carry on business in Denmark, including import, export, purchases, sales, marketing, trade and delivery, and to act as supplier to state agencies, distributors, agents, mediators, commission merchants, stock-holding business, commission agents, C&F agents as well as distributors of all types of quality and luxury products as well as accessories, upholstery and horse riding gear, hand-made leather articles, stationary articles, ready-to-wear clothing, watches, jewelry, cosmetics, perfumes, fashion goods, fine living and other products sold under the Hermés brand.

Development in activities and financial matters

The gross profit for the year is TDKK 18,253 against TDKK -7,039 last year. The results from ordinary activities after tax are TDKK 8,153 against TDKK -12,254 last year. The management consider the results satisfactory.

Capital resources

The Company has as of 31 December 2018 lost its nominal value of its share capital.

Group has signed a letter of subordination and support to make adequate liquidity available for the Company to continue operating.

It is therefore Management's opinion, that the necessary liquidity will be available to continue operating, and the financial statements have therefore been prepared on a going-concern assumption.

For further comments we refer to note 1 - Capital resources and going concern.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Gross profit	18.252.862	-7.038.707
2 Staff costs	-6.393.395	-3.514.915
3 Depreciation and writedown relating to tangible fixed assets	<u>-3.553.023</u>	<u>-1.480.489</u>
Operating profit	8.306.444	-12.034.111
Other financial income	1.137	4.820
4 Other financial costs	<u>-358.751</u>	<u>-224.485</u>
Results before tax	7.948.830	-12.253.776
5 Tax on ordinary results	<u>203.956</u>	<u>0</u>
Results for the year	<u>8.152.786</u>	<u>-12.253.776</u>
Proposed distribution of the results:		
Allocated to results brought forward	8.152.786	0
Allocated from results brought forward	<u>0</u>	<u>-12.253.776</u>
Distribution in total	<u>8.152.786</u>	<u>-12.253.776</u>

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets		
Fixed assets		
6 Other plants, operating assets, and fixtures and furniture	412.961	1.572.487
7 Leasehold improvements	29.153.545	31.080.965
Tangible fixed assets in total	<u>29.566.506</u>	<u>32.653.452</u>
8 Deposits	1.980.984	1.950.000
Financial fixed assets in total	<u>1.980.984</u>	<u>1.950.000</u>
Fixed assets in total	<u>31.547.490</u>	<u>34.603.452</u>
Current assets		
Manufactured goods and trade goods	11.546.861	15.066.502
Inventories in total	<u>11.546.861</u>	<u>15.066.502</u>
Trade debtors	0	468.748
Amounts owed by group enterprises	359.166	788.311
Deferred tax assets	688.572	0
Accrued income and deferred expenses	121.974	0
Debtors in total	<u>1.169.712</u>	<u>1.257.059</u>
Cash and cash equivalents	17.325.395	16.427.024
Current assets in total	<u>30.041.968</u>	<u>32.750.585</u>
Assets in total	<u>61.589.458</u>	<u>67.354.037</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2018</u>	<u>2017</u>
Equity			
9	Contributed capital	400.000	400.000
	Results brought forward	-5.275.980	-13.428.766
	Equity in total	-4.875.980	-13.028.766
 Liabilities			
	Trade creditors	4.858.555	1.623.973
	Debt to group enterprises	51.325.818	72.134.220
	Corporate tax	484.616	0
	Other debts	5.097.549	3.310.610
	Accrued expenses and deferred income	4.698.900	3.314.000
	Short-term liabilities in total	<u>66.465.438</u>	<u>80.382.803</u>
	Liabilities in total	66.465.438	80.382.803
	 Equity and liabilities in total	 61.589.458	 67.354.037

1 Capital resources and going concern

10 Mortgage and securities

11 Contingencies

Statement of changes in equity

All amounts in DKK.

	<u>Contributed capital</u>	<u>Results brought forward</u>	<u>In total</u>
Equity 1 January 2017	400.000	-1.174.990	-774.990
Profit or loss for the year brought forward	<u>0</u>	<u>-12.253.776</u>	<u>-12.253.776</u>
Equity 1 January 2018	400.000	-13.428.766	-13.028.766
Profit or loss for the year brought forward	<u>0</u>	<u>8.152.786</u>	<u>8.152.786</u>
	<u>400.000</u>	<u>-5.275.980</u>	<u>-4.875.980</u>

Notes

All amounts in DKK.

1. Capital resources and going concern

The Company has as of 31 December 2018 lost its nominal value of the share capital.

In order to strengthen the capital resources of the Company, the Company has received a letter of subordination and support from its parent company. In the letter, the parent company commits itself to subordinate their receivables from Hermés Denmark ApS in our favour of other creditors and to provide any capital resources necessary to ensure a satisfying level of capital resources. At the general board meeting in 2020 the letter will expire.

By receiving this letter of subordination and support, local Management assess that the capital resources needed is adequate. By this assessment the annual report is prepared on a going concern basis.

	<u>2018</u>	<u>2017</u>
2. Staff costs		
Salaries and wages	5.314.496	2.912.105
Pension costs	670.790	333.804
Other costs for social security	81.059	6.165
Other staff costs	327.050	262.841
	<u>6.393.395</u>	<u>3.514.915</u>
Average number of employees	<u>10</u>	<u>11</u>
3. Depreciation and writedown relating to tangible fixed assets		
Depreciation on leasehold improvements	3.332.376	1.387.702
Depreciation on plants, operating assets, fixtures and furniture	220.647	92.787
	<u>3.553.023</u>	<u>1.480.489</u>
4. Other financial costs		
Financial costs, group enterprises	198.261	133.986
Other financial costs	160.490	90.499
	<u>358.751</u>	<u>224.485</u>

Notes

All amounts in DKK.

	<u>2018</u>	<u>2017</u>
5. Tax on ordinary results		
Tax of the results for the year	484.616	0
Adjustment for the year of deferred tax	<u>-688.572</u>	<u>0</u>
	<u>-203.956</u>	<u>0</u>
6. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2018	1.665.274	0
Additions during the year	23.997	1.665.274
Transfers	<u>-962.876</u>	<u>0</u>
Cost 31 December 2018	<u>726.395</u>	<u>1.665.274</u>
Amortisation and writedown 1 January 2018	-92.787	0
Depreciation for the year	<u>-220.647</u>	<u>-92.787</u>
Amortisation and writedown 31 December 2018	<u>-313.434</u>	<u>-92.787</u>
Book value 31 December 2018	<u>412.961</u>	<u>1.572.487</u>
7. Leasehold improvements		
Cost 1 January 2018	32.468.667	1.260.130
Additions during the year	442.080	31.208.537
Transfers	<u>962.876</u>	<u>0</u>
Cost 31 December 2018	<u>33.873.623</u>	<u>32.468.667</u>
Depreciation and writedown 1 January 2018	-1.387.702	0
Depreciation for the year	<u>-3.332.376</u>	<u>-1.387.702</u>
Depreciation and writedown 31 December 2018	<u>-4.720.078</u>	<u>-1.387.702</u>
Book value 31 December 2018	<u>29.153.545</u>	<u>31.080.965</u>

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
8. Deposits		
Cost 1 January 2018	1.950.000	1.950.000
Additions during the year	<u>30.984</u>	<u>0</u>
Cost 31 December 2018	<u>1.980.984</u>	<u>1.950.000</u>
Book value 31 December 2018	<u>1.980.984</u>	<u>1.950.000</u>
9. Contributed capital		
Contributed capital 1 January 2018	<u>400.000</u>	<u>400.000</u>
	<u>400.000</u>	<u>400.000</u>

The share capital consists of 4,000 shares of nominal value of DKK 100. No shares carry any special rights.

Notes

All amounts in DKK.

10. Mortgage and securities

No securities or mortgages exist at the balance sheet date.

11. Contingencies

Contingent liabilities

	DKK in thousands
Leasing liabilities	<u>63.084</u>
Contingent liabilities in total	<u>63.084</u>

At 31 December 2018 the Company has a rental agreement which is non-terminable until 1 January 2027.

Accounting policies used

The annual report for Hermés Denmark ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and other external costs.

Accounting policies used

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concern the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Tangible fixed assets

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

Accounting policies used

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Leasehold improvements	10 years	0 %
Other plants, operating assets, fixtures and furniture	5 years	0 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Leasing contracts

All leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Previously recognised writedown is reversed when the condition for the writedown no longer exists. Writedown relating to goodwill is not reversed.

Inventories

Inventories are measured at cost on the basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods comprises the acquisition cost with the addition of the delivery costs.

Accounting policies used

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.