Hermès Denmark ApS

Højbro Plads 4, kl. 1.
1200 København K

CVR no. 37 10 04 71

Annual report 2019

The annual report was presented and approved at the Company's annual general meeting on

25 May 2020

Lars Lokdam
chairman

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of Hermès Denmark ApS for the financial year 1 January – 31 December 2019.

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

In my opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

Further, in my opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

I recommend that the annual report be approved at the annual general meeting.

Copenhagen, 25 May 2020
Executive Board:

Juliette Streichenberger
CEO

Independent auditor's report

To the shareholder of Hermès Denmark ApS

Opinion

We have audited the financial statements of Hermès Denmark ApS for the financial year 1 January – 31 December 2019 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

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 the 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 rules and requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

Non-compliance with Danish Anti-money laundering Act

During the financial year, the Company has received one cash payment of DKK 50,000 in connection with sales of goods which just exceed the threshold laid down by the Danish Act on Measures to Prevent Money Laundering and Financing of Terrorism, by which Management may incur liability. Due to this, the company has further taking actions to improve already existing internal procedures to avoid any cash payments not in compliance with these regulations.

Management's responsibility 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 that 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.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to 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 in Denmark will always detect a material misstatement when it exists. Misstatements may 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 made 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 scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company 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.
- 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 internal control that we identify during our audit.

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 materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information

Independent auditor's report

required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 25 May 2020
Grant Thornton
Statsautoriseret Revisionspartnerselskab
CVR no. 34 20 99 36

Brian Rasmussen
State Authorised
Public Accountant
mne30153

Management's review

Company details

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

CVR no.:	37 10 04 71
Established:	22 September 2015
Registered office:	Copenhagen
Financial year:	1 January – 31 December

Executive Board

Juliette Streichenberger, CEO

Auditor

Grant Thornton
Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø
CVR no. 34209936

Management's review

Operating review

Principal activities

The objective 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, stockholding businesses, commission agents, C&F agents as well as distributor of all types of quality and luxury products as well as accessories, upholstery and horse riding gear, handmade leather articles, stationary articles, ready-to-wear clothing, watches, jewelry, cosmetics, perfumes, fashion goods, fine living and other products sold under the Hermès brand.

Development in activities and financial position

The Company's results for the financial year 1 January - 31 December 2019 show that the income statement came in at DKK 12,719,622, the balance sheet at 31 December 2019 came in at DKK 56,391,037 and equity came in at DKK 7,843,642.

Events after the balance sheet date

The beginning of the COVID-19 epidemic in January 2020 reinforces uncertainties on global economic context and on markets. Its consequences for the Group are currently difficult to assess, and will depend on the scale, duration and geographic extent as well as on the measures taken by the countries concerned. The Group remains very involved and mobilized by assessing the situation every day and adapting its actions.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2019	2018
Gross profit		27,007,856	18,252,862
Staff costs	2	-7,003,835	-6,393,395
Depreciation, amortisation and impairment losses		-4,143,551	-3,553,023
Operating profit		15,860,470	8,306,444
Financial income		5,589	1,137
Financial expenses	3	-258,558	-358,751
Profit before tax		15,607,501	7,948,830
Tax on profit/loss for the year		-2,887,878	203,956
Profit for the year		12,719,623	8,152,786

Proposed profit appropriation

Retained earnings		12,719,623	8,152,786
		12,719,623	8,152,786

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2019	31/12 2018
ASSETS			
Fixed assets			
Property, plant and equipment			
Fixtures and fittings, tools and equipment		503,891	412,961
Leasehold improvements		25,261,416	29,153,545
		25,765,307	29,566,506
Investments			
Deposits		2,040,859	1,980,984
Total fixed assets		27,806,166	31,547,490
Current assets			
Inventories			
Manufactured goods and goods for resale		14,335,265	11,546,861
Receivables			
Trade receivables		657,013	0
Receivables from group entities		76,130	359,166
Deferred tax asset		1,129,592	688,572
Prepayments		2,203,244	121,974
		4,065,979	1,169,712
Cash at bank and in hand		10,259,757	17,325,395
Total current assets		28,661,001	30,041,968
TOTAL ASSETS		56,467,167	61,589,458

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2019	31/12 2018
EQUITY AND LIABILITIES			
Equity			
Contributed capital	4	400,000	400,000
Retained earnings		7,443,643	-5,275,980
Total equity		7,843,643	-4,875,980
Liabilities			
Current liabilities			
Trade payables		3,787,052	4,858,555
Payables to group entities		34,205,659	51,325,818
Corporation tax		698,376	484,616
Other payables		5,837,437	5,097,549
Deferred income		4,095,000	4,698,900
		48,623,524	66,465,438
Total liabilities		48,623,524	66,465,438
TOTAL EQUITY AND LIABILITIES		56,467,167	61,589,458
Contractual obligations, contingencies, etc.	5		
Related party disclosures	6		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Total
Equity at 1 January 2018	400,000	-13,428,766	-13,028,766
Transferred over the profit appropriation	0	8,152,786	8,152,786
Equity at 1 January 2019	400,000	-5,275,980	-4,875,980
Transferred over the distribution of loss	0	12,719,623	12,719,623
Equity at 31 December 2019	400,000	7,443,643	7,843,643

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Hermès Denmark ApS for 2019 has been prepared in accordance with the provisions applying to reporting class B entities under the Danish Financial Statements Act with opt-in from higher reporting classes.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The annual report is presented in Danish kroner.

Basis of recognition and measurement

Income is recognised in the Income statement as it is earned, including value adjustments of financial assets and liabilities that are measured at fair value or amortised cost. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow out of the Company, and the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described 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 at the balance sheet date.

Foreign currency translation

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

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

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Income statement

Gross profit

With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the annual report.

Revenue

Revenue is recognised in the income statement 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. Revenue is recognised excluding VAT and taxes and less any discounts granted in connection with the sale.

Cost of sales

Cost of sales comprise costs incurred to generate revenue for the year. This item also comprises direct costs for goods for resale and changes to inventory of goods for resale.

Other external costs

Other external expenses comprise cost of distibution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc., to the Company's employees, excluding reimbursements from public authorities.

Depreciation, amortisation and impairment losses

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

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, debt and foreign currency transactions, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax less the part of the tax of the year that relates to changes in equity. Current and deferred tax regarding changes in equity is recognised directly in equity.

Financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Balance sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accrued depreciation and writedown.

The basis of depreciation is cost less 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 in the future will be recognised as a change in the accounting estimates.

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 is provided on a straight-line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

Fixtures and fittings, tools and equipment	5 years
Leasehold improvements	10 years

Minor assets with an expected useful life of less than one year are recognised as costs in the income statement 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 income statement as other operating income or other operating expenses.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and the net realisable value, which corresponds to nominal value less provisions for bad debts.

Financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities based on the planned use of the asset or settlement of the liability. However, deferred tax is not recognised on temporary differences relating to goodwill non-deductible for tax purposes and on office premises and other items where the temporary differences arise at the date of acquisition without affecting either profit/loss or taxable income.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation within the foreseeable future; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Any deferred net assets are measured at net realisable value.

Deferred tax is measured in accordance with the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement or equity, respectively.

Prepayments and deferred expenses

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

Cash at bank and in hand

Cash comprises cash at bank and in hand.

Equity

Dividends

Proposed dividend for the year is recognised as a separate item in equity.

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.

Financial statements 1 January – 31 December

Notes

	DKK	2019	2018
2	**Staff costs**		
	Average number of full-time employees	12	10
3	**Financial expenses**		
	Interest expense to group entities	147,033	198,261
	Exchange losses	111,525	160,490
		258,558	358,751

4 Contributed capital

The contributed capital consits of 4,000 shares of a nimonal value of DKK 100.

No shares carry any special rights.

5 Contractual obligations, contingencies, etc.

Operating lease obligations

At 31 December 2016, the Company has entered into a rental agreement which is non-terminable until 1 January 2027. The total future rental payments amount to DKK 46,800 thousand

6 Related party disclosures

Control

Hermès Denmark ApS is included in the consolidated financial statements of Hermès International, Société en Commandite par actions.