

Hermès Denmark ApS

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

CVR no. 37 10 04 71

Annual report 2020

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

31 May 2021

Lars Lokdam
Chairman

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Hermès Denmark ApS
Annual report 2020
CVR no. 37 10 04 71

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 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020.

Further, in my opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

Copenhagen, 31 May 2021
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 2020, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January – 31 December 2020 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 international ethical requirements for auditors (IESBA's Code of Ethics) 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.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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.

Independent auditor's report

As part of an audit conducted in accordance with international standard on auditing, 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 of 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.
- Conclude on the appropriateness of management's preparation of financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents 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.

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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statements Act. We did not discover any material misstatement of the management commentary.

Copenhagen, 31 May 2021

Grant Thornton
Statsautoriseret Revisionspartnerselskab
CVR no. 34 20 99 36

Brian Rasmussen
State Authorised
Public Accountant
mne30153

Hermès Denmark ApS
Annual report 2020
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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
Stockholmegade 45
2100 København Ø
CVR no. 34 20 99 36

Management's review

Financial highlights

DKK	2020	2019	2018	2017	2016
Key figures					
Gross profit/loss	23,372,261	26,737,193	17,774,056	-7,301,549	-1,174,017
Operating profit/loss	12,708,048	15,860,470	8,306,443	-12,034,112	-1,174,017
Profit/loss from financial income and expenses	-206,706	-252,969	-357,614	-219,665	-974
Profit/loss for the year	10,121,122	12,719,623	8,152,785	-12,253,777	-1,174,991
Total assets					
Equity	17,964,765	7,843,643	-4,875,981	-13,028,767	-774,991
Investment in property, plant and equipment	1,902,652	342,351	466,076	32,873,811	1,260,130
Ratios					
Current ratio	82.9%	58.9%	45.1%	40.7%	18.2%
Return on equity	78.4%	857.2%	-91.1%	177.5%	626.7%
Solvency ratio	27.5%	13.9%	-7.9%	-19.3%	-18.9%

The financial ratios have been calculated as follows:

Current ratio
$$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$$

Return on equity
$$\frac{\text{Profit/loss from ordinary activities after tax} \times 100}{\text{Average equity}}$$

Solvency ratio
$$\frac{\text{Equity ex. non-controlling interests at year end} \times 100}{\text{Total equity and liabilities at year end}}$$

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 and 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 income statement for 2020 shows a profit of DKK 10,121,122 as against DKK 12,719,623 in 2019. Equity in the Company's balance sheet at 31 December 2020 stood at DKK 17,964,765 as against DKK 7,843,643 at 31 December 2019.

The health crisis led to shop closures throughout 2020 in compliance with various governmental instructions and a drastic reduction in international travel. The Group's production sites, which primarily are located in France, were temporarily shut down in the first half of the year except for the Hermès Parfums Vaudreuil site, which initiated production of hydroalcoholic gel. Production was then gradually resumed with the necessary organisational measures and resources to protect the employees.

As mentioned above, the year 2020 was marked by the COVID-19 pandemic. In this context, the Company's revenue for the financial year 2020 amounts to DKK 95,702,756.47, i.e. a decrease limited to 4.97% compared to the financial year 2019.

True to its values, the Group has preserved jobs and maintained the basic salary of its employees worldwide without resorting to the exceptional governmental relief packages provided in various countries. In addition, in 2021 the Group will pay a bonus of DKK 9,300.00 to all employees for their commitment and contribution to results.

In general, cost control and agility in inventory management have made it possible to limit the financial impact of the health crisis while preserving jobs.

Main risks and uncertainties

For 2021, the impact of the COVID-19 pandemic is currently difficult to assess, as the scale, duration and geographic extent of the crisis evolve every day.

Outlook

Our highly integrated craftsmanship model and balanced distribution network, as well as the creativity of our collections and our customers' loyalty give us confidence in the future. The Group remains highly committed and active and gradually adapts measures to those taken by health and public authorities.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2020	2019
Gross profit		23,372,261	26,737,193
Staff costs	2	-7,014,408	-6,733,172
Depreciation, amortisation and impairment losses		<u>-3,649,805</u>	<u>-4,143,551</u>
Operating profit		12,708,048	15,860,470
Financial income		12,632	5,589
Financial expenses	3	<u>-219,338</u>	<u>-258,558</u>
Profit before tax		12,501,342	15,607,501
Tax on profit for the year		<u>-2,380,220</u>	<u>-2,887,878</u>
Profit for the year	4	<u><u>10,121,122</u></u>	<u><u>12,719,623</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2020	31/12 2019
ASSETS			
Fixed assets			
Property, plant and equipment	5		
Fixtures and fittings, tools and equipment		1,227,430	503,891
Leasehold improvements		<u>22,790,723</u>	<u>25,261,416</u>
		<u>24,018,153</u>	<u>25,765,307</u>
Investments			
Deposits		<u>2,040,859</u>	<u>2,040,859</u>
Total fixed assets		<u>26,059,012</u>	<u>27,806,166</u>
Current assets			
Inventories			
Manufactured goods and goods for resale		<u>12,308,521</u>	<u>14,335,265</u>
Receivables			
Trade receivables		77,479	657,013
Receivables from group entities		13,114	76,130
Deferred tax asset	6	1,569,278	1,129,592
Corporation tax		225,418	0
Prepayments		<u>2,312,231</u>	<u>2,203,244</u>
		<u>4,197,520</u>	<u>4,065,979</u>
Cash at bank and in hand		<u>22,680,809</u>	<u>10,259,757</u>
Total current assets		<u>39,186,850</u>	<u>28,661,001</u>
TOTAL ASSETS		<u><u>65,245,862</u></u>	<u><u>56,467,167</u></u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2020	31/12 2019
EQUITY AND LIABILITIES			
Equity			
Contributed capital	7	400,000	400,000
Retained earnings		3,564,765	7,443,643
Proposed dividends for the financial year		<u>14,000,000</u>	<u>0</u>
Total equity		<u>17,964,765</u>	<u>7,843,643</u>
Liabilities			
Current liabilities			
Trade payables		2,513,768	3,787,052
Payables to group entities		24,602,519	34,205,659
Corporation tax		0	698,376
Other payables		16,654,810	5,837,437
Deferred income	8	<u>3,510,000</u>	<u>4,095,000</u>
		<u>47,281,097</u>	<u>48,623,524</u>
Total liabilities		<u>47,281,097</u>	<u>48,623,524</u>
TOTAL EQUITY AND LIABILITIES		<u>65,245,862</u>	<u>56,467,167</u>
Contractual obligations, contingencies, etc.	9		
Related party disclosures	10		

Financial statements 1 January – 31 December

Statement of changes in equity

DKK	Contributed capital	Retained earnings	Proposed dividends for the financial year	Total
Equity at 1 January 2019	400,000	-5,275,980	0	-4,875,980
Transferred over the profit appropriation	<u>0</u>	<u>12,719,623</u>	<u>0</u>	<u>12,719,623</u>
Equity at 1 January 2020	400,000	7,443,643	0	7,843,643
Transferred over the profit appropriation	<u>0</u>	<u>-3,878,878</u>	<u>14,000,000</u>	<u>10,121,122</u>
Equity at 31 December 2020	<u><u>400,000</u></u>	<u><u>3,564,765</u></u>	<u><u>14,000,000</u></u>	<u><u>17,964,765</u></u>

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Hermès Denmark ApS for 2020 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act with opt-in of specific provisions for reporting class C.

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

A few restatements have been made of the comparative figures as a result of reclassifications.

Omission of cash flow statement

Pursuant to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are included in the cash flow statement in the consolidated financial statements of Hermès International, Société en Commandite par actions.

Change in accounting class

The annual report of Hermès Denmark A/S for 2020 has been prepared in accordance with the provisions applying to reporting class C medium-sized entities under the Danish Financial Statements Act. The transition compared to the previous financial year from the provisions applying to reporting class B entities under the Danish Financial Statements Act has not resulted in any changes to recognition and measurement.

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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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 statements of the amount owed or the liability is recognised in the income statement under financial income and expenses.

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 distribution, 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.

Financial statements 1 January – 31 December

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1 Accounting policies (continued)

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.

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	3-5 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 dividends for the year are recognised as a separate item in equity.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to 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

2 Staff costs

DKK	2020	2019
Wages and salaries	6,087,857	5,850,617
Pensions	829,636	791,515
Other social security costs	96,915	91,040
	<u>7,014,408</u>	<u>6,733,172</u>
Average number of full-time employees	<u>13</u>	<u>12</u>

Pursuant to section 98b (3) of the Danish Financial Statements Act, the Company has not disclosed executive remuneration.

DKK	2020	2019
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3 Financial expenses

Interest expense to group entities	118,144	147,033
Exchange losses	101,194	111,525
	<u>219,338</u>	<u>258,558</u>

4 Proposed profit appropriation

Proposed dividends for the year	14,000,000	0
Retained earnings	-3,878,878	12,719,623
	<u>10,121,122</u>	<u>12,719,623</u>

5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improve-ments	Total
Cost at 1 January 2020	1,059,803	33,224,896	34,284,699
Additions for the year	1,151,368	751,284	1,902,652
Transfers for the year	-215,407	215,407	0
Cost at 31 December 2020	<u>1,995,764</u>	<u>34,191,587</u>	<u>36,187,351</u>
Depreciation and impairment losses at 1 January 2020	-555,912	-7,963,480	-8,519,392
Depreciation for the year	-212,422	-3,437,384	-3,649,806
Depreciation and impairment losses at 31 December 2020	<u>-768,334</u>	<u>-11,400,864</u>	<u>-12,169,198</u>
Carrying amount at 31 December 2020	<u>1,227,430</u>	<u>22,790,723</u>	<u>24,018,153</u>

Financial statements 1 January – 31 December

Notes

6 Deferred tax asset

DKK	31/12 2020	31/12 2019
Deferred tax at 1 January	1,129,592	688,572
Deferred tax adjustment for the year in the income statement	439,686	441,020
	<u>1,569,278</u>	<u>1,129,592</u>

7 Contributed capital

Contributed capital consists of 4,000 shares of a nominal value of DKK 100.

No shares carry any special rights.

8 Deferred income

Deferred income of DKK 3,510 thousand (2019: DKK 4,095 thousand) comprise payments received from customers that cannot be recognised until the subsequent financial year.

9 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 51,572 thousand, and DKK 8,285 thousand is due within 1 year.

10 Related party disclosures

Hermès Denmark ApS' related parties comprise the following:

Control

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

Hermès International, Société en Commandite par actions holds the majority of the contributed capital in the Company.

Hermès Denmark ApS is included in the consolidated financial statements of Hermès International, Société en Commandite par actions, which are the smallest and largest group, respectively, in which the Company is included as a subsidiary.

The consolidated financial statements of Hermès International, Société en Commandite par actions can be obtained by contacting the company at the above address.

Related party transactions

In accordance with section 98 c(7) of the Danish Financial Statements Act, the Company has not disclosed any related party transactions as they were conducted on an arm's length basis.