

Hermès Denmark ApS

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

CVR no. 37 10 04 71

Annual report 2021

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

31 May 2022

Jeppe Brogaard
Chairman of the annual general meeting



Hermès Denmark ApS
Annual report 2021
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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 2021.

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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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 2022

Executive Board:



Florian Craen
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 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

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.

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.

Independent auditor's report

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 required under the Danish Financial Statements Act.

Independent auditor's report

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, 31 May 2022

Grant Thornton
Statsautoriseret Revisionspartnerselskab
CVR no. 34 20 99 36



Brian Rasmussen
State Authorised
Public Accountant
mne30153

Hermès Denmark ApS
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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

Florian Craen, CEO

Auditor

Grant Thornton
Statsautoriseret Revisionspartnerselskab
Stockholmsgade 45
2100 København Ø
CVR no. 34 20 99 36

Management's review

Financial highlights

DKK	2021	2020	2019	2018	2017
Key figures					
Gross profit/loss	32,255,082	23,372,261	26,737,193	17,774,056	-7,301,549
Profit/loss before financial income and expenses	21,633,366	12,708,048	15,860,470	8,306,443	-12,034,112
Profit/loss from financial income and expenses	-188,777	-206,706	-252,969	-357,614	-219,665
Profit/loss for the year	15,509,503	10,121,122	12,719,623	8,152,785	-12,253,777
Total assets	50,770,466	65,245,862	56,467,167	61,589,458	67,354,037
Equity	19,474,268	17,964,765	7,843,643	-4,875,981	-13,028,767
Investment in property, plant and equipment	919,894	1,902,652	342,351	466,076	32,873,811
Ratios					
Current ratio	87.6%	82.9%	58.9%	45.1%	40.7%
Return on equity	82.9%	78.4%	857.2%	-91.1%	177.5%
Solvency ratio	38.4%	27.5%	13.9%	-7.9%	-19.3%

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 horseriding 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 2021 shows a profit of DKK 15,509,503 as against DKK 10,121,122 in 2020. Equity in the Company's balance sheet at 31 December 2021 stood at DKK 19,474,268 as against DKK 17,964,765 at 31 December 2020.

The appearance of the Covid-19 epidemic in January 2020, the magnitude and geographical extent of its evolution, as well as the measures taken by the competent authorities to contain the spread of the virus, had negatively impacted the activity of the company in fiscal year 2020. The health crisis continued to affect activity throughout fiscal year 2021.

In this context, the Company's revenue for the financial year 2021 amounts to DKK 117,581,352.56, i.e. an increase of 22,86% compared to the financial year 2020.

True to its values, the Group has preserved jobs and maintained the basic salary of its employees worldwide without resorting the exceptional governmental relief packages provides in various countries.

In addition, in 2022 the Group will pay a bonus of DKK 22,500.00 to all employees for their commitment and contribution to results of 2021.

The company's activity continued in an unstable health context due to the continuity of the Covid-19 epidemic.

Main risks and uncertainties

For 2022, the impact of the COVID-19 pandemic is currently difficult to assess, as the scale, duration and geographic extent of the crisis evolves every day.

Apart from the COVID-19 pandemic, our activity remains subject to the following risks: The decrease in the purchasing power of our customers in a context of economic, geopolitical and monetary crisis.

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 Company continued to ensure the safety of its employees by applying the health measures put in place during the 2020 financial year.

For 2022, the company intends to continue its momentum of the year 2021 with the objective of increasing its turnover. Management expects revenue and net profit for the financial year 2022 to be in line or above the same result in the previous financial year. It is estimated by the management that there is no uncertainty related to the company's ability to continue as a going concern.

Financial statements 1 January – 31 December

Income statement

DKK	Note	2021	2020
Gross profit		32,255,082	23,372,261
Staff costs	2	-6,960,475	-7,014,408
Depreciation, amortisation and impairment losses		<u>-3,661,241</u>	<u>-3,649,805</u>
Profit before financial income and expenses		21,633,366	12,708,048
Financial income		46,738	12,632
Financial expenses	3	<u>-235,515</u>	<u>-219,338</u>
Profit before tax		21,444,589	12,501,342
Tax on profit/loss for the year		<u>-5,935,086</u>	<u>-2,380,220</u>
Profit for the year	4	<u>15,509,503</u>	<u>10,121,122</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	31/12 2021	31/12 2020
ASSETS			
Fixed assets			
Property, plant and equipment			
	5		
Fixtures and fittings, tools and equipment		602,906	1,227,430
Leasehold improvements		<u>20,673,900</u>	<u>22,790,723</u>
		<u>21,276,806</u>	<u>24,018,153</u>
Investments			
Deposits		<u>2,071,472</u>	<u>2,040,859</u>
Total fixed assets		<u>23,348,278</u>	<u>26,059,012</u>
Current assets			
Inventories			
Finished goods and goods for resale		<u>13,532,857</u>	<u>12,308,521</u>
Receivables			
Trade receivables		1,331,327	77,479
Receivables from group entities		0	13,114
Other receivables		413	0
Deferred tax asset	6	416,978	1,569,278
Corporation tax		0	225,418
Prepayments		<u>2,401,962</u>	<u>2,312,231</u>
		<u>4,150,680</u>	<u>4,197,520</u>
Cash at bank and in hand		<u>9,738,651</u>	<u>22,680,809</u>
Total current assets		<u>27,422,188</u>	<u>39,186,850</u>
TOTAL ASSETS		<u>50,770,466</u>	<u>65,245,862</u>

Financial statements 1 January – 31 December

Balance sheet

DKK	Note	<u>31/12 2021</u>	<u>31/12 2020</u>
EQUITY AND LIABILITIES			
Equity			
Contributed capital	7	400,000	400,000
Retained earnings		3,074,268	3,564,765
Proposed dividends for the financial year		<u>16,000,000</u>	<u>14,000,000</u>
Total equity		<u>19,474,268</u>	<u>17,964,765</u>
Liabilities			
Current liabilities			
Trade payables		16,109,649	2,513,768
Payables to group entities		3,000,567	24,602,519
Corporation tax		266,358	0
Other payables		8,994,624	16,654,810
Deferred income	8	<u>2,925,000</u>	<u>3,510,000</u>
		<u>31,296,198</u>	<u>47,281,097</u>
Total liabilities		<u>31,296,198</u>	<u>47,281,097</u>
TOTAL EQUITY AND LIABILITIES		<u>50,770,466</u>	<u>65,245,862</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 2020	400,000	7,443,643	0	7,843,643
Transferred over the profit appropriation	0	-3,878,878	14,000,000	10,121,122
Equity at 1 January 2021	400,000	3,564,765	14,000,000	17,964,765
Ordinary dividends paid	0	0	-14,000,000	-14,000,000
Transferred over the profit appropriation	0	-490,497	16,000,000	15,509,503
Equity at 31 December 2021	400,000	3,074,268	16,000,000	19,474,268

Financial statements 1 January – 31 December

Notes

1 Accounting policies

The annual report of Hermès Denmark ApS for 2021 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.

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 2021 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

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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

	<u>2021</u>	<u>2020</u>
DKK		
Wages and salaries	6,046,556	6,087,857
Pensions	804,608	829,636
Other social security costs	<u>109,311</u>	<u>96,915</u>
	<u>6,960,475</u>	<u>7,014,408</u>
Average number of full-time employees	<u>11</u>	<u>13</u>

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

	<u>2021</u>	<u>2020</u>
DKK		
3 Financial expenses		
Interest expense to group entities	34,022	118,144
Exchange losses	<u>201,493</u>	<u>101,194</u>
	<u>235,515</u>	<u>219,338</u>
4 Proposed profit appropriation		
Proposed dividends for the year	16,000,000	14,000,000
Retained earnings	<u>-490,497</u>	<u>-3,878,878</u>
	<u>15,509,503</u>	<u>10,121,122</u>

Financial statements 1 January – 31 December

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5 Property, plant and equipment

DKK	Fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2021	1,995,764	34,191,587	36,187,351
Additions for the year	482,896	436,998	919,894
Transfers for the year	-978,181	978,181	0
Cost at 31 December 2021	1,500,479	35,606,766	37,107,245
Depreciation and impairment losses at 1 January 2021	-768,334	-11,400,864	-12,169,198
Depreciation for the year	-129,239	-3,532,002	-3,661,241
Depreciation and impairment losses at 31 December 2021	-897,573	-14,932,866	-15,830,439
Carrying amount at 31 December 2021	602,906	20,673,900	21,276,806

6 Deferred tax asset

DKK	31/12 2021	31/12 2020
Deferred tax at 1 January	1,569,278	1,129,592
Deferred tax adjustment for the year in the income statement	-1,152,300	439,686
	416,978	1,569,278

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 2,925 thousand (2020: DKK 3,510 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 43,800 thousand, and DKK 8,500 thousand is due within 1 year.

Financial statements 1 January – 31 December

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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.