

Diesel Denmark ApS

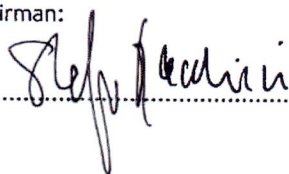
Strandlodsvej 6, 2300 København S

CVR no. 11 10 99 77

Annual report 2018

Approved at the Company's annual general meeting on 16 May 2019

Chairman:


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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Diesel Denmark ApS for the financial year 1 January - 31 December 2018.

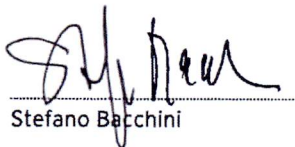
The annual report is prepared in accordance with the Danish Financial Statements Act.

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's operations for the financial year 1 January - 31 December 2018.

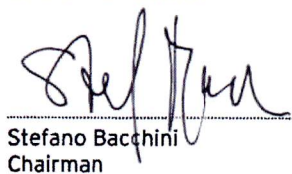
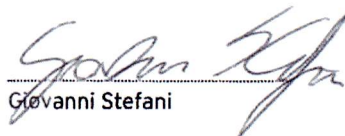
Further, in our opinion, the Management's review gives a fair review of the development in the company's operations, financial matters, the results of the Company's operations, financial performance and matters discussed in the Management's review.

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

Copenhagen, 16 May 2019
Executive Board:


Stefano Bacchini

Board of Directors:


Stefano Bacchini
Chairman
Giovanni Stefani

Independent auditor's report

To the shareholders of Diesel Denmark ApS

Opinion

We have audited the financial statements of Diesel 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 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 financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 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 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 the 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 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.

Independent auditor's report

- 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 note 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.

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 Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 16 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Ole Hedemann
State Authorised Public Accountant
mne14949



Kim Thomsen
State Authorised Public Accountant
mne26736



Management's review

Company details

| | |
|----------------------------|---|
| Name | Diesel Denmark ApS |
| Address, Postal code, City | Strandlodsvej 6, 2300 København S |
| CVR no. | 11 10 99 77 |
| Established | 1 August 1987 |
| Financial year | 1 January - 31 December |
| Website | www.diesel.com |
| Board of Directors | Stefano Bacchini, Chairman Giovanni Stefani |
| Executive Board | Stefano Bacchini |
| Auditors | Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark |
| Bankers | Danske Bank |

Management's review

Business review

The Company's business activity is the wholesale of Diesel clothes and accessories produced by other companies in the OTB Group. Furthermore, the company runs two retail stores located in Copenhagen and Helsinki (Finland) and one Concession in Denmark.

Financial review

In 2018, the Company's revenue amounted to DKK 38,884,358 against DKK 49,059,678 last year. The income statement for 2018 shows a loss of DKK 271,558 against a profit of DKK 2,234,971 last year, and the balance sheet at 31 December 2018 shows equity of DKK 876,617.

The loss for the year is negatively affected by DKK 1,416,483 due to the termination of leases, cf. note 3.

Material misstatements

During the year-end close 2018 it has been ascertained that straight lining of leasehold contracts has been erroneously and consequently the accrual has been misstated in prior years.

The error has been corrected as a material misstatement by restating comparatives and opening equity figures in the current-year financial statements. In consequence of the restatement the following adjustments have been incorporated:

Result before tax in 2017 has decreased by DKK 411,331, tax for year has increased by DKK 0 and result for the year has decreased by DKK 411,331. The total assets as at 31 December 2017 are unchanged. The equity has decreased by DKK 1,485,137. The opening equity at 1 January 2017 has decreased by DKK 1,073,806.

Capital resources

The Company is currently not able to fund its operations and is dependent on contribution of operating capital to fund the current plans and budgets. The ultimate parent company OTB S.p.A. has declared that it is their intention to provide financial support as necessary to enable Diesel Denmark ApS to continue its operations and to meet all its liabilities, even included those related to the tax audit regarding the possible TP adjustment for the years from 2009 to 2011 and commitments as they fall due for a minimum of 12 months from 30 April 2019.

On this basis, the financial statements are presented on the assumption of going concern.

Foreign branches

The company has a branch in Finland.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

Due to the challenging market conditions which have proven to be difficult both for the brand and the local distributor in the past years, discussions and considerations are ongoing in order to update the wholesale model to an more efficient standard, to adapt it to the market needs and to achieve synergies.

On the direct channel the focus for 2019 is to optimize the performance of the new store in Copenhagen.



Financial statements 1 January - 31 December

Income statement

| Note | DKK | 2018 | 2017 |
|------|---|-------------|-------------|
| | Revenue | 38,884,358 | 49,059,678 |
| | Cost of sales | -8,128,695 | -13,671,444 |
| | Other operating income | 13,164 | 0 |
| | Other external expenses | -18,138,670 | -19,803,916 |
| | Gross margin | 12,630,157 | 15,584,318 |
| 4 | Staff costs | -9,521,498 | -17,101,403 |
| | Amortisation/depreciation and impairment of intangible assets and property, plant and equipment | -2,491,524 | -2,016,204 |
| | Profit/loss before net financials | 617,135 | -3,533,289 |
| | Income from investments in group enterprises | -177,824 | 6,047,865 |
| 5 | Financial income | 48,982 | 903,061 |
| 6 | Financial expenses | -759,851 | -1,182,666 |
| | Profit/loss before tax | -271,558 | 2,234,971 |
| | Tax for the year | 0 | 0 |
| | Profit/loss for the year | -271,558 | 2,234,971 |
| | | | |
| | Recommended appropriation of profit/loss | | |
| | Retained earnings/accumulated loss | -271,558 | 2,234,971 |
| | | -271,558 | 2,234,971 |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK | 2018 | 2017 |
|------|--|-------------------|-------------------|
| | ASSETS | | |
| | Fixed assets | | |
| 7 | Intangible assets | | |
| | Acquired intangible assets | 58,433 | 104,309 |
| | | <u>58,433</u> | <u>104,309</u> |
| 8 | Property, plant and equipment | | |
| | Fixtures and fittings, other plant and equipment | 981,028 | 1,366,456 |
| | Leasehold improvements | 520,114 | 1,858,887 |
| | | <u>1,501,142</u> | <u>3,225,343</u> |
| 9 | Investments | | |
| | Investments in group enterprises | 11,513,885 | 12,169,667 |
| | Other receivables | 3,595,952 | 3,843,940 |
| | | <u>15,109,837</u> | <u>16,013,607</u> |
| | Total fixed assets | <u>16,669,412</u> | <u>19,343,259</u> |
| | Non-fixed assets | | |
| | Inventories | | |
| | Finished goods and goods for resale | 2,545,905 | 4,040,704 |
| | Prepayments for goods | 0 | 833 |
| | | <u>2,545,905</u> | <u>4,041,537</u> |
| | Receivables | | |
| | Trade receivables | 3,829,552 | 6,348,433 |
| | Receivables from group enterprises | 3,125,922 | 6,959,951 |
| | Other receivables | 0 | 145,360 |
| | Prepayments | 365,746 | 319,855 |
| | | <u>7,321,220</u> | <u>13,773,599</u> |
| | Cash | <u>6,519,074</u> | <u>3,801,284</u> |
| | Total non-fixed assets | <u>16,386,199</u> | <u>21,616,420</u> |
| | TOTAL ASSETS | <u>33,055,611</u> | <u>40,959,679</u> |

Financial statements 1 January - 31 December

Balance sheet

| Note | DKK | 2018 | 2017 |
|------|--|-------------------|-------------------|
| | EQUITY AND LIABILITIES | | |
| | Equity | | |
| 10 | Share capital | 601,000 | 601,000 |
| | Retained earnings | 275,617 | 1,027,898 |
| | Total equity | 876,617 | 1,628,898 |
| | Liabilities other than provisions | | |
| | Current liabilities other than provisions | | |
| | Trade payables | 1,716,416 | 2,402,260 |
| | Payables to group enterprises | 25,030,694 | 30,515,528 |
| | Other payables | 5,234,367 | 6,214,687 |
| | Deferred income | 197,517 | 198,306 |
| | | 32,178,994 | 39,330,781 |
| | Total liabilities other than provisions | 32,178,994 | 39,330,781 |
| | TOTAL EQUITY AND LIABILITIES | 33,055,611 | 40,959,679 |

- 1 Accounting policies
- 2 Capital resources
- 3 Special items
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

| DKK | Share capital | Retained earnings | Total |
|--|----------------|-------------------|------------------|
| Equity at 1 January 2017 | 601,000 | -5,116,156 | -4,515,156 |
| Material misstatement | 0 | 1,073,806 | 1,073,806 |
| Adjusted equity at 1 January 2017 | 601,000 | -4,042,350 | -3,441,350 |
| Transfer through appropriation of profit | 0 | 2,234,971 | 2,234,971 |
| Adjustment of investments through foreign exchange adjustments | 0 | -164,723 | -164,723 |
| Contribution from group | 0 | 3,000,000 | 3,000,000 |
| Equity at 1 January 2018 | 601,000 | 1,027,898 | 1,628,898 |
| Transfer through appropriation of loss | 0 | -271,558 | -271,558 |
| Adjustment of investments through foreign exchange adjustments | 0 | -480,723 | -480,723 |
| Equity at 31 December 2018 | 601,000 | 275,617 | 876,617 |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Diesel Denmark ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements for Diesel Denmark ApS and its group entities are part of the consolidated financial statements for OTB S.p.A, Italy.

The accounting policies applied by the company are consistent with those of last year.

Material misstatements

During the year-end close 2018 it has been ascertained that straight lining of leasehold contracts has been erroneously and consequently the accrual has been misstated in prior years.

The error has been corrected as a material misstatement by restating comparatives and opening equity figures in the current-year financial statements. In consequence of the restatement the following adjustments have been incorporated:

Result before tax in 2017 has decreased by DKK 411,331, tax for year has increased by DKK 0 and result for the year has decreased by DKK 411,331. The total assets as at 31 December 2017 are unchanged. The equity has decreased by DKK 1,485,137. The opening equity at 1 January 2017 has decreased by DKK 1,073,806.

Reference is also made to the comments in the Management's review.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

On recognition of foreign subsidiaries which are integral entities, monetary items are translated at closing rates. Non monetary items are translated at the exchange rate at the acquisition date or at the date of any subsequent revaluation or impairment of the asset. Income statement items are translated at the exchange rates at the transaction date. However, items derived from non monetary items are translated at historical exchange rates for the non monetary item.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods, comprising sale of Diesel clothing and accessories is recognised in revenue when transfer of the most significant rewards and risks to the buyer has taken place and provided that the income can be reliably measured and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured net of all types of discounts/rebates granted. Also, revenue is measured net of VAT and other indirect taxes charged on behalf of third parties.

Other operating income

Other operating income comprise gains on the sale of fixed assets.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of amortisation, which is calculated as cost less any residual value, is amortised on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|----------------------------|---------|
| Acquired intangible assets | 5 years |
|----------------------------|---------|

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further amortisation charges are recognised. In case of changes in the residual value, the effect on the amortisation charges is recognised prospectively as a change in accounting estimates.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

| | |
|--|--------------|
| Fixtures and fittings, other plant and equipment | 3 - 5 years |
| Leasehold improvements | 3 - 10 years |

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities, realised and unrealised capital gains and losses relating to investments and exchange gains and losses.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The activity in the Finnish branch is taxed according to Finnish tax rules.

Balance sheet

Intangible assets

Other intangible assets include acquired software licences.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Investments in subsidiaries

On initial recognition, investments in subsidiaries are measured at cost and subsequently at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies less or plus any residual value of positive or negative goodwill determined in accordance with the acquisition method. Subsidiaries with a negative net asset value are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the enterprise's deficit. Net revaluations of investments in subsidiaries and associates are transferred to the net revaluation reserve according to the equity method in so far as the carrying amount exceeds the acquisition cost.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The purchase method of accounting is applied to corporate takeovers, as described under 'Business combinations'.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

Intangible assets, property, plant and equipment and investments in subsidiaries are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation. Impairment tests are conducted in respect of individual assets or groups of assets generating separate cash flows when there is indications of impairment. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount. As for group of assets, impairment losses are first recognised in respect of goodwill and thereafter proportionately in respect of the other assets.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at the lower of cost, measured by reference to the average price method, and net realisable value.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct labour and direct production overheads. Indirect production overheads and borrowing costs are not included in the cost.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective indication that a receivable is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Provisions for deferred tax are calculated, based on the liability method, of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income.

Deferred tax is measured according to 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. Deferred tax assets are recognised at the expected value of their utilisation; 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Capital resources

The Company is currently not able to fund its operations and is dependent on contribution of operating capital to fund the current plans and budgets. The ultimate parent company OTB S.p.A. has declared that it is their intention to provide financial support as necessary to enable Diesel Denmark ApS to continue its operations and to meet all its liabilities, even included those related to the tax audit regarding the possible TP adjustment for the years from 2009 to 2011 and commitments as they fall due for a minimum of 12 months from 30 April 2019.

On this basis, the financial statements are presented on the assumption of going concern.

Reference is also made to the comments in the Management's review.

3 Special items

Special items comprise significant income and expenses of a special nature relative to the Company's revenue-generating operating activities, e.g. expenses incurred to extensive structuring of processes and basic structural adjustments, as well as any relating disposal gains and losses, and which over time have a material impact. Special items also comprise significant one-off items, which in the opinion of Management do not form part of the Group's operating activities.

As disclosed in the Management's review, the profit for the year is affected by the termination of leases that in the opinion of the Board of Directors do not form part of the operating activities.

Special items for the year are specified below just as are the items under which they are recognised in the income statement.

| DKK | 2018 | 2017 |
|---|------------------|----------|
| Expenses | | |
| Costs in connection with the termination of leases | 1,416,483 | 0 |
| | <u>1,416,483</u> | <u>0</u> |
| Special items are recognised in the below items of the financial statements | | |
| Other external expenses | 670,500 | 0 |
| Amortization/depreciation and impairment of intangible assets and property, plant and equipment | 745,983 | 0 |
| Net profit on special items | <u>1,416,483</u> | <u>0</u> |

Financial statements 1 January - 31 December

Notes to the financial statements

| DKK | 2018 | 2017 |
|--|------------------|-------------------------------|
| 4 Staff costs | | |
| Wages/salaries | 8,732,960 | 15,707,702 |
| Pensions | 700,487 | 1,110,414 |
| Other social security costs | 75,046 | 263,575 |
| Other staff costs | 13,005 | 19,712 |
| | <u>9,521,498</u> | <u>17,101,403</u> |
| Average number of full-time employees | <u>18</u> | <u>44</u> |
| 5 Financial income | | |
| Interest receivable, group entities | 25 | 30,854 |
| Other financial income | 48,957 | 872,207 |
| | <u>48,982</u> | <u>903,061</u> |
| 6 Financial expenses | | |
| Interest expenses, group entities | 358,447 | 520,944 |
| Other financial expenses | 401,404 | 661,722 |
| | <u>759,851</u> | <u>1,182,666</u> |
| 7 Intangible assets | | |
| DKK | | Acquired intangible assets |
| Cost at 1 January 2018 | | 1,576,457 |
| Changes in accounting policies | | 2,845 |
| Cost at 31 December 2018 | | <u>1,579,302</u> |
| Impairment losses and amortisation at 1 January 2018 | | 1,472,148 |
| Foreign exchange adjustments | | 2,813 |
| Amortisation for the year | | 45,908 |
| Impairment losses and amortisation at 31 December 2018 | | <u>1,520,869</u> |
| Carrying amount at 31 December 2018 | | <u>58,433</u> |

Financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

| DKK | Fixtures and fittings, other plant and equipment | Leasehold improvements | Total |
|--|--|------------------------|------------|
| Cost at 1 January 2018 | 15,843,637 | 21,609,056 | 37,452,693 |
| Foreign exchange adjustments | 15,982 | 19,324 | 35,306 |
| Additions | 686,062 | 34,084 | 720,146 |
| Disposals | -16,050 | 0 | -16,050 |
| Cost at 31 December 2018 | 16,529,631 | 21,662,464 | 38,192,095 |
| Impairment losses and depreciation at 1 January 2018 | 14,477,181 | 19,750,169 | 34,227,350 |
| Foreign exchange adjustments | 14,431 | 18,873 | 33,304 |
| Impairment losses | 0 | 745,983 | 745,983 |
| Depreciation | 1,073,041 | 627,325 | 1,700,366 |
| Reversal of accumulated depreciation and impairment of assets disposed | -16,050 | 0 | -16,050 |
| Impairment losses and depreciation at 31 December 2018 | 15,548,603 | 21,142,350 | 36,690,953 |
| Carrying amount at 31 December 2018 | 981,028 | 520,114 | 1,501,142 |
| Depreciated over | 3 - 5 years | 3 - 10 years | |

Financial statements 1 January - 31 December

Notes to the financial statements

9 Investments

| DKK | Investments in group enterprises | Other receivables | Total |
|---------------------------------------|--|-------------------|-------------|
| Cost at 1 January 2018 | 36,147,524 | 3,843,940 | 39,991,464 |
| Disposals | 0 | -247,988 | -247,988 |
| Cost at 31 December 2018 | 36,147,524 | 3,595,952 | 39,743,476 |
| Value adjustments at 1 January 2018 | -23,977,857 | 0 | -23,977,857 |
| Foreign exchange adjustments | -477,958 | 0 | -477,958 |
| Profit/loss for the year | -177,824 | 0 | -177,824 |
| Value adjustments at 31 December 2018 | -24,633,639 | 0 | -24,633,639 |
| Carrying amount at 31 December 2018 | 11,513,885 | 3,595,952 | 15,109,837 |

| Name | Legal form | Domicile | Interest | Equity DKK | Profit/loss DKK |
|------------------------|------------|----------|----------|---------------|--------------------|
| Subsidiaries | | | | | |
| Diesel Sweden AB | Aktiebolag | Sweden | 100.00% | 11,513,885 | -177,824 |

| DKK | 2018 | 2017 |
|-----|------|------|
|-----|------|------|

10 Share capital

Analysis of the share capital:

| | | |
|---|---------|---------|
| 1,202 shares of DKK 500.00 nominal value each | 601,000 | 601,000 |
| | 601,000 | 601,000 |

The Company's share capital has remained DKK 601,000 over the past 5 years.

11 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is party to a court case at the Danish National Tax Tribunal regarding settlement of corporation tax for prior income years. The Danish Tax Authorities has claimed DKK 3,314,195. At the balance sheet date, the outcome of the court case is subject to considerable uncertainty.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 20,851,104 in interminable rent agreements with remaining contract terms of 4-60 Months.

12 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2018.



Financial statements 1 January - 31 December

Notes to the financial statements

13 Related parties

Diesel Denmark ApS' related parties comprise the following:

Parties exercising control

| Related party | Domicile | Basis for control |
|---------------|--|------------------------|
| Diesel S.p.A | Via Dell' Industria 4/6, 36042 Breganze(VI), Italy | Participating interest |

Significant influence

| Related party | Domicile | Basis for significant influence |
|---------------|----------|---------------------------------|
|---------------|----------|---------------------------------|

Information about consolidated financial statements

| Parent | Domicile | Requisitioning of the parent company's consolidated financial statements |
|-----------|---|--|
| OTB S.p.A | Via Dell' Industria 2, 36042 Breganze(VI), Italy | The consolidated financial statements and parent company financial statements can be requested at Diesel Danmark ApS in Copenhagen |