Diesel Denmark ApS

Østergade 12, 1100 København K

CVR no. 11 10 99 77

Annual report 2020

Approved at the Company's annual general meeting on 30 April 2021

Chair of the meeting:

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Building a better working world

Contents

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 2020.

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

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

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

Copenhagen, 30 April 2021
Executive Board:

Stefano Bacchini

Board of Directors:

Stefano Bacchini
Chair

Cristian Collavo

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 2020, 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 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 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.
- 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.

Independent auditor's report

- 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, 30 April 2021
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kim Thomsen
State Authorised Public Accountant
mne26736

Management's review

Company details

Name	Diesel Denmark ApS
Address, Postal code, City	Østergade 12, 1100 København K
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 Cristian Collavo
Executive Board	Stefano Bacchini
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 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. The company has a branch in Finland.

Financial review

The income statement for 2020 shows a loss of DKK 382,123 against a profit of DKK 156,159 last year, and the balance sheet at 31 December 2020 shows equity of DKK 1,116,551. COVID-19 has severely impacted and is expected to continue to impact the economies of Denmark, Finland and other countries around the world.

As a result of Covid-19 and the loss of the wholesale distribution to Italy, Diesel Denmark ApS revenue has decreased from 40,740,646 DKK in 2019 to 11,856,699 DKK in 2020.

In order to combat the negative effects of the decrease in revenue the company has applied for state contribution schemes where available. The company has applied for 2,112,656 DKK worth of state contributions during the 2020 (1,751,916 DKK relating to compensation of fixed costs and 360,740 DKK related to compensation for labour costs).

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 3 March 2021.

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

Business update

Please note that during fiscal year 2019 Diesel Spa has terminated the wholesale distribution agreement with Diesel Denmark ApS. Diesel Denmark ApS, following to the new organizational/business model, provides to the Diesel Spa support services in the relevant market with reference to the wholesale business (WHS Service Provider).

In providing said support services to the wholesale activity of Diesel Spa, Diesel Denmark ApS is entitled to be paid an arm's length service fee, calculated as follows:

- costs incurred in the provision of services increased by
- the EBIT margin in the relevant territory and for the year of reference resulting from the market's independent benchmark study, applied on the sales of Diesel Spa in the territory at stake.

Management's review

Estimated COVID-19 impacts and uncertainties

In December 2019, a novel strain of coronavirus, which causes the infectious disease known as COVID-19, was reported. The World Health Organization declared COVID-19 a "Public Health Emergency of International Concern" on January 30, 2020 and a global pandemic on March 11, 2020.

COVID-19 has severely impacted, and is expected to continue to impact, the economies of Denmark, Finland and other countries around the world. COVID-19 has created significant public health concerns as well as significant volatility, uncertainty and economic disruption in every region in which we operate, all of which have adversely affected and may continue to adversely affect our industries and our business operations. Further, financial and credit markets have experienced and may again experience volatility and turmoil.

Policies and initiatives designed to reduce the transmission of COVID-19 have resulted in, among other things, temporary closure or reduced hours of operation of certain store locations in Denmark, Finland and other countries, reduced customer traffic and sales in our stores and the adoption of work-from-home policies. COVID-19 adversely affected global economic conditions in fiscal year 2020 and the Company expects this will continue into fiscal year 2021 and possibly longer. As COVID-19 impacts the economies of Denmark, Finland and other countries around the world, the Company has put preparedness plans in place at our facilities to maintain continuity of our operations, while also taking steps to keep our team members healthy and safe.

We continue to closely monitor the impact of COVID-19 on our business and geographies, including how it is impacting our customers, team members, suppliers, vendors, business partners and distribution channels.

However, the future impact that COVID-19 could have on our financial position and operating results may be affected by numerous uncertainties, including the severity of the virus, the duration of the outbreak, governmental, business or other actions, impacts on our supply chain, the effect on customer demand, store closures or changes to our operations. The health of our workforce, and our ability to meet staffing needs in our stores, distribution facilities, wholesale operations and other critical functions cannot be predicted and is vital to our operations. The impacts of a potential worsening of global economic conditions and the continued disruptions to, and volatility in, the credit and financial markets, consumer spending as well as other unanticipated consequences remain unknown.

To mitigate the lack of in-store sales multiple actions have been implemented to reduce costs, by renegotiating rent contracts and utilising government assistance where it has become available, this includes but is not limited to: the suspension of retail business rates, delaying VAT payments and government applications for funds designed to provide income for those employees no longer working in order to preserve their continued employment.

Events after the balance sheet date

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

Management's review

Outlook

The directors of the Company have reviewed future trading performance expectations as outlined above. Sales are anticipated to stabilize in line with the historic margins and a stable cost base. After reviewing all areas of the business for 2020 and budget for 2021 along with financial support from Parent Company (OTB SpA) the directors of the company are satisfied that the financial statements have been prepared on a going concern basis. The cashflow forecast is continuously updated as and when new information is made available due to the ever changing impact of COVID-19, in the short term and for the foreseeable future.

The board of director of OTB SpA is taking appropriate measures to effectively deal with the effects of the ongoing pandemic. The Group has taken all the necessary measures to protect the health and safety of its employees while at the same time, and to the extent possible, ensure the smooth continuation of its operations.

The Directors have considered the impact of the COVID-19 crisis on the company's business operations and future prospects. The outbreak of COVID-19 will have significant impact on the financial performance of the Company in 2021.

The ultimate parent company OTB S.p.A, has confirmed that they will ensure the Company has sufficient liquidity to continue operations over a minimum period of 12 months.

As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the uncertain economic outlook. In adopting the going concern basis for preparing the financial statements, the directors have considered the business activities as well as the principal risks and uncertainties in the business. Based on the Group's cash flow forecasts and projections, the directors are satisfied that the Company will be able to operate within the level of its facilities provided by the parent undertaking for the foreseeable future.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2020	2019
	Gross profit	7,398,788	10,562,485
4	Staff costs	-6,484,857	-8,091,290
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-1,404,892	-1,015,399
	Other operating expenses	-193,633	-625,865
	Profit/loss before net financials	-684,594	829,931
	Income from investments in group enterprises	731,872	36,176
5	Financial income	250,343	28,075
6	Financial expenses	-679,744	-738,023
	Profit/loss before tax	-382,123	156,159
	Tax for the year	0	0
	Profit/loss for the year	-382,123	156,159
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-382,123	156,159
		-382,123	156,159

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	ASSETS		
	Fixed assets		
7	**Intangible assets**		
	Acquired intangible assets	0	23,260
		0	23,260
8	**Property, plant and equipment**		
	Fixtures and fittings, other plant and equipment	2,534,350	2,819,804
	Leasehold improvements	2,525,910	2,905,399
		5,060,260	5,725,203
9	**Investments**		
	Investments in group enterprises	12,735,420	11,550,061
	Other receivables	426,233	467,076
		13,161,653	12,017,137
	Total fixed assets	18,221,913	17,765,600
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	3,297,362	4,062,068
	Prepayments for goods	0	1,865
		3,297,362	4,063,933
	Receivables		
	Trade receivables	390,416	347,261
	Receivables from group enterprises	14,029,545	18,695,899
	Other receivables	1,888,074	434,060
	Prepayments	317,665	880,026
		16,625,700	20,357,246
	Cash	2,463,812	2,639,073
	Total non-fixed assets	22,386,874	27,060,252
	TOTAL ASSETS	40,608,787	44,825,852

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	601,000	601,000
	Retained earnings	515,551	433,056
	Total equity	1,116,551	1,034,056
	Provisions		
	Other provisions	207,475	131,713
	Total provisions	207,475	131,713
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	442,226	164,487
		442,226	164,487
	Current liabilities other than provisions		
	Trade payables	3,018,359	4,124,894
	Payables to group enterprises	33,588,815	36,494,037
	Other payables	2,235,361	2,876,665
		38,842,535	43,495,596
	Total liabilities other than provisions	39,284,761	43,660,083
	TOTAL EQUITY AND LIABILITIES	40,608,787	44,825,852

1 Accounting policies
2 Capital ressources
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 2019	601,000	275,617	876,617
Adjusted equity at 1 January 2019	601,000	275,617	876,617
Transfer through appropriation of profit	0	156,159	156,159
Adjustment of investments through foreign exchange adjustments	0	1,280	1,280
Equity at 1 January 2020	601,000	433,056	1,034,056
Transfer through appropriation of loss	0	-382,123	-382,123
Adjustment of investments through foreign exchange adjustments	0	464,618	464,618
Equity at 31 December 2020	601,000	515,551	1,116,551

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Diesel Denmark ApS for 2020 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.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. The accounting policies used in the preparation of the financial statements are consistent with those of last year.

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.

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® 2020.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross profit

The items revenue, cost of sales, change in inventories of finished goods, other operating income and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income and operating expenses

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

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation 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

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

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.

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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 deduced 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.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Financial statements 1 January - 31 December

Notes to the financial statements

2 Capital ressources

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 neccesary 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 3 March 2021.

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

Diesel Denmark ApS has recognised 1,751,916 DKK in state compensation for fixed costs for fiscal year 2020 with reference to the lock down of Denmark. The income is recognised at the record "Gross profit".

Diesel Denmark ApS has recognised 360,740 DKK in state compensation for Labour costs for the fiscal year 2020 with reference to the lock down of Denmark. The income is recognised at the record "Gross profit".

DKK	2020	2019
4 Staff costs		
Wages/salaries	5,907,633	7,327,804
Pensions	401,971	619,143
Other social security costs	65,863	118,038
Other staff costs	109,390	26,305
	6,484,857	8,091,290
Average number of full-time employees	13	16
5 Financial income		
Interest receivable, group entities	0	28
Other financial income	250,343	28,047
	250,343	28,075
6 Financial expenses		
Interest expenses, group entities	199,994	221,031
Other financial expenses	479,750	516,992
	679,744	738,023

Financial statements 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK	Acquired intangible assets
Cost at 1 January 2020	1,524,074
Forreign exchange adjustments	3,025
Cost at 31 December 2020	1,527,099
Impairment losses and amortisation at 1 January 2020	1,500,814
Foreign exchange adjustments	3,032
Amortisation for the year	23,253
Impairment losses and amortisation at 31 December 2020	1,527,099
Carrying amount at 31 December 2020	0
Amortised over	5 years

8 Property, plant and equipment

DKK	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2020	16,582,809	14,108,887	30,691,696
Foreign exchange adjustments	-17,838	-26,158	-43,996
Additions	823,849	86,653	910,502
Disposals	-1,825,501	0	-1,825,501
Cost at 31 December 2020	15,563,319	14,169,382	29,732,701
Impairment losses and depreciation at 1 January 2020	13,763,005	11,203,488	24,966,493
Foreign exchange adjustments	-15,014	-28,805	-43,819
Depreciation	912,847	468,789	1,381,636
Reversal of accumulated depreciation and impairment of assets disposed	-1,631,869	0	-1,631,869
Impairment losses and depreciation at 31 December 2020	13,028,969	11,643,472	24,672,441
Carrying amount at 31 December 2020	2,534,350	2,525,910	5,060,260
Depreciated over	3 - 5 years	3 - 10 years	

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Notes to the financial statements

9 Investments

DKK	Investments in group enterprises	Other receivables	Total
Cost at 1 January 2020	36,147,524	467,076	36,614,600
Additions	0	82	82
Disposals	0	-40,925	-40,925
Cost at 31 December 2020	36,147,524	426,233	36,573,757
Value adjustments at 1 January 2020	-24,597,463	0	-24,597,463
Foreign exchange adjustments	453,487	0	453,487
Profit/loss for the year	731,872	0	731,872
Value adjustments at 31 December 2020	-23,412,104	0	-23,412,104
Carrying amount at 31 December 2020	12,735,420	426,233	13,161,653

Name	Legal form	Domicile	Interest	Equity DKK	Profit/loss DKK
Subsidiaries					
Diesel Sweden AB	Aktiebolag	Sweden	100.00%	12,735,420	731,872

DKK	2020	2019

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 excluding interest. Management believes that tax returns previously submitted are correct, however the outcome of the court case is subject to considerable uncertainty.

Other financial obligations

Rent and lease liabilities include a rent obligation totalling DKK 11,505,976 in interminable rent agreements with remaining contract terms up to 36 Months.

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Notes to the financial statements

12 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2020.

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

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