Wolford Scandinavia ApS

Frederiksberggade 19, 3., 1459 København K

CVR no. 18 30 02 49

Annual report
for the financial year 01.05.17 - 30.04.18

Årsrapporten er godkendt på den
ordinære generalforsamling, d. 12.10.18

Brigitte Kurz
Dirigent

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Company information etc.

The company

Wolford Scandinavia ApS
Frederiksberggade 19, 3.
1459 København K
Registered office: København
CVR no.: 18 30 02 49
Financial year: 01.05 - 30.04

Executive Board

Direktør Erik Danielsen
Direktør Yves Michel
Direktør Brigitte Kurz

Auditors

KPMG
Statsautoriset Revisionspartnerselskab

Statement of the Board of Directors on the annual report

We have on this day presented the annual report for the financial year 01.05.17 - 30.04.18 for Wolford Scandinavia ApS.

The annual report is presented in accordance with 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 as at 30.04.18 and of the results of the company's activities for the financial year 01.05.17 - 30.04.18.

We believe that the management's review includes a fair review of the matters dealt with in the management's review.

The annual report is submitted for adoption by the general meeting.

Copenhagen, October 12, 2018

Executive Board

Erik Danielsen Direktør	Yves Michel Direktør	Brigitte Kurz Direktør

To the capital owner of Wolford Scandinavia ApS

Opinion

We have audited the financial statements of Wolford Scandinavia ApS for the financial year 01.05.17 - 30.04.18, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies. The financial statements are prepared in accordance with 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 30.04.18 and of the results of the company's operations for the financial year 01.05.17 - 30.04.18 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

The Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about 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 International Standards on Auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 regarding the management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover 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 management's review and, in doing so, consider whether 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 management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, October 12, 2018

KPMG

Statsautoriset Revisionspartnerselskab
CVR no. 25578198

Henrik Kyhnauv
State Authorized Public Accountant
MNE-no. mne40028

Primary activities

The company sells stockings, ladies underwear and fashion wear produced by the parent´s manufacturing in Austria.

Some of the company´s activities are carried out by its branches in Norway (Oslo), Sweden (Stockholm) and Finland (Helsinki), respectively.

Sales to customers take place partly as whole-sale to a number of distributors in the respective countries and partly as sales through own con-cept stores (flagships) in each nordic country. In the domestic market, the company thus has its own stores in Lyngby, Hellerup, Copenhagen and an outlet in Ringsted, and in the nordic mar-ket in Helsinki and two stores i Oslo. There are five SIS concessions and three SIS on consign-ment in Denmark. In addition, the company has four Wolford partner stores which are operated according to a concept similar to franchising of which three are located in Denmark and one i Sweden.

Development in activities and financial affairs

The contribution made by the company´s foreign branches to the overall earnings of the company is not yet at its maximum. Consequently, the total gross profit realised by the company is DKK 20.602 thousand.

The income statement for the period 01.05.17 - 30.04.18 shows a profit/loss of DKK -1,371,118 against DKK 1,607,283 for the period 01.05.16 - 30.04.17. The balance sheet shows equity of DKK 5,581,936.

The management considers the ordinary net profit for the year to be satisfactory. The resultat of the year is affected by tax expense relating to former years t.DKK 1.630.

Subsequent events

No important events have occurred after the end of the financial year.

Income statement

Note		2017/18 DKK	2016/17 DKK
	Gross profit	**20,602,289**	**20,596,865**
1	Staff costs	-16,734,030	-17,133,098
	Depreciation, amortisation, impairment losses and write-downs of property, plant and equipment	-925,333	-959,049
	Profit before net financials	**2,942,926**	**2,504,718**
	Financial income	719,799	2,477
2	Financial expenses	-1,397,150	-754,183
	Profit before tax	**2,265,575**	**1,753,012**
	Tax on profit or loss for the year	-3,636,693	-145,729
	Loss for the year	**-1,371,118**	**1,607,283**

Proposed appropriation account

	2017/18 DKK	2016/17 DKK
Retained earnings	-1,371,118	1,607,283
Total	**-1,371,118**	**1,607,283**

Balance sheet

ASSETS

Note		30.04.18 DKK	30.04.17 DKK
	Software	417	39,794
	Total intangible assets	**417**	**39,794**
	Leasehold improvements	105,517	86,145
	Other fixtures and fittings, tools and equipment	2,366,852	1,715,011
	Total property, plant and equipment	**2,472,369**	**1,801,156**
	Total non-current assets	**2,472,786**	**1,840,950**
	Manufactured goods and goods for resale	9,901,244	12,902,779
	Total inventories	**9,901,244**	**12,902,779**
	Trade receivables	5,788,633	6,349,741
	Receivables from group enterprises	2,321,284	0
	Deferred tax asset	0	1,547,678
	Other receivables	1,800,042	2,017,015
	Prepayments	576,036	356,688
	Total receivables	**10,485,995**	**10,271,122**
	Cash	**2,747,692**	**3,441,636**
	Total current assets	**23,134,931**	**26,615,537**
	Total assets	**25,607,717**	**28,456,487**

Balance sheet

EQUITY AND LIABILITIES

Note		30.04.18 DKK	30.04.17 DKK
	Share capital	800,000	800,000
	Retained earnings	4,781,936	6,153,054
	Total equity	**5,581,936**	**6,953,054**
	Provisions for deferred tax	243,907	0
	Total provisions	**243,907**	**0**
3	Payables to group enterprises	11,700,000	0
	Total long-term payables	**11,700,000**	**0**
	Trade payables	588,391	98,412
	Payables to group enterprises	0	16,534,210
	Income taxes	1,778,335	0
	Other payables	5,408,005	4,586,110
	Deferred income	307,143	284,701
	Total short-term payables	**8,081,874**	**21,503,433**
	Total payables	**19,781,874**	**21,503,433**
	Total equity and liabilities	**25,607,717**	**28,456,487**

4 Contingent liabilities
5 Charges and security
6 Related parties

Statement of changes in equity

Figures in DKK	Share capital	Retained earnings
Statement of changes in equity for 01.05.17 - 30.04.18		
Balance as at 01.05.17	800,000	6,153,054
Loss for the year	0	-1,371,118
Balance as at 30.04.18	800,000	4,781,936

The share capital has remained unchanged over the last 5 years.

	2017/18 DKK	2016/17 DKK

1. Staff costs

	2017/18 DKK	2016/17 DKK
Wages and salaries	14,737,613	14,783,798
Pensions	511,773	567,531
Other social security costs	1,484,644	1,781,769
Total	16,734,030	17,133,098
Average number of employees during the year	67	65

2. Financial expenses

	2017/18 DKK	2016/17 DKK
Interest, group enterprises	135,621	0
Other financial expenses	1,261,529	754,183
Total	1,397,150	754,183

3. Longterm payables

Figures in DKK	Repayment first year	Due within 2-5 years	Total payables at 30.04.18	Total payables at 30.04.17
Payables to group enterprises	0	11,700,000	11,700,000	0
Total	0	11,700,000	11,700,000	0

Outstanding debt after 5 years constitutes DKK 0.

4. Contingent liabilities

Lease commitments

Operating lease agreements on cars and rental agreements on office space and outlets have been concluded for the year 2017 to 2021, total t.DKK 7.338.

Guarantee commitments

The company has provided bankguarantees of t.DKK 1.450.

5. Charges and security

The company has not provided any other security over assets.

6. Related parties

Controlling influence:	Basis of influence
Wolford Beteiligungs GmbH, Bregenz, Østrig	Kapitalejer

The company is a subsidiary of Wolford Beteiligungs GmbH, Bregenz, Østrig, which is the parent company preparing consolidated accounts for the smallest group.

7. Accounting policies

GENERAL

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act (*Årsregnskabsloven*) for enterprises in reporting class B with application of provisions for a higher reporting class.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

CURRENCY

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets, inventories and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

7. Accounting policies - continued -

LEASES

Lease payments relating to operating leases are recognised in the income statement on a straight-line basis over the lease term.

INCOME STATEMENT

Gross profit

Gross profit comprises revenue, change in inventories of finished goods and work in progress, other operating income and raw materials and consumables and other external expenses.

Revenue

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value of the agreed consideration and is determined exclusive of VAT.

Change in inventories of finished goods

Change in inventories of finished goods comprises adjustments in inventories of finished goods for the year, including write-downs of inventories of finished goods and to the extent that these do not exceed normal write-downs.

Other operating income

Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including gains on the sale of intangible assets and property, plant and equipment.

Costs of consumables

Costs of consumables comprise consumables used for the year as well as any changes in inventories, including any inventory wastage.

Write-downs of inventories of consumables are also recognised under consumables to the extent that these do not exceed normal write-downs.

7. Accounting policies - continued -

Other external expenses

Other external expenses comprise costs relating to distribution, sales and advertising and administration, premises and bad debts to the extent that these do not exceed normal write-downs.

Staff costs

Staff costs comprise wages and salaries as well as other staff-related costs.

Depreciation, amortisation and impairment losses

The depreciation and amortisation of intangible assets and property, plant and equipment aim at systematic depreciation and amortisation over the expected useful lives of the assets. Assets are depreciated and amortised according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value DKK
Acquired rights	4 - 8	0
Leasehold improvements	5 - 10	0
Other plant, fixtures and fittings, tools and equipment	4 - 7	0

The basis of depreciation and amortisation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation and amortisation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the ‘Impairment losses on fixed assets’ section.

Other net financials

Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year

The current and deferred tax for the year is recognised in the income statement as tax on

7. Accounting policies - continued -

the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

BALANCE SHEET

Intangible assets

Software

Software are measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Software are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal.

Property, plant and equipment

Property, plant and equipment comprise leasehold improvements as well as other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation, amortisation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

7. Accounting policies - continued -

Impairment losses on fixed assets

The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation and amortisation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The net realisable value of inventories is determined as the selling price less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and the expected development in the selling price.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

7. Accounting policies - continued -

Prepayments

Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash

Cash includes deposits in bank accounts as well as operating cash.

Current and deferred tax

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

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables

Long-term payables are measured at cost at the time of contracting such liabilities (raising of the loan). The payables are subsequently measured at amortised cost where capital losses and loan expenses are recognised in the income statement as a financial expense over the term of the payable on the basis of the calculated effective interest rate in force at the time of contracting the liability.

Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

7. Accounting policies - continued -

Deferred income

Deferred income under liabilities comprises payments received in respect of income in subsequent financial years.