

Benetton Denmark ApS

Købmagergade 24, 2, 1150 København K

Annual report for 2019

CVR no. 28 98 74 71

Adopted at the annual general meeting on 15 September 2020

chairman: Mr. Ugo Giorcelli

Table of contents

	Page
Statements	
Statement by management on the annual report	1
Independent auditor's report	2
 Management's review	
Company details	5
Management's review	6
 Financial statements	
Income statement 1 January - 31 December	9
Balance sheet 31 December	10
Statement of changes in equity	12
Notes to the annual report	13
Accounting policies	15

Statement by management on the annual report

The supervisory and executive boards have today discussed and approved the annual report of Benetton Denmark ApS for the financial year 1 January - 31 December 2019.

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 company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Copenhagen, 15 September 2020

Executive board

Nicola Capone
CEO

Supervisory board

Mr. Ugo Giorcelli
chairman

Nicola Capone

Giuseppe Dal Mas

Independent auditor's report

To the shareholder of Benetton Denmark ApS

Opinion

We have audited the financial statements of Benetton Denmark ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' 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 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 the 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 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 these financial statements.

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

Independent auditor's report

- 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 on 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.

Independent auditor's report

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 Act. We did not identify any material misstatement of management's review.

Copenhagen, 15 September 2020

Ecovis Danmark
statsautoriseret revisionsinteressentskab
CVR no. 28 93 95 23

Kurt Bülow
Statsautoriseret revisor
MNE no. mne3112

Company details

The company	<p>Benetton Denmark ApS Købmagergade 24, 2 1150 København K</p> <p>Telephone: 33110044</p> <p>CVR no.: 28 98 74 71</p> <p>Reporting period: 1 January - 31 December 2019</p> <p>Domicile: Copenhagen</p>
Supervisory board	<p>Mr. Ugo Giorcelli, chairman Nicola Capone Giuseppe Dal Mas</p>
Executive board	<p>Nicola Capone, Director</p>
Auditors	<p>Ecovis Danmark statsautoriseret revisionsinteressentskab St. Kongensgade 36, 3.th 1264 København K</p>
Bankers	<p>Nordea Bank Danmark A/S, International Branch Meldahlsgade, Postbox 850 1 0900 København C</p>
Consolidated financial statements	<p>The company is reflected in the group report as the parent company Benetton Group S.R.L., 1, via Villa Minelli, 31050 Ponzano Veneto, Italy.</p>

Management's review

Business review

The company's principal activities comprise business in the form of agencies and operation of stores in Copenhagen.

Spread of a new coronavirus

The start of 2020 was marked by the outbreak of a coronavirus epidemic ("Covid-19") in one of China's provinces. The contagion spread in the first few months of the year to neighboring countries in Southeast Asia, such as Korea, Taiwan, and Japan, and rapidly also to Europe. The Covid-19 epidemic continues to spread to a growing number of countries and with it not only the number of those sick, but also the economic damage, which is currently difficult to quantify.

All this has led to a drastic reduction in the mobility of people, in domestic and international tourism and in consumer spending. The impacts in terms of reduced footfall and sales in both shopping centers and international shopping streets are huge.

In light of this health emergency, the Company has scrupulously complied with all ordinances issued by the relevant authorities and has taking every other appropriate precaution to safeguard the health of employees, partners, suppliers and consumers.

Denmark was among the first European countries to introduce lockdown measures, starting on 9 March.

The containment measures adopted by the authorities have provided, with gradation of intensity, the closure of schools, government offices, commercial establishments and the abolition of both public and private sporting and entertainment events. From 13 March, the restrictions on activities and the obligation to close have also extended to all companies, classified as non-strategic for the management of the health and social emergency. A gradual reopening of the activities took place starting from the middle of May.

Management's review

Company reaction to Coronavirus

In light of the changed market conditions resulting from the Covid-19 epidemic, the management of the Company, in line with the directives of the Group, considered it of fundamental importance and priority to react, implementing in an extremely decisive way appropriate measures to mitigate the negative effects on the operating results deriving from this scenario.

With the aim of containing costs and at the same time maintaining control over the strategic components of the business, the management intervened on various fronts, in particular:

- a big effort has been done to make, where possible, the cost of personnel flexible in relation to the reduced opening hours and the turnover of the shop, also through the use of social safety nets and measures to support the household income provided by the Danish Government;
- the analysis of the profitability of the store is continuing to assess its performance and the contribution to the Company's result;
- in addition to the above, the Company is implementing any other form of strict cost control in general, calibrating the intensity of rationalization based on close monitoring of the evolution of the situation.

Use of government grants

In an attempt to reduce the economic impact of the pandemic, the government has introduced large economic packages. As most of private companies that are extraordinarily hard economic hit due to coronavirus / covid-19, Our company applied for following supporting measures:

- Temporary pay compensation for employees from 9 March to 9 June 2020;
- Compensation for corporate fixed expenses, proportionally based on the revenue decline;
- Interest-free VAT loan equal to the VAT declared on the 2 March 2020 deadline.

Management's review

Summary of main effects

As of today, it is possible to quantify the impacts relating to the "lock-down" phase, that is to the period of closure of commercial establishments and to the period of 2/3 weeks immediately preceding, in which the first symptoms of the contraction began to manifest of sales resulting from the changed purchasing conditions by consumers following the "Corona virus" emergency.

Many items in the Company's income statement showed a significant so-called "Covid-19 impact" in terms of changes compared to the same period of the previous year (august 2020 vs august 2019). Main impacts are listed below:

- Shop sales declined by 46%, reaching a negative performance in the range -75%/-100% during lockdown period (from March 18 to May 10);
- Purchases of finished goods were reduced by 48%, coherently with sales decrease;
- Personnel cost showed a decrease of 31%, influenced by the above mentioned government support on employees cost.

Conclusions

Considering the uncertainty relating to both the duration and the geographical spread of the epidemic and that relating to the complexity and extent of the mitigating actions implemented by management, on one hand it is possible to evaluate the effects only partially or on the results of the current year only as it has already manifested. On the other hand, the uncertainty linked to the stability of the health situation (regression of the epidemic as a result of new outbreaks or as a result of non-compliance with the rules issued by the Governments or simply due to climatic conditions favorable to the virus) does not allow for a precise forecast and entrust it with the economic effects for the period remaining at the end of the financial year.

Income statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Gross profit		776.537	807.930
Staff costs	2	-3.334.232	-2.973.378
Profit/loss before amortisation/depreciation and impairment losses		-2.557.695	-2.165.448
Financial income		17.006	3
Financial costs		-186.726	-130.330
Profit/loss before tax		-2.727.415	-2.295.775
Tax on profit/loss for the year	3	0	0
Profit/loss for the year		-2.727.415	-2.295.775

Distribution of profit

	2019 DKK	2018 DKK
Retained earnings	-2.727.415	-2.295.775
	-2.727.415	-2.295.775

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Assets			
Other fixtures and fittings, tools and equipment		0	0
Tangible assets		0	0
Deposits		45.830	45.830
Fixed asset investments		45.830	45.830
Total non-current assets		45.830	45.830
Finished goods and goods for resale		1.650.477	1.428.182
Prepayments for goods		8.111	11.817
Stocks		1.658.588	1.439.999
Trade receivables		1.851.849	229.120
Other receivables		0	9.380
Receivables		1.851.849	238.500
Cash at bank and in hand		1.111.155	1.239.023
Total current assets		4.621.592	2.917.522
Total assets		4.667.422	2.963.352

Balance sheet 31 December

	<u>Note</u>	<u>2019</u> DKK	<u>2018</u> DKK
Equity and liabilities			
Share capital		125.000	125.000
Retained earnings		-2.090.468	-4.363.053
Equity		-1.965.468	-4.238.053
Payables to group companies		2.619.893	2.041.374
Total non-current liabilities		2.619.893	2.041.374
Banks		1.614.364	2.303.160
Prepayments received from customers		25.879	26.020
Trade payables		1.526.340	2.194.822
Other payables		846.414	636.029
Total current liabilities		4.012.997	5.160.031
Total liabilities		6.632.890	7.201.405
Total equity and liabilities		4.667.422	2.963.352
Uncertainty about the continued operation (going concern)	1		
Related parties and ownership structure	5		

Statement of changes in equity

	Share capital	Retained earnings	Total
Equity at 1 January 2019	125.000	-4.363.053	-4.238.053
Net profit/loss for the year	0	-2.727.415	-2.727.415
Contribution from group	0	5.000.000	5.000.000
Equity at 31 December 2019	125.000	-2.090.468	-1.965.468

Notes

1 Uncertainty about the continued operation (going concern)

Sole share holder Benetton Group S.R.L., 1, via Villa Minelli, 31050 Ponzano Veneto, Italy, have declared that it will support Benetton Danmark ApS economic and financial, to ensure the activities in the subsidiary in the next 12 months from General Assembly for the financial year 2019

2 Staff costs

Wages and salaries

2019 DKK	2018 DKK
3.334.232	2.973.378
3.334.232	2.973.378
Average number of employees	7
	7

3 Tax on profit/loss for the year

Tax on profit/loss for the year is calculated as follows:

Calculated 22% tax on profit/loss for the year before tax

2019 DKK	2018 DKK
-600.031	-505.071
Tax effect of:	
Non-capitalised deferred tax	600.029
	505.071
-2	0

4 Tangible assets

	Other fixtures and fittings, tools and equipment
Cost at 1 January 2019	208.254
Cost at 31 December 2019	208.254
Impairment losses and depreciation at 1 January 2019	208.254
Impairment losses and depreciation at 31 December 2019	208.254
Carrying amount at 31 December 2019	0

Notes

4 Tangible assets (continued)

5 Related parties and ownership structure

Ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Benetton Group S.R.L., 1, via Villa Minelli, 31050 Ponzano Veneto, Italy.

Accounting policies

The annual report of Benetton Denmark ApS for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

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

The annual report for 2019 is presented in DKK

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 amortisation, depreciation and impairment losses, 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 the asset 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 the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less costs of raw materials and consumables and other external expenses.

Raw materials and consumables

Costs of raw materials and consumables include the raw materials and consumables used in generating the year's revenue.

Accounting policies

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts etc.

Staff costs

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Andre anlæg, driftsmateriel og inventar	3-8 years	0 %

Assets costing less than DKK 13.800 are expensed in the year of acquisition.

Accounting policies

Stocks

Stocks are measured at cost using the FIFO method. Where the net realisable value is lower than the cost, inventories are recognised at this lower value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct cost of labour and production/production overheads.

The net realisable value of stocks is calculated as the selling price less costs of completion and expenses incurred to effect the sale. The net realisable value is determined taking into account marketability, obsolescence and expected selling price movements.

Receivables

Receivables are measured at amortised cost.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Provisions

Provisions comprise expected expenses relating to warranty commitments, losses on work in progress, restructuring, etc. Provisions are recognised when, as a result of a past event, the company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Accounting policies

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.