

Amarla Retail ApS

Københavns Lufthavn 3, 2770 Kastrup

Company reg. no. 34 59 34 69

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 12 July 2019.

Carlos Radulovitch.
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The executive board has today presented the annual report of Amarla Retail ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Kastrup, 12 July 2019

Executive board

Carlos Alejandro Radulovitch

Luis A. M. Penzini Granier

Independent auditor's report on extended review

To the shareholders of Amarla Retail ApS

Opinion

We have performed extended review of the annual accounts of Amarla Retail ApS for the financial year 1 January to 31 December 2018, which comprise profit and loss account, balance sheet and notes including a summary of significant accounting policies. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

Based on the work we have performed, we believe that the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We performed the extended review in accordance with the standard from the Danish Business Authority applicable on auditor's reports to small enterprises and in accordance with the standard from the Danish Institute of State Authorised Public Accountants applicable on extended review of annual accounts prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the extended review of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the extended review of the annual accounts

Our responsibility is to express an opinion on the annual accounts. This requires that we plan and perform our procedures with the purpose of achieving moderate assurance as to our opinion on the annual accounts. Furthermore, it requires that we perform particularly required additional procedures with a view to achieving further assurance as to our opinion.

Independent auditor's report on extended review

An extended review comprises procedures primarily comprising inquiries to the management and to other persons within the enterprise when appropriate, analytical procedures, and the particularly required additional procedures along with an evaluation of the achieved audit evidence.

The scope of the procedures performed during an extended review is less than in case of an audit, and consequently, we do not express any audit opinion on the annual accounts.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our extended review of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the extended review, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 12 July 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Company reg. no. 33 77 12 31

Henrik Ødegaard
State Authorised Public Accountant
mne31489

Company data

The company

Amarla Retail ApS
Københavns Lufthavn 3
2770 Kastrup

Company reg. no. 34 59 34 69
Established: 30 May 2012
Financial year: 1 January - 31 December

Executive board

Carlos Alejandro Radulovitch
Luis A. M. Penzini Granier

Auditors

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Parent company

Amarla Retail SA

Management's review

The principal activities of the company

The company's primary activity is in the retail and wholesale trade of beauty and apparel products for woman by operating a network of retail stores located in Copenhagen as well as doing wholesale trading of products with third and affiliate parties.

Development in activities and financial matters

The Company's ultimate owner has issued a letter of support which states that it will support the company financially and secure the Company's going concern for at least a year after the balance sheet date. Due to this, financial statements have been prepared on a going concern basis.

Also the company continued the centralized logistics hub in Denmark in order to support the Group's needs in merchandise from a central point, thus creating economies of scale that have reduced gradually the transportation costs.

Fiscal year 2018 was a year of transition for the Amarla Group due to the fact that early in the year the shareholders decided to sell the company while putting on hold all projects and execution of a minimum budget in the existing businesses. The final sale of the company was signed in October 2018 but the actual closing of the transaction was on December 28, 2018. During the year, Amarla Retail ApS saw its business decline because there was a slow down of the flow of merchandise from first to the third quarter, which was characterized by the company not receiving new products ("newness") which translates into lower traffic in the beauty and accessories business.

With the imminent sale transaction, the company received in the fourth quarter: first a loan for the purchase of merchandise in early October, and then a shipment of new merchandise for the holiday season in early December 2018, both as a result of the willingness of the acquiring group and the key vendors of the Amarla group – Lbrands affiliates Beauty Ave LLC and VSIS, to restore the business lost during the slow-down of second and third quarters. As soon as the new investors and new management team came on board on December 28, 2018, all Amarla Retail ApS's overdue trade payables to Lbrands companies were fully paid and an additional fresh capital injection to Amarla Retail ApS of Euro 600,000 was done on December 31, 2018. During 2019, the new group of investors, through the new holding company Cersional Spain SL has continued to inject capital in Amarla group of companies, in particular in Amarla Retail ApS where it has accumulated loans in the amount of Euro 1,050,000.00. The new management has also produced a new budget for 2019, and even though the first and second quarter of 2019 have been challenging in the restoration of store traffic and appropriate display of merchandise that the company has started to receive since February 2019, the Company has managed to exceed year-to-date sales budget as of June 30, 2019.

The board of directors of Cersional Spain SL (ultimate parent company of Amarla Retail ApS, "Cersional", since Dec. 28, 2018) is committed to approve the reestablishment of negative equity of Amarla Retail ApS by either injecting more cash and/or by converting the outstanding loans that Cersional has extended to Amarla Retail ApS, which total approximately Euro 1,050,000 as of the end of June 2019.

Management's review

The expected development

The Company expects an improvement in the performance of 2019 due to the restoration of wholesale business and expected improvement of the retail sector's profitability given the cost savings expected to materialize from the operations and cost cutting initiatives taken during the previous year and during 2019 and from the opening of the first large store VSFA in Sweden in November 2019.

Events subsequent to the financial year

No significant events happened after the balance sheet date.

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Net turnover	59.909.822	94.594.188
Other operating income	1.567	2.653
Raw materials and consumables used	-42.488.559	-64.253.903
Other external costs	-23.543.204	-30.167.004
Gross results	-6.120.374	175.934
2 Staff costs	-4.449.494	-5.379.199
Depreciation and writedown relating to tangible fixed assets	-2.074.782	-2.641.994
Operating profit	-12.644.650	-7.845.259
Income from equity investments in associated enterprises	-5.211.491	0
Other financial income	143	624.225
3 Other financial costs	-3.806.801	-666.288
Results before tax	-21.662.799	-7.887.322
Tax on ordinary results	0	0
Results for the year	-21.662.799	-7.887.322
 Proposed distribution of the results:		
Allocated from results brought forward	-21.662.799	-7.887.322
Distribution in total	-21.662.799	-7.887.322

Balance sheet 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2018</u>	<u>2017</u>
Fixed assets		
4 Other plants, operating assets, and fixtures and furniture	3.732.665	5.807.447
Tangible fixed assets in total	<u>3.732.665</u>	<u>5.807.447</u>
Amounts owed by group enterprises	1.404.640	0
5 Equity investment in associated enterprise	0	0
Other securities and equity investments	8.811.414	0
Deposits	<u>2.534.593</u>	<u>2.524.813</u>
Financial fixed assets in total	<u>12.750.647</u>	<u>2.524.813</u>
Fixed assets in total	<u>16.483.312</u>	<u>8.332.260</u>
Current assets		
Manufactured goods and trade goods	2.491.007	13.377.721
Prepayments for goods	<u>820.711</u>	<u>1.650.146</u>
Inventories in total	<u>3.311.718</u>	<u>15.027.867</u>
Trade debtors	2.206.656	6.022.481
Amounts owed by group enterprises	23.160.561	23.984.204
Other debtors	254.979	153.835
Accrued income and deferred expenses	<u>792.498</u>	<u>735.786</u>
Debtors in total	<u>26.414.694</u>	<u>30.896.306</u>
Available funds	<u>5.474.949</u>	<u>1.724.040</u>
Current assets in total	<u>35.201.361</u>	<u>47.648.213</u>
Assets in total	<u>51.684.673</u>	<u>55.980.473</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2018</u>	<u>2017</u>
Equity			
6	Contributed capital	100.000	100.000
7	Results brought forward	-57.981.977	-36.319.178
	Equity in total	-57.881.977	-36.219.178
Liabilities			
	Debt to group enterprises	0	14.600.928
	Accrued expenses and deferred income	1.400.000	2.800.000
	Long-term liabilities in total	1.400.000	17.400.928
	Trade creditors	14.696.918	54.859.830
	Debt to group enterprises	92.044.661	19.113.099
	Other debts	725.071	825.794
	Accrued expenses and deferred income	700.000	0
	Short-term liabilities in total	108.166.650	74.798.723
	Liabilities in total	109.566.650	92.199.651
	Equity and liabilities in total	51.684.673	55.980.473
1	Going concern		
8	Contingencies		
9	Related parties		

Notes

All amounts in DKK.

1. Going concern

The company's ultimate owner has issued a letter of support, which states that it will support the company financially and secure the company's going concern for at least a year after the balance sheet date. Hence, the going concern assumption can be applied to the financial statements.

	<u>2018</u>	<u>2017</u>
2. Staff costs		
Salaries and wages	4.295.992	5.137.209
Pension costs	52.142	73.866
Other costs for social security	101.360	168.124
	<u>4.449.494</u>	<u>5.379.199</u>
 Average number of employees	 <u>15</u>	 <u>18</u>
 3. Other financial costs		
Financial costs, group enterprises	1.438.109	624.548
Other financial costs	2.368.692	41.740
	<u>3.806.801</u>	<u>666.288</u>
 4. Other plants, operating assets, and fixtures and furniture		
Cost 1 January 2018	15.611.722	15.228.730
Additions during the year	0	382.992
Cost 31 December 2018	<u>15.611.722</u>	<u>15.611.722</u>
 Depreciation and writedown 1 January 2018	 -9.804.275	 -7.162.281
Depreciation for the year	-2.074.782	-2.641.994
Depreciation and writedown 31 December 2018	<u>-11.879.057</u>	<u>-9.804.275</u>
 Book value 31 December 2018	 <u>3.732.665</u>	 <u>5.807.447</u>

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
5. Equity investment in associated enterprise		
Additions during the year	5.211.491	0
Cost 31 December 2018	5.211.491	0
Writedown for the year	-5.211.491	0
Writedown 31 December 2018	-5.211.491	0
6. Contributed capital		
Contributed capital 1 January 2018	100.000	100.000
	100.000	100.000
7. Results brought forward		
Results brought forward 1 January 2018	-36.319.178	-28.431.856
Profit or loss for the year brought forward	-21.662.799	-7.887.322
	-57.981.977	-36.319.178
8. Contingencies		
Contingent liabilities		DKK in thousands
Leasing liabilities		<u>7.765</u>
Contingent liabilities in total		<u>7.765</u>

Letters of support

Amarla Retail ApS has issued two letters of support to Amarla Retail Oy (Finland) and Amarla Retail AB (Sweden). The letters of support oblige Amarla Retail ApS to provide the necessary funding required, to ensure that Amarla Retail Oy (Finland) and Amarla Retail AB (Sweden) maintain capital and liquidity levels enabling them to meet their financial obligations. The letters of support are valid until 31 December 2019.

Notes

All amounts in DKK.

9. Related parties

Consolidated annual accounts

Amarla Retail ApS is included in the consolidated annual accounts of Amarla Retail S.A., 127 Vouliagmenis Ave., P.C 16 674 Glyfada, Athen, Grækenland.

Accounting policies used

The annual report for Amarla Retail ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

The profit and loss account

Net turnover

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Cost of sales

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income

Other operating income comprise accounting items of secondary nature in proportion to the principal activities of the enterprise, including gains on disposal of intangible and tangible fixed assets.

Other external costs

Other external costs comprise costs for distribution, sales, advertisement, administration and premises.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

Accounting policies used

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

	<i>Useful life</i>	<i>Residual value</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>3-5 years</i>	<i>0-20 %</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Decoration of rented premises

Decoration of rented premises are measured at cost with deduction of accrued depreciation. Depreciation takes place on a straight-line basis over the estimated useful life of the asset, which is set at 3-5 years.

Financial fixed assets

Equity investment in associated enterprise

Equity investment in associated enterprise is measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Other securities and equity investments

Other securities and equity investments are measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Deposits

Deposits are measured at amortised cost and represent rent deposits, etc.

Inventories

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

Accounting policies used

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Liabilities

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.