
VF Scandinavia ApS

Vestergade 27, DK-1456 Copenhagen K

Annual Report for 1 January - 31 December 2018

CVR No 71 03 24 18

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
11/6 2019

Martino Scabbia Guerrini
Chairman of the General
Meeting



Contents

	<u>Page</u>
Management's Statement and Auditor's Report	
Management's Statement	1
Independent Auditor's Report	2
Company Information	
Company Information	5
Management's Review	6
Financial Statements	
Income Statement 1 January - 31 December	7
Balance Sheet 31 December	8
Statement of Changes in Equity	10
Notes to the Financial Statements	11

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of VF Scandinavia ApS for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 11 June 2019

Executive Board

Martino Scabbia Guerrini

Board of Directors

Martino Scabbia Guerrini
Chairman

Kristine Van Aelst

Alessandro Zucchini Solimei

Independent Auditor's Report

To the Shareholder of VF Scandinavia ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of VF Scandinavia ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("the Financial Statements").

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.

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 Financials Statements Act.

Based on the work we have performed, in our view, 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 in Management's Review.

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 misstate-

Independent Auditor's Report

ment, 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 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.
- 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

Independent Auditor's Report

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.

Hellerup, 11 June 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Ole Tjørnelund Thomsen
statsautoriseret revisor
mne10637

James Liang
statsautoriseret revisor
mne34549

Company Information

The Company

VF Scandinavia ApS
Vestergade 27
DK-1456 Copenhagen K

Telephone: + 45 49222666

Facsimile: + 45 49222277

CVR No: 71 03 24 18

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

Board of Directors

Martino Scabbia Guerrini, Chairman
Kristine Van Aelst
Alessandro Zucchini Solimei

Executive Board

Martino Scabbia Guerrini

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Management's Review

Financial Statements of VF Scandinavia ApS for 2018 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 rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

The Company's main activity is to purchase and sell clothing to retailers in the Nordic region of VF brands, Wrangler, Lee, Eastpak, Kipling, TNF and Altra.

Development in the year

The income statement of the Company for 2018 shows a profit of DKK 4,139,584, and at 31 December 2018 the balance sheet of the Company shows equity of DKK 19,456,771.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit/loss		12,953,369	13,654,042
Staff expenses	1	-6,401,349	-7,280,805
Depreciation, amortisation and impairment of property, plant and equipment		-1,232,491	-1,568,744
Other operating expenses		-31,070	-45,648
Profit/loss before financial income and expenses		5,288,459	4,758,845
Financial income	2	181,811	374,510
Financial expenses	3	-354,760	-332,842
Profit/loss before tax		5,115,510	4,800,513
Tax on profit/loss for the year	4	-975,926	-1,048,776
Net profit/loss for the year		4,139,584	3,751,737

Distribution of profit

Proposed distribution of profit

Retained earnings	4,139,584	3,751,737
	4,139,584	3,751,737

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Other fixtures and fittings, tools and equipment		2,423,971	1,525,846
Leasehold improvements		1,427,806	142,405
Property, plant and equipment in progress		12,772	233,089
Property, plant and equipment	5	3,864,549	1,901,340
Deposits		2,432,006	1,986,221
Fixed asset investments		2,432,006	1,986,221
Fixed assets		6,296,555	3,887,561
Inventories		3,999,632	3,200,503
Trade receivables		22,930,423	20,499,824
Receivables from group enterprises		4,140,600	2,798,475
Other receivables		8,903,713	3,084,105
Deferred tax asset		703,697	910,358
Receivables		36,678,433	27,292,762
Cash at bank and in hand		1,700,765	2,903,881
Currents assets		42,378,830	33,397,146
Assets		48,675,385	37,284,707

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		4,000,000	4,000,000
Retained earnings		15,456,771	11,317,187
Equity		19,456,771	15,317,187
Other provisions		223,500	575,671
Provisions		223,500	575,671
Trade payables		273,275	954,238
Payables to group enterprises		17,036,317	10,543,224
Corporation tax		96,695	121,685
Other payables		11,588,827	9,772,702
Short-term debt		28,995,114	21,391,849
Debt		28,995,114	21,391,849
Liabilities and equity		48,675,385	37,284,707
Contingent assets, liabilities and other financial obligations	6		
Related parties	7		
Accounting Policies	8		

Statement of Changes in Equity

	<u>Share capital</u> DKK	<u>Retained earnings</u> DKK	<u>Total</u> DKK
Equity at 1 January	4,000,000	11,317,187	15,317,187
Net profit/loss for the year	0	4,139,584	4,139,584
Equity at 31 December	4,000,000	15,456,771	19,456,771

Notes to the Financial Statements

	2018	2017
	DKK	DKK
1 Staff expenses		
Wages and salaries	5,802,854	6,737,206
Pensions	443,535	360,410
Other social security expenses	98,528	116,128
Other staff expenses	56,432	67,061
	6,401,349	7,280,805
Average number of employees	26	24
2 Financial income		
Interest received from group enterprises	106,848	104,253
Exchange adjustments	74,963	270,257
	181,811	374,510
3 Financial expenses		
Interest paid to group enterprises	55,556	64,329
Other financial expenses	56,642	29,754
Exchange adjustments, expenses	242,562	238,759
	354,760	332,842
4 Tax on profit/loss for the year	2018	2017
	DKK	DKK
Current tax for the year	1,038,428	981,685
Deferred tax for the year	206,661	67,096
Adjustment of tax concerning previous years	-269,163	-5
	975,926	1,048,776

Notes to the Financial Statements

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment	Leasehold improvements	Property, plant and equipment in progress	Total
	DKK	DKK	DKK	DKK
Cost at 1 January	11,535,123	6,372,655	233,089	18,140,867
Additions for the year	2,017,108	1,398,909	12,772	3,428,789
Transfers for the year	0	0	-233,089	-233,089
Cost at 31 December	13,552,231	7,771,564	12,772	21,336,567
Impairment losses and depreciation at 1 January	10,009,281	6,230,246	0	16,239,527
Depreciation for the year	1,118,979	113,512	0	1,232,491
Impairment losses and depreciation at 31 December	11,128,260	6,343,758	0	17,472,018
Carrying amount at 31 December	2,423,971	1,427,806	12,772	3,864,549

6 Contingent assets, liabilities and other financial obligations

The Company has entered into a rental agreement and lease agreements with a total payment of DKK 24,752k in the remaining period (2017: DKK 15,930k) of this DKK 5,936k are to be paid within one year. In addition to this, the Company has placed bank guarantees for a total of DKK 1,076k (2017: DKK 1,076k).

7 Related parties

Basis

Controlling interest

VF Investments Italy S.á.r.l.

Hovedaktionær

Ownership

The following shareholder is recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

VF Investments Italy S.á.r.l., Rue Edward Steichen 13, L-2540 Luxembourg

Notes to the Financial Statements

7 Related parties (continued)

Consolidated Financial Statements

The Company is included in the Group Annual Report of the ultimate parent Company:

<u>Name</u>	<u>Place of registered office</u>
VF Corporation, USA	105 Corporate Center Blvd. Greensboro, NC27408

The Group Annual Report of VF Corporation, USA may be obtained at the following address:

VF Corporation
105 Corporate Center Blvd.
Greensboro,
NC 27408

Notes to the Financial Statements

8 Accounting Policies

The Annual Report of VF Scandinavia ApS for 2018 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 rules applying to reporting class C.

Certain amounts have been reclassified in the comparative figures for 2017 to ensure the same presentation.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset 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 out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

8 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognized when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company. Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales. Income is recognised when the goods are delivered.

Cost of goods sold

Cost of goods sold comprises the consumption of goods for resale used to achieve revenue for the year.

Other external expenses

Other external expenses comprise expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

Gross profit/loss comprises revenue, expenses for consumables and other external expenses. With reference to section 32 of the Danish Financial Statements Act, revenue has not been disclosed in the Annual Report.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of property, plant and equipment.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company, including gains and losses on the sale of intangible assets and property, plant and equipment.

Notes to the Financial Statements

8 Accounting Policies (continued)

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Balance Sheet

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-10	years
Leasehold improvements	5	years

Depreciation period and residual value are reassessed annually.

Assets costing less than DKK 13,500 are expensed in the year of acquisition.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Fixed asset investments

Fixed asset investments consist of deposits.

Notes to the Financial Statements

8 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Company has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Notes to the Financial Statements

8 Accounting Policies (continued)

Financial debts

Debts are measured at amortised cost, substantially corresponding to nominal value.