

# Sports Connection ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 18 13 38 81

## Annual report 2023

Approved at the Company's annual general meeting on 1 March 2024

Chair of the meeting:

.....  
Peter Jørgensen

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## Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sports Connection ApS for the financial year 1 January - 31 December 2023.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023.

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

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

Esbjerg, 1 March 2024  
Executive Board:

.....  
Peter Jørgensen

Board of Directors:

.....  
David Weinberg  
Chair

.....  
John Matthew Vandemore

.....  
Peter Jørgensen

## Independent auditor's report

To the shareholder of Sports Connection ApS

### Opinion

We have audited the financial statements of Sports Connection ApS for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2023 and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence*

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

### Management's responsibilities for the financial statements

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

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

## Independent auditor's report

- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- ▶ Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Esbjerg, 1 March 2024  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Morten Østergaard Koch  
State Authorised Public Accountant  
mne35420

Mads Klausen  
State Authorised Public Accountant  
mne46588

## Management's review

## Company details

Name	Sports Connection ApS
Address, Postal code, City	Kvaglundvej 89, 6705 Esbjerg Ø
CVR no.	18 13 38 81
Established	25 October 1994
Registered office	Esbjerg
Financial year	1 January - 31 December
Website	<a href="http://www.sportsconnection.dk">www.sportsconnection.dk</a>
Telephone	+45 75 10 19 80
Board of Directors	David Weinberg, Chair John Matthew Vandemore Peter Jørgensen
Executive Board	Peter Jørgensen
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5, 6700 Esbjerg, Denmark

## Management's review

## Financial highlights

DKK'000	2023	2022	2021	2020	2019
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## Key figures

Revenue	565,471	530,918	-	-	-
Gross profit	187,150	183,197	133,152	83,344	62,040
Profit before interest and tax (EBIT)	142,427	143,713	100,677	55,376	39,691
Net financials	-106	-1,620	97	-1,262	-1,755
Profit for the year	110,013	110,751	78,589	42,144	29,191

Fixed assets	21,411	19,933	4,039	4,291	4,297
Non-fixed assets	298,439	269,154	132,402	99,654	128,761
Total assets	319,850	289,087	136,441	103,945	133,058
Investments in property, plant and equipment	3,053	464	548	611	643
Equity	255,186	142,434	105,753	67,088	49,064

## Financial ratios

EBITDA-margin	25.7%	27.4%	0.0%	0.0%	0.0%
Current ratio	479.2%	187.3%	448.1%	278.8%	270.4%
Equity ratio	79.8%	49.3%	77.5%	64.5%	36.9%
Return on equity	55.3%	89.2%	90.9%	72.6%	56.9%

The financial ratios stated under "Financial highlights" have been calculated as follows:

EBITDA-margin	$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA)} \times 100}{\text{Revenue}}$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

## Management's review

### Business review

The principal activities are wholesale trading of Skechers shoes and related activities.

### Financial review

The income statement for 2023 shows a profit of DKK 110,013 thousand against a profit of DKK 110,751 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 255,186 thousand.

Management considers the Company's financial performance satisfactory and in line with previous expectations.

### Knowledge resources

The Company is continuously working to attract and maintain professionally qualified labour with expert knowledge of the Company's services and products.

### Financial risks and use of financial instruments

#### *Exchange rate risks*

The company trades abroad and has the risk of exchange rate fluctuations. This risk is managed by hedging future transactions.

### Statutory CSR report

The Company has not drawn up any CSR report, as the Parent Company has done so for the entire Group. The CSR-report for the Group is available and can be downloaded from the site:

<https://sportsconnection.dk/wp-content/uploads/2024/02/CSR-report-2023.pdf>

### Report on the gender composition of Management

Sports Connection ApS believes that diversity among employees, including gender balance, contributes positively to the working environment and strengthens the company's performance and competitiveness.

Information is provided in accordance with section 99b of the Danish Financial Statements Act.

### *5 years overview*

	2023
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#### *Supreme governing body*

Total number of members	3
Underrepresented gender in %	0
Target figure in %	33
Year in which the target figure is expected to be met	2027

#### *Other levels of management*

Total number of members	15
Underrepresented gender in %	47
Target figure in %	40
Year in which the target figure is expected to be met	2027



## Management's review

### *Supreme governing body*

The Company's supreme governing body consists of the Executive Board and the Board of Directors.

The Company's goal has been set in 2023 to get 33 % of the underrepresented gender in the top management body by 2027. The composition of the supreme governing body consists of 3 men and 0 women end of 2023.

During the year, changes were made to the Board of Directors as a result of a change in ownership of the Group. No further specific actions have yet taken place to increase the underrepresented gender.

Going forward, the Company will strive to achieve gender balance in the supreme governing body in connection with elections and nominations of new candidates.

### Other levels of management

Other management levels include the CEO and the group's management team at head office, including managers within retail, wholesale, e-commerce and support functions, etc.

In 2023, other levels of management consisted of 15 persons, 8 of whom were men and 7 were women. The composition of other levels of management represents an equal gender distribution.

For the Company's other levels of management, we pursue a general policy that everyone should have equal opportunities, regardless of gender. Therefore, we also continuously seek to promote positive leadership stories for our underrepresented gender, with the goal of generating greater awareness and interest in the area.

Going forward, the Company will strive to maintain gender balance at other levels of management.

### Data ethics

The Company does not consider it relevant to draw up a policy for data ethics. In this connection, the Company emphasizes that the Company only collects and processes data to a limited extent and does not use new technologies as part of the Company's main activity, and not itself or via external suppliers perform specific data analyzes, evaluations or segmentations.

### Events after the balance sheet date

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

### Outlook

For the financial year 2024, the Company expects growth in revenues to DKK 525 - 575 million and a result before tax between DKK 135 - 151 million.

## Financial statements 1 January - 31 December

## Income statement

Note	DKK'000	2023	2022
3	Revenue	565,471	530,918
	Cost of sales	-327,863	-304,356
	Other operating income	5,383	5,418
4	Other external expenses	-55,841	-48,783
	Gross profit	187,150	183,197
5	Staff costs	-41,687	-37,717
	Depreciation of property, plant and equipment	-3,036	-1,749
	Other operating expenses	0	-18
	Profit before net financials	142,427	143,713
6	Financial income	3,743	13
7	Financial expenses	-3,849	-1,633
	Profit before tax	142,321	142,093
8	Tax for the year	-32,308	-31,342
	Profit for the year	110,013	110,751

## Financial statements 1 January - 31 December

## Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
10	Intangible assets		
	Acquired intangible assets	3,475	4,237
		<u>3,475</u>	<u>4,237</u>
11	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	1,478	984
	Leasehold improvements	2,110	784
		<u>3,588</u>	<u>1,768</u>
12	Investments		
	Receivables from group enterprises	13,260	12,879
	Deposits	1,088	1,049
		<u>14,348</u>	<u>13,928</u>
	Total fixed assets	<u>21,411</u>	<u>19,933</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	95,065	165,820
		<u>95,065</u>	<u>165,820</u>
	Receivables		
	Trade receivables	17,528	25,174
	Receivables from group enterprises	91,952	65,562
	Joint taxation contribution receivable	2,925	0
	Other receivables	774	122
13	Prepayments	1,680	1,387
		<u>114,859</u>	<u>92,245</u>
	Cash	88,515	11,089
	Total non-fixed assets	<u>298,439</u>	<u>269,154</u>
	TOTAL ASSETS	<u><u>319,850</u></u>	<u><u>289,087</u></u>

## Financial statements 1 January - 31 December

## Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	400	400
	Hedging reserve	-375	-3,114
	Retained earnings	255,161	145,148
	Total equity	<u>255,186</u>	<u>142,434</u>
	Provisions		
14	Deferred tax	889	889
	Other provisions	1,490	2,052
15	Total provisions	<u>2,379</u>	<u>2,941</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Bank debt	0	94,991
	Trade payables	5,824	9,642
	Payables to group enterprises	47,685	2,214
	Joint taxation contribution payable	0	23,506
	Other payables	8,425	13,016
17	Deferred income	351	343
		<u>62,285</u>	<u>143,712</u>
	Total liabilities other than provisions	<u>62,285</u>	<u>143,712</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>319,850</u></u>	<u><u>289,087</u></u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 9 Appropriation of profit
- 18 Contractual obligations and contingencies, etc.
- 19 Security and collateral
- 20 Related parties

## Financial statements 1 January - 31 December

## Statement of changes in equity

Note	DKK'000	Share capital	Hedging reserve	Retained earnings	Total
	Equity at 1 January 2023	400	-3,114	145,148	142,434
9	Transfer, see "Appropriation of profit"	0	0	110,013	110,013
	Adjustment of hedging instruments at fair value	0	3,512	0	3,512
	Tax on items recognised directly in equity	0	-773	0	-773
	Equity at 31 December 2023	400	-375	255,161	255,186

The company's share capital has remained DKK 400,004 for the past 5 years.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Sports Connection ApS for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large reporting class C entities. The annual report up until 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Sports Connection Holding ApS.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

#### Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised as separate items in the balance sheet and in the hedging reserve under equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

#### Income statement

##### Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received.

The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

## Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including management fees and gains on the sale of fixed assets, etc.

## Cost of sales

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

## Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

## Staff costs

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

## Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	3-5 years
Intangible assets (software)	3-5 years

## Other operating expenses

Other operating expenses comprise items of a secondary nature relative to the Company's core activities, including losses on the sale of fixed assets.

## Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The items comprise interest income and expenses, e.g. from group entities and associates, declared dividends from other securities and investments, financial expenses relating to finance leases, realised and unrealised capital gains and losses relating to other securities and investments, exchange gains and losses and amortisation of financial assets and liabilities.

## Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

## Balance sheet

## Intangible assets

Other intangible assets include acquired intangible rights, including software licences, etc.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

## Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

## Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

## Deposits

Deposits are measured at cost and represents rent deposits.

## Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.



## Financial statements 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

## Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

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

## Receivables

The Company has chosen IAS 39 as interpretation for impairment write-down of financial receivables.

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

## Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

## Equity

*Hedging reserve*

The hedging reserve comprises the cumulative net change in the fair value of hedging transactions that qualify for recognition as a cash flow hedge and where the hedged transaction has not yet been realised. The reserve is dissolved when the hedged transaction is realised, if the hedged cash flows are no longer expected to be realised or if the hedging relationship is no longer effective. The reserve does not represent a limitation under company law and may therefore be negative.

*Proposed dividends*

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 1 Accounting policies (continued)

## Provisions

Provisions comprise anticipated expenses relating to warranty commitments, onerous contracts, restructurings, etc. Provisions are recognised when the Company has a legal or constructive obligation at the balance sheet date as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

## Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are measured at the value at which they are expected to be utilised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net assets are measured at net realisable values.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

## Other payables

Other payables are measured at net realisable value.

## Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

## Fair value

The fair value measurement is based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

All assets and liabilities which are measured at fair value, or whose fair value is disclosed, are classified based on the fair value hierarchy, see below:

Level 1: Value in an active market for similar assets/liabilities

Level 2: Value based on recognised valuation methods on the basis of observable market information

Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

If a reliable fair value cannot be stated according to the above levels, the asset or liability is measured at cost.

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 2 Events after the balance sheet date

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

DKK'000	<u>2023</u>	<u>2022</u>
3 Segment information		
Breakdown of revenue by geographical segment:		
Denmark	222,895	201,772
Sweden	136,891	141,160
Norway	98,883	110,714
Other	106,802	77,272
	<u>565,471</u>	<u>530,918</u>

## 4 Fee to the auditors appointed in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Sports Connection Holding ApS.

DKK'000	<u>2023</u>	<u>2022</u>
5 Staff costs		
Wages/salaries	35,711	32,263
Pensions	4,611	4,297
Other social security costs	1,365	1,157
	<u>41,687</u>	<u>37,717</u>
Average number of full-time employees	<u>70</u>	<u>63</u>

Remuneration for the Executive Board and the Board of Directors totalled DKK 2,321 thousand (2022: DKK 1,816 thousand).

6 Financial income		
Interest receivable, group entities	2,610	0
Other financial income	1,133	13
	<u>3,743</u>	<u>13</u>

## Financial statements 1 January - 31 December

## Notes to the financial statements

7	Financial expenses		
	Interest expenses, group entities	551	202
	Other financial expenses	3,298	1,431
		<u>3,849</u>	<u>1,633</u>
8	Tax for the year		
	Estimated tax charge for the year	32,308	30,692
	Deferred tax adjustments in the year	0	650
		<u>32,308</u>	<u>31,342</u>
	DKK'000	<u>2023</u>	<u>2022</u>
9	Appropriation of profit		
	Recommended appropriation of profit		
	Retained earnings	110,013	110,751
		<u>110,013</u>	<u>110,751</u>
10	Intangible assets		
	DKK'000		<u>Acquired intangible assets</u>
	Cost at 1 January 2023		4,918
	Additions		1,040
	Cost at 31 December 2023		<u>5,958</u>
	Impairment losses and amortisation at 1 January 2023		681
	Amortisation for the year		1,802
	Impairment losses and amortisation at 31 December 2023		<u>2,483</u>
	Carrying amount at 31 December 2023		<u>3,475</u>
11	Property, plant and equipment		
	DKK'000	<u>Fixtures and fittings, other plant and equipment</u>	<u>Leasehold improvements</u>
	Cost at 1 January 2023	4,224	2,845
	Additions	1,060	1,993
	Cost at 31 December 2023	<u>5,284</u>	<u>4,838</u>
	Impairment losses and depreciation at 1 January 2023	3,240	2,061
	Depreciation	566	667
	Impairment losses and depreciation at 31 December 2023	<u>3,806</u>	<u>2,728</u>
	Carrying amount at 31 December 2023	<u>1,478</u>	<u>3,588</u>

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 12 Investments

DKK'000	Receivables from group enterprises	Deposits	Total
Cost at 1 January 2023	12,879	1,049	13,928
Additions	381	69	450
Disposals	0	-30	-30
Cost at 31 December 2023	13,260	1,088	14,348
Carrying amount at 31 December 2023	13,260	1,088	14,348

## 13 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies and other advances.

DKK'000	2023	2022
14 Deferred tax		
Deferred tax at 1 January	889	239
Deferred tax adjustment for the year	0	650
Deferred tax at 31 December	889	889

Deferred tax mainly comprise deferred tax relating to property, plant and equipment and trade receivables.

## 15 Provisions

Other provisions comprise provisions for the committed return policy towards retail stores within the Group, totalling DKK 1,490 thousand.

## 16 Derivative financial instruments

## Currency hedging

The Company hedges foreign currencies whereby the exchange rates from DKK has been fixed towards USD, NOK and SEK.

The Company has entered foreign currency contracts with a contractual value of DKK 14,075 thousand and a negative market value of DKK 601 thousand at 31 December 2023 (2022: negative DKK 4,113 thousand).

*Fair value disclosures*

The Company has the following assets and liabilities measured at fair value:

DKK'000	Currency hedging
Fair value at year end	-601
Unrealised fair value adjustments for the year, recognised in hedging reserve	3,512
Fair value level	1

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 17 Deferred income

Deferred income, DKK 351 thousand (2022: DKK 343 thousand), consists of payments received from customers that may not be recognised until the subsequent financial year.

## 18 Contractual obligations and contingencies, etc.

## Other contingent liabilities

The Company is jointly taxed with the parent company, Sports Connection Holding ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends.

## Other financial obligations

The company has entered rent agreements with remaining contract terms up to 2 years. The total rent obligation amounts to DKK 7,242 thousand, of which DKK 4,107 thousand falls due within one year.

The Company has entered operational leasing contracts related to cars and IT-equipment with remaining contract terms up to 3 years. The total lease liabilities amounts to DKK 2,049 thousand, of which DKK 1,467 thousands fall due within 1 year.

The Company has provided bank guarantees of DKK 379 thousand as collateral for rent obligations and towards suppliers.

## 19 Security and collateral

A company charge with a nominal value of DKK 13,000 thousand secured on trade receivables, inventories and operating equipment with a carrying amount of DKK 114,071 thousand at 31 December.

The Company has provided an unlimited surety for bank debt in Sports Connection Holding ApS. The net bank debts totalled 0 DKK thousand at 31 December 2023.

## Financial statements 1 January - 31 December

## Notes to the financial statements

## 20 Related parties

Sports Connection ApS' related parties comprise the following:

## Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Sports Connection Holding ApS	Esbjerg, Denmark	Majority Shareholder

## Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Sports Connection Holding ApS	Esbjerg, Denmark	<a href="http://www.cvr.dk">www.cvr.dk</a>
Skechers U.S.A., Inc.	California, USA	<a href="https://investors.skechers.com">https://investors.skechers.com</a>

## Related party transactions

Sports Connection ApS was engaged in the below related party transactions:

DKK'000	<u>2023</u>	<u>2022</u>
Sales of goods	387,283	299,996
Sales of retail equipment and other services (re-invoicing)	3,330	3,709
Purchase of goods	120,195	0
Reinvoicing of marketing and other costs (cost-sharing)	2,199	1,216
Management fees (income)	5,383	5,418
Staff costs	3,222	2,631
Interest income	2,610	202
Interest expenses	551	202
Receivables from group enterprises, long-term	13,260	12,879
Receivables from group enterprises	91,952	78,441
Payables to group enterprises	47,685	2,214