SPORTS CONNECTION

Sports Connection Holding ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 37 29 79 09

Annual report 2022

Approved at the Company's annual general meeting on 30 March 2023

Chair of the meeting:

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Peter Jørgensen

Contents

Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Sports Connection Holding ApS for the financial year 1 January - 31 December 2022.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2022 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2022.

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, 30 March 2023
Executive Board:

Peter Jørgensen	Johannes Adrianus de Groot

Independent auditor's report

To the shareholders of Sports Connection Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Sports Connection Holding ApS for the financial year 1 January - 31 December 2022, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2022, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2022 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "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 Group 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 consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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.

Independent auditor's report

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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Esbjerg, 30 March 2023
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 Holding ApS
Address, Postal code, City	Kvaglundvej 89, 6705 Esbjerg Ø
CVR no.	37 29 79 09
Established	4 December 2015
Registered office	Esbjerg
Financial year	1 January - 31 December
Executive Board	Peter Jørgensen Johannes Adrianus de Groot
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5, 6700 Esbjerg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2022	2021	2020	2019	2018
Key figures					
Revenue	632,400	456,548	378,027	341,257	-
Gross profit	248,606	186,632	129,524	123,897	85,584
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	158,854	115,607	69,025	69,866	45,420
Net financials	-4,283	-543	-2,593	-3,803	2,882
Profit for the year	115,160	84,660	48,470	48,055	35,863
Fixed assets	26,438	16,863	18,699	15,237	14,761
Non-fixed assets	336,896	196,929	152,095	162,738	130,791
Total assets	363,334	213,792	170,794	177,975	145,552
Equity	149,331	125,029	94,799	71,180	60,728
Cash flows from operating activities	25,122	97,573	44,301	31,917	25,113
Net cash flows from investing activities	-16,822	-4,915	-8,027	-4,292	-11,902
Cash flows from financing activities	2,728	-82,291	-48,960	-10,674	3,648
Total cash flows	11,028	10,367	-12,686	16,951	16,859
Financial ratios					
EBITDA-margin	25.1%	25.3%	18.3%	20.5%	0.0%
Return on assets	52.6%	53.2%	34.6%	40.8%	36.0%
Current ratio	157.4%	237.7%	236.6%	229.6%	154.2%
Equity ratio	41.1%	58.5%	55.5%	40.0%	41.7%
Average number of full-time employees	203	169	154	144	118

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

EBITDA-margin $$\frac{\text{Earnings before interest, taxes and amortisations (EBITDA) x 100}}{\text{Revenue}}$$

Return on assets $$\frac{\text{Profit/loss from operating activites x 100}}{\text{Average assets}}$$

Current ratio $$\frac{\text{Current assets x 100}}{\text{Current liabilities}}$$

Equity ratio $$\frac{\text{Equity, year-end x 100}}{\text{Total equity and liabilities, year-end}}$$

Management's review

Business review

The Group's principal activities consists of wholesale trading of Skechers shoes and operating of Skechers retail stores in the Nordics.

The Company's princiapal acitivity comprise of investments in group enterprises.

Financial review

The income statement for 2022 shows a profit of DKK 115,160 thousand against a profit of DKK 84,660 last year, and the balance sheet at 31 December 2022 shows equity of DKK 149,331 thousand.

Management considers the group's financial performance in the year very satisfactory and better than previous expectations.

Financial risks and use of financial instruments

Exchange rate risks

The Group trades abroad in foreign currency and thus have a risk of exchange rate fluctuations. The risks is handled by using hedging future transactions in foreign currency.

Statutory CSR report

In accordance with the Danish Financial Statements Act § 99a, the statutory CSR report is published on the Group’s website:

https://sportsconnection.dk/wp-content/uploads/2023/03/CSR-rapport-2022.pdf

Account of the gender composition of Management

The Company's senior management consists entirely of the two owners, which is why it is not relevant to discuss the gender balance in the senior management body.

For the Group's other 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.

In 2022, our other management consisted of 14 persons, 7 of whom were men and 7 were women.

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.

Data ethics

The Group does not consider it relevant to draw up a policy for data ethics. In this connection, the Group emphasizes that the Group only collects and processes data to a limited extent and does not use new technologies as part of the Group'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 Group's nor the Company's financial position have occured subsequent to the financial year-end.

Outlook

For the financial year 2023, the Group expects significant growth in activities with revenues of DKK 720 - 770 million. The Group expects a profit before tax between DKK 130 - 150 million.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	DKK'000	2022	2021	2022	2021
4	Revenue	632,400	456,548	0	0
	Cost of sales	-287,946	-204,615	0	0
	Other operating income	0	6,474	0	0
5	Other external expenses	-95,848	-71,775	-64	-64
	Gross profit	248,606	186,632	-64	-64
6	Staff costs	-89,752	-71,025	0	0
	Amortisation and depreciation	-7,090	-6,787	0	0
	Profit/loss before net financials	151,764	108,820	-64	-64
	Income from investments in group enterprises	0	0	116,598	85,051
7	Financial income	107	1,368	703	634
8	Financial expenses	-4,390	-1,911	-2,483	-1,071
	Profit before tax	147,481	108,277	114,754	84,550
9	Tax for the year	-32,321	-23,617	406	110
	Profit for the year	115,160	84,660	115,160	84,660

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2022	2021	2022	2021
	ASSETS				
	Fixed assets				
10	Intangible assets				
	Acquired intangible assets	4,237	837	0	0
	Goodwill	0	17	0	0
		4,237	854	0	0
11	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	984	1,339	0	0
	Leasehold improvements	17,496	11,824	0	0
		18,480	13,163	0	0
12	Investments				
	Investments in group enterprises	0	0	171,277	140,074
	Receivables from group enterprises	0	0	0	23,379
	Other securities	38	40	0	0
	Deposits	3,683	2,806	0	0
		3,721	2,846	171,277	163,453
	Total fixed assets	26,438	16,863	171,277	163,453
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	207,867	96,647	0	0
		207,867	96,647	0	0
	Receivables				
	Trade receivables	58,703	35,415	0	0
14	Deferred tax assets	6,360	4,726	0	0
	Corporation tax receivable	2,601	4,137	0	0
	Joint taxation contribution receivable	0	0	368	92
	Other receivables	1,617	8,750	127	0
13	Prepayments	5,177	3,849	0	0
		74,458	56,877	495	92
	Cash	54,571	43,405	24,490	1,647
	Total non-fixed assets	336,896	196,929	24,985	1,739
	TOTAL ASSETS	363,334	213,792	196,262	165,192

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	Group 2022	Group 2021	Parent company 2022	Parent company 2021
	EQUITY AND LIABILITIES				
	Equity				
	Share capital	50	50	50	50
	Net revaluation reserve according to the equity method	0	0	125,063	99,413
	Translation reserve	-2,479	-556	0	0
	Hedging reserve	-2,660	6,275	455	320
	Retained earnings	154,420	39,260	23,763	-54,754
	Dividend proposed	0	80,000	0	80,000
	Total equity	149,331	125,029	149,331	125,029
	Liabilities other than provisions				
15	Non-current liabilities other than provisions				
	Bank debt	0	5,900	0	5,900
		0	5,900	0	5,900
	Current liabilities other than provisions				
15	Short-term part of long-term liabilities	5,900	5,800	5,900	5,800
	Bank debt	94,991	6,463	0	0
	Trade payables	14,819	11,365	0	0
	Payables to group enterprises	40,948	28,309	40,948	28,309
	Corporation tax payable	1,429	1,294	0	0
	Joint taxation contribution payable	23,609	8,305	0	0
	Other payables	31,471	21,327	83	154
17	Deferred income	836	0	0	0
		214,003	82,863	46,931	34,263
	Total liabilities other than provisions	214,003	88,763	46,931	40,163
	TOTAL EQUITY AND LIABILITIES	363,334	213,792	196,262	165,192

1 Accounting policies
2 Events after the balance sheet date
3 Special items
18 Contractual obligations and contingencies, etc.
19 Collateral
20 Related parties
21 Appropriation of profit

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Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group					
Note	DKK'000	Share capital	Translation reserve	Hedging reserve	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2022	50	-556	6,275	39,260	80,000	125,029
	Transfer through appropriation of profit	0	0	0	115,160	0	115,160
	Adjustment of investments through forreign exchange adjustments	0	-1,923	0	0	0	-1,923
	Adjustment of hedging instruments at fair value	0	0	-11,455	0	0	-11,455
	Tax on items recognised directly in equity	0	0	2,520	0	0	2,520
	Dividend distributed	0	0	0	0	-80,000	-80,000
	Equity at 31 December 2022	50	-2,479	-2,660	154,420	0	149,331

		Parent company					
Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Hedging reserve	Retained earnings	Dividend proposed	Total
	Equity at 1 January 2022	50	99,413	320	-54,754	80,000	125,029
21	Transfer, see "Appropriation of profit"	0	36,643	0	78,517	0	115,160
	Adjustment of investments through forreign exchange adjustments	0	-1,923	0	0	0	-1,923
	Other value adjustments of equity	0	-9,070	0	0	0	-9,070
	Adjustment of hedging instruments at fair value	0	0	173	0	0	173
	Tax on items recognised directly in equity	0	0	-38	0	0	-38
	Dividend distributed	0	0	0	0	-80,000	-80,000
	Equity at 31 December 2022	50	125,063	455	23,763	0	149,331

The parent's share capital has remained DKK 50,000 the past 5 years.

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Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2022	Group 2021
	Profit for the year	115,160	84,660
22	Adjustments	39,430	30,404
	Cash generated from operations (operating activities)	154,590	115,064
23	Changes in working capital	-113,085	9,809
	Cash generated from operations (operating activities)	41,505	124,873
	Income taxes paid	-14,460	-27,728
	Non-cash transactions, recognised directly in equity	-1,923	428
	Cash flows from operating activities	25,122	97,573
	Additions of intangible assets	-4,035	-870
	Additions of property, plant and equipment	-11,902	-3,735
	Changes in deposits and other securities	-885	-310
	Cash flows to investing activities	-16,822	-4,915
	Dividends paid	-80,000	-70,000
	Repayments, long-term liabilities	-5,800	-5,800
	Changes in debt to credit institutions	88,528	-6,491
	Cash flows from financing activities	2,728	-82,291
	Net cash flow	11,028	10,367
	Cash and cash equivalents at 1 January	43,405	33,076
	Foreign exchange adjustments	138	-38
24	Cash and cash equivalents at 31 December	54,571	43,405

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

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

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

Reporting currency

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

Consolidated financial statements

Control

The consolidated financial statements comprise the Parent Company and subsidiaries controlled by the Parent Company.

Control means a parent company’s power to direct a subsidiary’s financial and operating policy decisions. Besides the above power, the parent company should also be able to yield a return from its investment.

In assessing if the parent company controls an entity, de facto control is taken into consideration as well.

The existence of potential voting rights which may currently be exercised or converted into additional voting rights is considered when assessing if an entity can become empowered to direct another entity’s financial and operating decisions.

Preparation of consolidated financial statements

The consolidated financial statements are prepared as a consolidation of the parent company's and the individual subsidiaries' financial statements, which are prepared according to the group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains if they do not reflect impairment.

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.

Foreign group entities

Foreign subsidiaries and associates are considered separate entities. Items in such entities' income statements are translated at an average exchange rate for the month, and balance sheet items are translated at closing rates. Foreign exchange differences arising on translation of the opening equity of foreign subsidiaries to closing rates and on translation of the income statements from average exchange rates to closing rates are taken directly to equity.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including losses 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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Amortisation/depreciation

The item comprises amortisation of goodwill and depreciation of property, plant and equipment.

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

Acquired intangible assets	3-5 years
Goodwill	1-5 years
Fixtures and fittings, other plant and equipment	3-5 years
Leasehold improvements	3-5 years

Other operating expenses

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

Profit/loss from investments in subsidiaries

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In subsidiaries, the full elimination of internal profit and loss is carried out without regard to ownership shares., only proportional elimination of profit and loss is carried out, taking into account ownership shares.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

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

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments.

Goodwill is amortised on a straight-line basis over the amortisation period, which is between 1 and 5 years. The amortisation period is based on remaining contract periods of the retail stores.

Other intangible assets include and other 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".

Investments

Investments comprises rent deposits and other securities. Investments are measured at cost.

Investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries 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. Impairment losses on goodwill are not reversed.

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.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Reserve for net revaluation according to the equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associates relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Translation reserve

The translation reserve comprises the share of foreign exchange differences arising on translation of financial statements of entities that have a functional currency other than DKK, foreign exchange adjustments of assets and liabilities considered part of the Company's net investments in such entities and foreign exchange adjustments regarding hedging transactions that hedge the Company's net investments in such entities. The reserve is dissolved on the sale of foreign entities or if the conditions for effective hedging no longer exist. When equity investments in subsidiaries and associates in the parent company financial statements are subject to the limitation requirement in the net revaluation reserve according to the equity method, foreign exchange adjustments will be included in this equity reserve instead.

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".

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.

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Notes to the financial statements

1 Accounting policies (continued)

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities 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).

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Segment information

The allocation of revenue to activities and geographical markets is disclosed where these activities and markets differ significantly in the organisation of sales of goods and services.

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Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

2 Events after the balance sheet date

No events materially affecting the Group's nor the Company's financial position have occured subsequent to the financial year-end.

3 Special items

Group

Special items comprise significant income and expenses of a special nature relative to the Group's revenue-generating operating activities.

Special items for the year amount to DKK 0 thousand. For the financieal year 2021 special items amounted to DKK 6,474 thousand and comprised governmental grants for payroll and fixed costs regarding the COVID-19 outbreak. Special items are recognised under operating incomein the income statement.

		Group		Parent company	
	DKK'000	2022	2021	2022	2021
4	Segment information				
	Breakdown of revenue by geographical segment:				
	Denmark	253,187	193,017	0	0
	Sweden	164,063	125,779	0	0
	Norway	115,459	77,348	0	0
	Other	98,875	60,404	0	0
		631,584	456,548	0	0

5 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, as audit fees are disclosed for the group as such in the consolidated financial statements for P & M Jørgensen Holding ApS.

		Group		Parent company	
	DKK'000	2022	2021	2022	2021
6	Staff costs				
	Wages/salaries	75,407	60,466	0	0
	Pensions	7,615	6,075	0	0
	Other social security costs	6,730	4,484	0	0
		89,752	71,025	0	0
	Average number of full-time employees	203	169	0	0

Group

Remuneration for the Executive Board totalled DKK 1,816 thousand (2021: DKK 1,634 thousand).

Parent company

The parent Company has no employees.

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Notes to the financial statements

		Group		Parent company	
	DKK'000	2022	2021	2022	2021
7	Financial income				
	Interest income, group entities	0	0	703	634
	Other financial income	107	1,368	0	0
		107	1,368	703	634
8	Financial expenses				
	Interest expenses, group entities	1,135	508	1,135	508
	Other financial expenses	3,255	1,403	1,348	563
		4,390	1,911	2,483	1,071
9	Tax for the year				
	Estimated tax charge for the year	33,955	24,492	-406	-110
	Deferred tax adjustments in the year	-1,634	-875	0	0
		32,321	23,617	-406	-110

10 Intangible assets

	Group		
DKK'000	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2022	989	400	1,389
Additions	4,035	0	4,035
Disposals	-106	0	-106
Cost at 31 December 2022	4,918	400	5,318
Impairment losses and amortisation at 1 January 2022	152	383	535
Amortisation for the year	617	17	634
Reversal of accumulated amortisation and impairment of assets disposed	-88	0	-88
Impairment losses and amortisation at 31 December 2022	681	400	1,081
Carrying amount at 31 December 2022	4,237	0	4,237

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Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

11 Property, plant and equipment

DKK'000	Group: Fixtures and fittings, other plant and equipment	Group: Leasehold improvements	Group: Total
Cost at 1 January 2022	4,002	26,649	30,651
Foreign exchange adjustments	0	-710	-710
Additions	222	11,680	11,902
Cost at 31 December 2022	4,224	37,619	41,843
Impairment losses and depreciation at 1 January 2022	2,663	14,825	17,488
Foreign exchange adjustments	0	-582	-582
Depreciation for the year	577	5,880	6,457
Impairment losses and depreciation at 31 December 2022	3,240	20,123	23,363
Carrying amount at 31 December 2022	984	17,496	18,480

12 Investments

DKK'000	Group: Other securities	Group: Deposits	Group: Total
Cost at 1 January 2022	40	2,806	2,846
Foreign exchange adjustments	-2	-8	-10
Additions	0	885	885
Cost at 31 December 2022	38	3,683	3,721
Carrying amount at 31 December 2022	38	3,683	3,721

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Notes to the financial statements

12 Investments (continued)

DKK'000	Parent company Investments in group enterprises	 Receivables from group enterprises	 Total
Cost at 1 January 2022	40,661	23,379	64,040
Additions	5,553	0	5,553
Disposals	0	-23,379	-23,379
Cost at 31 December 2022	46,214	0	46,214
Value adjustments at 1 January 2022	99,413	0	99,413
Foreign exchange adjustments	-1,923	0	-1,923
Dividend received	-79,955	0	-79,955
Profit/loss for the year	116,598	0	116,598
Equity transactions in subsidiaries	-9,070	0	-9,070
Value adjustments at 31 December 2022	125,063	0	125,063
Carrying amount at 31 December 2022	171,277	0	171,277

Parent company

Name	Domicile	Interest
Sports Connection ApS	Denmark	100%
Skechers Retail Danmark ApS	Denmark	100%
Sports Connection Norge AS	Norway	100%
Skechers Retail Norge AS	Norway	100%
Sports C Sverige AB	Sweden	100%
SC Retail Sverige AB	Sweden	100%
Sports Connection Finland Oy	Finland	100%
Sports Connection Retail Germany GmbH	Germany	100%

13 Prepayments

Group

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

DKK'000	Group 2022	 2021	Parent company 2022	 2021
14 Deferred tax				
Deferred tax at 1 January	-4,726	-3,761	0	0
Foreign exchange rate adjustments	0	-2	0	0
Deferred tax adjusment in the year	-1,634	-875	0	0
Defered tax adjustments previous years	0	-88	0	0
Deferred tax at 31 December	-6,360	-4,726	0	0

Deferred tax assets mainly comprise deferred tax relating to property, plant and equipment and inventories, etc.

Deferred tax assets is expected to crystallise within the coming 3-5 years.

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Notes to the financial statements

15 Non-current liabilities other than provisions

DKK'000	Group: Total debt at 31/12 2022	Group: Repayment, next year	Group: Long-term portion	Group: Outstanding debt after 5 years
Bank debt	5,900	5,900	0	0
	5,900	5,900	0	0

DKK'000	Parent company: Total debt at 31/12 2022	Parent company: Repayment, next year	Parent company: Long-term portion	Parent company: Outstanding debt after 5 years
Bank debt	5,900	5,900	0	0
	5,900	5,900	0	0

16 Derivative financial instruments

Group

Interest rate hedging

The Group hedges interest rate risks through interest rate swaps whereby floating interest payments are rescheduled into fixed interest payments. The Group has enteret interest swaps with a positive market value of DKK 111 thousand as of 31 December 2022 (2021: DKK negative 62 thousand).

Currency hedging

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

The Group has entered foreign currency contracts with a contractual value of DKK 267,212 thousand and a negative market value of DKK 4,113 thousand at 31 December 2022 (2021: positive DKK 7,515 thousand).

Fair value disclosures

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

DKK'000	Currency hedging	Interest rate hedging
Group		
Fair value at year end	-4,113	111
Unrealised fair value adjustments for the year, recognised in hedging reserve	-11,628	173
Fair value level	1	1
Parent Company		
Fair value at year end	0	111
Unrealised fair value adjustments for the year, recognised in hedging reserve	0	173
Fair value level		1

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Notes to the financial statements

16 Derivative financial instruments (continued)

Parent company

Interest rate risks

The Company hedges interest rate risks through interest rate swaps whereby floating interest payments are rescheduled into fixed interest payments. The Group has enteret interest swaps with a positive market value of DKK 111 thousand as of 31 December 2022 (2021: DKK negative 62 thousand).

17 Deferred income

Deferred income, DKK 836 thousand (2021: DKK 118 thousand), consists of payments received from customers that may not be recognised until the subsequent financial year.

18 Contractual obligations and contingencies, etc.

Other financial obligations

Group

The Group has entered rent agreements for head office, showrooms and 47 retail stores in the Nordics with remaining contract terms up to 6 years. The total rent obligation amounts to DKK 154,100 thousand, of which DKK 48,644 thousand falls due within one year. In connection with rent agreements, the Group is obliged to re-establish retail stores upon relocation.

The Group 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 4,697 thousand, of which DKK 2,028 thousands fall due within one 1 year.

The Group has provided bank guarantees of DKK 21,894 thousand as collateral for rent obligations and towards suppliers.

Parent company

The Company is jointly taxed with its ultimate parent, P & M Jørgensen 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.

19 Collateral

Group

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 196,215 thousand at 31 December 2022 has been put up as security for bank debt, totalling DKK 94,991 thousand.

Parent company

The Company has provided an unlimitied surety for group enterprises's bank debts and bank guarantees. The bank debts totalled DKK 94,991 thousand and bank guarantees totalled 21,894 thousand at 31 December 2022.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

20 Related parties

Sports Connection Holding ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Jørgensen Holding ApS	Esbjerg, Denmark	Participating interest

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
P & M Jørgensen Holding ApS	Esbjerg, Denmark	cvr.dk

Related party transactions

DKK'000	2022	2021
Group		
Interest expenses, group enterprises	1,135	508
Staff costs	2,631	2,405
Payables to group enterprises	40,948	28,309
Parent Company		
Interest income, group enterprises	703	634
Interest expenses, group enterprises	1,135	508
Receivables from group enterprises	0	23,379
Payables to group enterprises	40,948	28,309

Besides the above, distribution of dividend were carried out with shareholders during the year.

	Parent company	
DKK'000	2022	2021
21 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	0	80,000
Extraordinary dividend distributed in the year	0	35,000
Net revaluation reserve according to the equity method	36,643	30,051
Retained earnings/accumulated loss	78,517	-60,391
	115,160	84,660

	Group	
DKK'000	2022	2021
22 Adjustments		
Amortisation/depreciation and impairment losses	7,091	6,787
Gain/loss on the sale of non-current assets	18	0
Tax for the year	32,321	23,617
	39,430	30,404

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Notes to the financial statements

	DKK'000	Group 2022	Group 2021
23	Changes in working capital		
	Change in inventories	-111,220	-10,517
	Change in receivables	-24,825	-11,371
	Change in trade and other payables	22,960	31,697
		-113,085	9,809
24	Cash and cash equivalents at year-end		
	Cash according to the balance sheet	54,571	43,405
		54,571	43,405