

Sports Connection Holding ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 37 29 79 09

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 Holding 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 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 2023 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 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
Chairman

.....
John Matthew Vandemore

Independent auditor's report

To the shareholder 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 2023, 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 2023, 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 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 consolidated financial statements and the parent Company financial statements" (hereinafter 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, 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 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
Board of Directors	David Weinberg, Chairman John Matthew Vandemore
Executive Board	Peter Jørgensen
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5, 6700 Esbjerg, Denmark

Management's review

Financial highlights for the Group

DKK'000	2023	2022	2021	2020	2019
Key figures					
Revenue	719,459	632,400	456,548	378,027	341,257
Gross profit	278,712	248,606	186,632	129,524	123,897
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	165,098	158,854	115,607	69,025	69,866
Net financials	-3,576	-4,283	-543	-2,593	-3,803
Profit for the year	117,354	115,160	84,660	48,470	48,055
Fixed assets	33,093	26,440	16,863	18,699	15,237
Non-fixed assets	329,836	336,896	196,929	152,095	162,738
Total assets	362,929	363,336	213,792	170,794	177,975
Investments in property, plant and equipment	15,411	11,902	3,735	6,738	4,112
Equity	268,792	149,331	125,029	94,799	71,180
Cash flows from operating activities	180,000	25,122	97,573	44,301	31,917
Net cash flows from investing activities	-16,829	-16,822	-4,915	-8,027	-4,292
Cash flows from financing activities	-100,891	2,728	-82,291	-48,960	-10,674
Total cash flows	62,280	11,028	10,367	-12,686	16,951
Financial ratios					
EBITDA-margin	22.9%	25.1%	25.3%	18.3%	20.5%
Return on assets	42.7%	52.6%	53.2%	34.6%	40.8%
Current ratio	350.4%	157.4%	237.7%	236.6%	229.6%
Equity ratio	74.1%	41.1%	58.5%	55.5%	40.0%
Average number of full-time employees					
	304	234	169	154	144

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

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

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 principal activity comprise of investments in group enterprises.

Financial review

The income statement for 2023 shows a profit of DKK 117,354 thousand against a profit of DKK 115,160 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 268,792 thousand.

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

Knowledge resources

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

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/2024/02/CSR-report-2023.pdf>

Report on the gender composition of Management

Sports Connection Holding 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
<i>Supreme governing body</i>	
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

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.

Management's review

Other levels of management

As the parent company has less than 50 employees, the exemption from setting targets for other levels of management has been applied.

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 occurred subsequent to the financial year-end.

Outlook

For the financial year 2024, the Group expects growth in activities with revenues of DKK 810 - 860 million. The Group expects a profit before tax between DKK 130 - 165 million.

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

Income statement

Note	DKK'000	Group		Parent company	
		2023	2022	2023	2022
3	Revenue	719,459	632,400	0	0
	Cost of sales	-317,121	-287,946	0	0
4	Other external expenses	-123,626	-95,848	-98	-64
	Gross profit	278,712	248,606	-98	-64
5	Staff costs	-113,614	-89,752	0	0
	Amortisation and depreciation	-9,935	-7,090	0	0
	Profit/loss before net financials	155,163	151,764	-98	-64
	Income from investments in group enterprises	0	0	118,513	116,598
6	Financial income	1,800	107	421	703
7	Financial expenses	-5,376	-4,390	-1,809	-2,483
	Profit before tax	151,587	147,481	117,027	114,754
8	Tax for the year	-34,233	-32,321	327	406
	Profit for the year	117,354	115,160	117,354	115,160

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

Balance sheet

Note	DKK'000	Group		Parent company	
		2023	2022	2023	2022
		ASSETS			
		Fixed assets			
		Intangible assets			
10	Acquired intangible assets	3,475	4,237	0	0
	Goodwill	0	0	0	0
		<u>3,475</u>	<u>4,237</u>	<u>0</u>	<u>0</u>
11	Property, plant and equipment				
	Fixtures and fittings, other plant and equipment	1,478	984	0	0
	Leasehold improvements	24,050	17,498	0	0
		<u>25,528</u>	<u>18,482</u>	<u>0</u>	<u>0</u>
12	Investments				
	Investments in group enterprises	0	0	291,984	171,277
	Other securities	36	38	0	0
	Deposits	4,054	3,683	0	0
		<u>4,090</u>	<u>3,721</u>	<u>291,984</u>	<u>171,277</u>
	Total fixed assets	<u>33,093</u>	<u>26,440</u>	<u>291,984</u>	<u>171,277</u>
	Non-fixed assets				
	Inventories				
	Finished goods and goods for resale	148,117	207,867	0	0
		<u>148,117</u>	<u>207,867</u>	<u>0</u>	<u>0</u>
	Receivables				
	Trade receivables	44,452	58,703	0	0
14	Deferred tax assets	8,215	6,360	0	0
	Corporation tax receivable	2,697	2,601	0	0
	Joint taxation contribution receivable	0	0	351	368
	Other receivables	1,383	1,617	0	127
13	Prepayments	7,875	5,177	0	0
		<u>64,622</u>	<u>74,458</u>	<u>351</u>	<u>495</u>
	Cash	<u>117,097</u>	<u>54,571</u>	<u>466</u>	<u>24,490</u>
	Total non-fixed assets	<u>329,836</u>	<u>336,896</u>	<u>817</u>	<u>24,985</u>
	TOTAL ASSETS	<u><u>362,929</u></u>	<u><u>363,336</u></u>	<u><u>292,801</u></u>	<u><u>196,262</u></u>

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	Total
	Equity at 1 January 2023	50	-2,479	-2,660	154,420	149,331
	Transfer through appropriation of profit	0	0	0	117,354	117,354
	Equity transfers to reserves	0	0	-368	368	0
	Adjustment of investments through foreign exchange adjustments	0	-545	0	0	-545
	Adjustment of hedging instruments at fair value	0	0	3,401	0	3,401
	Tax on items recognised directly in equity	0	0	-749	0	-749
	Equity at 31 December 2023	50	-3,024	-376	272,142	268,792
		Parent company				
Note	DKK'000	Share capital	Net revaluation reserve according to the equity method	Hedging reserve	Retained earnings	Total
	Equity at 1 January 2023	50	125,063	455	23,763	149,331
9	Transfer, see "Appropriation of profit"	0	118,513	0	-1,159	117,354
	Equity transfers to reserves	0	0	-368	368	0
	Adjustment of investments through foreign exchange adjustments	0	-545	0	0	-545
	Other value adjustments of equity	0	2,739	0	0	2,739
	Adjustment of hedging instruments at fair value	0	0	-111	0	-111
	Tax on items recognised directly in equity	0	0	24	0	24
	Equity at 31 December 2023	50	245,770	0	22,972	268,792

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

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

Cash flow statement

Note	DKK'000	Group	
		2023	2022
	Profit for the year	117,354	115,160
20	Adjustments	44,168	39,430
	Cash generated from operations (operating activities)	161,522	154,590
21	Changes in working capital	78,441	-113,085
	Cash generated from operations (operating activities)	239,963	41,505
	Income taxes paid	-59,413	-14,460
	Non-cash transactions, recognised directly in equity	-550	-1,923
	Cash flows from operating activities	180,000	25,122
	Additions of intangible assets	-1,040	-4,035
	Additions of property, plant and equipment	-15,411	-11,902
	Changes in deposits and other securities	-378	-885
	Cash flows to investing activities	-16,829	-16,822
	Dividends paid	0	-80,000
	Repayments, long-term liabilities	-5,900	-5,800
	Changes in debt to credit institutions	-94,991	88,528
	Cash flows from financing activities	-100,891	2,728
	Net cash flow	62,280	11,028
	Cash and cash equivalents at 1 January	54,571	43,405
	Foreign exchange adjustments	246	138
22	Cash and cash equivalents at 31 December	117,097	54,571

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 2023 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 group entities controlled by the Parent Company.

Control means a parent company's power to direct a group entity'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 group entities' 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 group entities 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 group entities 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 Group 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 management fees and gain 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 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

Profit/loss from investments in group entities

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to 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

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish group entities. Group entities are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The parent company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

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 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 Group 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 other securities. Other securities are measured at cost.

Deposits

Deposits are measured at cost and represents rent deposits.

Investments in group entities

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 group entities 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 Group 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.

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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 group entities 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 group entities 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.

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.

Liabilities

The Group has chosen IAS 39 as interpretation for 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.

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Notes to the financial statements

1 Accounting policies (continued)

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).

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

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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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 occurred subsequent to the financial year-end.

DKK'000	Group		Parent company	
	2023	2022	2023	2022
3 Segment information				
Breakdown of revenue by geographical segment:				
Denmark	289,089	254,003	0	0
Sweden	186,216	164,063	0	0
Norway	114,579	115,459	0	0
Other	129,575	98,875	0	0
	<u>719,459</u>	<u>632,400</u>	<u>0</u>	<u>0</u>

DKK'000	Group	
	2023	2022
4 Fee to the auditors appointed in general meeting		
Total fees to EY	<u>932</u>	<u>719</u>
Statutory audit	583	
Tax assistance	130	
Other assistance	219	
	<u>932</u>	

5 Staff costs				
Wages/salaries	95,722	75,407	0	0
Pensions	9,304	7,615	0	0
Other social security costs	8,588	6,730	0	0
	<u>113,614</u>	<u>89,752</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>304</u>	<u>234</u>	<u>0</u>	<u>0</u>

Group

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

Parent company

The parent Company has no employees.

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

Notes to the financial statements

	Group		Parent company	
	2023	2022	2023	2022
DKK'000				
6 Financial income				
Interest income, group entities	0	0	421	703
Other financial income	1,800	107	0	0
	<u>1,800</u>	<u>107</u>	<u>421</u>	<u>703</u>
7 Financial expenses				
Interest expenses, group entities	775	1,135	1,651	1,135
Other financial expenses	4,601	3,255	158	1,348
	<u>5,376</u>	<u>4,390</u>	<u>1,809</u>	<u>2,483</u>
8 Tax for the year				
Estimated tax charge for the year	36,088	33,955	-327	-406
Deferred tax adjustments in the year	-1,855	-1,634	0	0
	<u>34,233</u>	<u>32,321</u>	<u>-327</u>	<u>-406</u>

	Parent company	
	2023	2022
DKK'000		
9 Appropriation of profit		
Recommended appropriation of profit		
Net revaluation reserve according to the equity method	118,513	36,643
Retained earnings/accumulated loss	-1,159	78,517
	<u>117,354</u>	<u>115,160</u>

10 Intangible assets

	Group		
	Acquired intangible assets	Goodwill	Total
DKK'000			
Cost at 1 January 2023	4,918	400	5,318
Additions	1,040	0	1,040
Cost at 31 December 2023	<u>5,958</u>	<u>400</u>	<u>6,358</u>
Impairment losses and amortisation at 1 January 2023	681	400	1,081
Amortisation for the year	1,802	0	1,802
Impairment losses and amortisation at 31 December 2023	<u>2,483</u>	<u>400</u>	<u>2,883</u>
Carrying amount at 31 December 2023	<u>3,475</u>	<u>0</u>	<u>3,475</u>

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	Leasehold improvements	Total
Cost at 1 January 2023	4,224	37,621	41,845
Foreign exchange adjustments	0	-311	-311
Additions	1,060	14,351	15,411
Disposals	0	-1,124	-1,124
Cost at 31 December 2023	5,284	50,537	55,821
Impairment losses and depreciation at 1 January 2023	3,240	20,123	23,363
Foreign exchange adjustments	0	-78	-78
Depreciation for the year	566	7,566	8,132
Reversal of accumulated depreciation and impairment of assets disposed	0	-1,124	-1,124
Impairment losses and depreciation at 31 December 2023	3,806	26,487	30,293
Carrying amount at 31 December 2023	1,478	24,050	25,528

12 Investments

DKK'000	Group		
	Other securities	Deposits	Total
Cost at 1 January 2023	38	3,683	3,721
Foreign exchange adjustments	-2	-7	-9
Additions	0	408	408
Disposals	0	-30	-30
Cost at 31 December 2023	36	4,054	4,090
Carrying amount at 31 December 2023	36	4,054	4,090

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

Notes to the financial statements

12 Investments (continued)

	<u>Parent company</u> Investments in group enterprises
DKK'000	
Cost at 1 January 2023	46,214
Cost at 31 December 2023	46,214
Value adjustments at 1 January 2023	125,063
Foreign exchange adjustments	-545
Profit/loss for the year	118,513
Equity transactions in subsidiaries	2,739
Value adjustments at 31 December 2023	245,770
Carrying amount at 31 December 2023	<u>291,984</u>

Parent company

<u>Name</u>	<u>Domicile</u>	<u>Interest</u>
Sports Connection ApS	Denmark	100.00%
Skechers Retail Danmark ApS	Denmark	100.00%
Sports Connection Norge AS	Norway	100.00%
Skechers Retail Norge AS	Norway	100.00%
Sports C Sverige AB	Sweden	100.00%
SC Retail Sverige AB	Sweden	100.00%
Sports Connection Finland Oy	Finland	100.00%
Sports Connection Retail Germany GmbH	Germany	100.00%

13 Prepayments

Group

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

	<u>Group</u>		<u>Parent company</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
DKK'000				
14 Deferred tax				
Deferred tax at 1 January	-6,360	-4,726	0	0
Deferred tax adjustment in the year	-1,855	-1,634	0	0
Deferred tax at 31 December	<u>-8,215</u>	<u>-6,360</u>	<u>0</u>	<u>0</u>

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.

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

Notes to the financial statements

15 Derivative financial instruments

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

DKK'000	Currency hedging	Interest rate hedging
Group		
Fair value at year end	-601	0
Unrealised fair value adjustments for the year, recognised in hedging reserve	3,512	-111
Fair value level	1	1
Parent Company		
Unrealised fair value adjustments for the year, recognised in hedging reserve	0	-111
Fair value level		1

16 Deferred income

Deferred income, DKK 742 thousand (2023: DKK 836 thousand), consists of payments received from customers that may not be recognised until the subsequent financial year.

17 Contractual obligations and contingencies, etc.

Other financial obligations

Group

The Group has entered rent agreements for head office, showrooms and 58 retail stores in the Nordics with remaining contract terms up to 5 years. The total rent obligation amounts to DKK 147,516 thousand, of which DKK 50,430 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 3,439 thousand, of which DKK 2,116 thousands fall due within one 1 year.

The Group has provided bank guarantees of DKK 24,464 thousand as collateral for rent obligations and towards suppliers.

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company 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.

Consolidated financial statements and parent company financial statements 1 January -
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Notes to the financial statements

18 Security and 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 114,071 thousand at 31 December 2023 has been put up as security for bank debt, totalling DKK 0 thousand.

Parent company

The Company has provided an unlimited surety for group enterprises's bank debts and bank guarantees. The bank debts totalled DKK 0 thousand and bank guarantees totalled 24,464 thousand at 31 December 2023.

19 Related parties

Sports Connection Holding ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Skechers S.à.r.l.	Cham, Schwitterland	Participating interest

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Skechers U.S.A., Inc.	California, USA	https://investors.skechers.com

Related party transactions

DKK'000	<u>2023</u>	<u>2022</u>
Group		
Purchase of goods	120,195	0
Staff costs	3,222	2,631
Interest expenses, group enterprises	775	1,135
Payables to group enterprises	46,149	40,948
Parent Company		
Interest income, group enterprises	421	703
Interest expenses, group enterprises	1,651	1,135
Payables to group enterprises	23,977	40,948

DKK'000	<u>Group</u>	
	<u>2023</u>	<u>2022</u>
20 Adjustments		
Amortisation/depreciation and impairment losses	9,935	7,091
Gain/loss on the sale of non-current assets	0	18
Tax for the year	34,233	32,321
	<u>44,168</u>	<u>39,430</u>

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Notes to the financial statements

DKK'000	Group	
	2023	2022
21 Changes in working capital		
Change in inventories	59,750	-111,220
Change in receivables	11,787	-24,825
Change in trade and other payables	6,904	22,960
	<u>78,441</u>	<u>-113,085</u>
22 Cash and cash equivalents at year-end		
Cash according to the balance sheet	117,097	54,571
	<u>117,097</u>	<u>54,571</u>