

Sports Connection Holding ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 37 29 79 09

Annual report 2021

Approved at the Company's annual general meeting on 6 April 2022

Chair of the meeting:

.....
Peter Jørgensen

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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 2021.

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 2021 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 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Esbjerg, 6 April 2022
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 2021, 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 2021, 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 2021 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' 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, 6 April 2022
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	2021	2020	2019	2018	2017
Key figures					
Revenue	456,548	378,027	341,257	-	-
Gross profit	186,632	129,524	123,897	85,584	61,817
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	115,607	69,025	69,866	45,420	41,351
Net financials	-543	-2,593	-3,803	2,882	-6,726
Profit for the year	84,660	48,470	48,055	35,863	25,467
Fixed assets	16,863	18,699	15,237	14,761	4,593
Non-fixed assets	196,929	152,095	162,738	130,791	86,341
Total assets	213,792	170,794	177,975	145,552	90,934
Equity	125,029	94,799	71,180	60,728	41,109
Cash flows from operating activities	97,573	44,301	31,917	25,113	21,978
Net cash flows from investing activities	-4,915	-8,027	-4,292	-11,902	-9,277
Cash flows from financing activities	-82,291	-48,960	-10,674	3,648	-26,700
Total cash flows	10,367	-12,686	16,951	16,859	-13,999
Financial ratios					
EBITDA-margin	25.3%	18.3%	20.5%		
Return on assets	53.2%	34.6%	40.8%	36.0%	51.0%
Current ratio	237.7%	236.6%	229.6%	154.2%	173.3%
Equity ratio	58.5%	55.5%	40.0%	41.7%	45.2%
Average number of full-time employees	169	154	144	118	42

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 Company's principal activities comprise of investments in group enterprises.

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

Financial review

The income statement for 2021 shows a profit of DKK 84,660 thousand against a profit of DKK 48,470 thousand last year, and the group's balance sheet at 31 December 2021 shows equity of DKK 125,029 thousand.

The result for 2021 is negatively impacted by the COVID-19 outbreak. The Group has held significant costs during lockdown, which has been partly offset by DKK 6,474 thousand in governmental grants for payroll and fixed costs.

On that basis, 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/2022/03/CSR_report_2021.pdf

Account of the gender composition of Management, cf. §99b

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 2021, our other management consisted of 13 persons, 6 of whom were men and 7 were women.

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 Company's financial position have occurred subsequent to the financial year-end.

Outlook

For the financial year 2022, the Group expects significant growth in activities and a result in line with the financial year 2021.

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

Income statement

Note	DKK'000	Group		Parent company	
		2021	2020	2021	2020
3	Revenue	456,548	378,027	0	0
	Cost of sales	-204,615	-190,764	0	0
	Other operating income	6,474	4,252	0	0
	Other external expenses	-71,775	-61,991	-64	-58
	Gross profit	186,632	129,524	-64	-58
4	Staff costs	-71,025	-60,499	0	0
	Amortisation and depreciation	-6,787	-4,460	0	0
	Profit/loss before net financials	108,820	64,565	-64	-58
	Income from investments in group enterprises	0	0	85,051	48,709
5	Financial income	1,368	428	634	849
6	Financial expenses	-1,911	-3,021	-1,071	-1,097
	Profit before tax	108,277	61,972	84,550	48,403
7	Tax for the year	-23,617	-13,502	110	67
	Profit for the year	84,660	48,470	84,660	48,470

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 2021	50	-984	-8,867	69,600	35,000	94,799
	Transfer through appropriation of profit	0	0	0	-30,340	115,000	84,660
	Adjustment of investments through foreign exchange adjustments	0	428	0	0	0	428
	Adjustment of hedging instruments at fair value	0	0	19,413	0	0	19,413
	Tax on items recognised directly in equity	0	0	-4,271	0	0	-4,271
	Dividend distributed	0	0	0	0	-35,000	-35,000
	Proposed extraordinary dividend recognised under equity	0	0	0	0	-35,000	-35,000
	Equity at 31 December 2021	50	-556	6,275	39,260	80,000	125,029

		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 2021	50	53,858	254	5,637	35,000	94,799
19	Transfer, see "Appropriation of profit"	0	30,051	0	-60,391	115,000	84,660
	Adjustment of investments through foreign exchange adjustments	0	428	0	0	0	428
	Other value adjustments of equity	0	15,076	0	0	0	15,076
	Adjustment of hedging instruments at fair value	0	0	85	0	0	85
	Tax on items recognised directly in equity	0	0	-19	0	0	-19
	Dividend distributed	0	0	0	0	-35,000	-35,000
	Proposed extraordinary dividend recognised under equity	0	0	0	0	-35,000	-35,000
	Equity at 31 December 2021	50	99,413	320	-54,754	80,000	125,029

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

		Group	
Note	DKK'000	2021	2020
	Profit for the year	84,660	48,470
20	Adjustments	30,404	17,962
	Cash generated from operations (operating activities)	115,064	66,432
21	Changes in working capital	9,809	-1,179
	Cash generated from operations (operating activities)	124,873	65,253
	Income taxes paid	-27,728	-19,968
	Non-cash transactions, recognised directly in equity	428	-984
	Cash flows from operating activities	97,573	44,301
	Additions of intangible assets	-870	-482
	Additions of property, plant and equipment	-3,735	-6,738
	Changes in deposits and other securities	-310	-807
	Cash flows to investing activities	-4,915	-8,027
	Dividends paid	-70,000	-15,000
	Repayments, long-term liabilities	-5,800	-17,500
	Changes in debt to credit institutions	-6,491	-16,460
	Cash flows from financing activities	-82,291	-48,960
	Net cash flow	10,367	-12,686
	Cash and cash equivalents at 1 January	33,076	45,651
	Foreign exchange adjustments	-38	111
22	Cash and cash equivalents at 31 December	43,405	33,076

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 2021 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.

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

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 gains on the sale of fixed assets and governmental grants, 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

Profit from investments in subsidiaries

A proportionate share of the underlying entities' profit/loss after tax is recognised in the income statement according to the equity method. Shares of profit/loss after tax in subsidiaries are presented as separate line items in the income statement. Full elimination of intra-group gains/losses is made for equity investments in subsidiaries.

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.

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.

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

Notes to the financial statements

1 Accounting policies (continued)

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

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

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.

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

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.

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.

2 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 6,474 thousand (2020: DKK 4,252 thousand) and comprise governmental grants for payroll and fixed costs regarding the COVID-19 outbreak. Special items are recognised under operating income in the income statement.

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

Notes to the financial statements

	Group		Parent company	
	2021	2020	2021	2020
DKK'000				
3 Segment information				
Breakdown of revenue by geographical segment:				
Denmark	193,017	161,249	0	0
Sweden	125,779	105,068	0	0
Norway	77,348	64,678	0	0
Other	60,404	47,032	0	0
	<u>456,548</u>	<u>378,027</u>	<u>0</u>	<u>0</u>
4 Staff costs				
Wages/salaries	60,466	51,325	0	0
Pensions	6,075	5,275	0	0
Other social security costs	4,484	3,899	0	0
	<u>71,025</u>	<u>60,499</u>	<u>0</u>	<u>0</u>
Average number of full-time employees	<u>169</u>	<u>154</u>	<u>0</u>	<u>0</u>

Group

Remuneration for the Executive Board totalled DKK 1,634 thousand (2020: DKK 1,737 thousand).

Parent company

The parent Company has no employees.

	Group		Parent company	
	2021	2020	2021	2020
DKK'000				
5 Financial income				
Interest income, group entities	0	0	634	540
Other financial income	1,368	428	0	309
	<u>1,368</u>	<u>428</u>	<u>634</u>	<u>849</u>
6 Financial expenses				
Interest expenses, group entities	508	0	508	0
Other financial expenses	1,403	3,021	563	1,097
	<u>1,911</u>	<u>3,021</u>	<u>1,071</u>	<u>1,097</u>
7 Tax for the year				
Estimated tax charge for the year	24,492	13,761	-110	-67
Deferred tax adjustments in the year	-875	-259	0	0
	<u>23,617</u>	<u>13,502</u>	<u>-110</u>	<u>-67</u>

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8 Intangible assets

DKK'000	Group		
	Acquired intangible assets	Goodwill	Total
Cost at 1 January 2021	482	400	882
Additions	870	0	870
Cost at 31 December 2021	1,352	400	1,752
Impairment losses and amortisation at 1 January 2021	18	334	352
Amortisation for the year	692	49	741
Impairment losses and amortisation at 31 December 2021	710	383	1,093
Carrying amount at 31 December 2021	642	17	659

9 Property, plant and equipment

DKK'000	Group		
	Fixtures and fittings, other plant and equipment	Leasehold improvements	Total
Cost at 1 January 2021	1,774	25,722	27,496
Foreign exchange adjustments	0	51	51
Additions	514	3,221	3,735
Disposals	0	-634	-634
Cost at 31 December 2021	2,288	28,360	30,648
Impairment losses and depreciation at 1 January 2021	965	10,889	11,854
Foreign exchange adjustments	0	24	24
Depreciation for the year	462	5,584	6,046
Reversal of accumulated depreciation and impairment of assets disposed	0	-634	-634
Impairment losses and depreciation at 31 December 2021	1,427	15,863	17,290
Carrying amount at 31 December 2021	861	12,497	13,358

10 Investments

DKK'000	Group		
	Other securities	Deposits	Total
Cost at 1 January 2021	38	2,489	2,527
Foreign exchange adjustments	2	7	9
Additions	0	310	944
Disposals	0	0	-634
Cost at 31 December 2021	40	2,806	2,846
Carrying amount at 31 December 2021	40	2,806	2,846

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Notes to the financial statements

10 Investments (continued)

DKK'000	Parent company		Total
	Investments in group enterprises	Receivables from group enterprises	
Cost at 1 January 2021	39,173	28,531	67,704
Additions	1,488	634	2,122
Disposals	0	-5,786	-5,786
Cost at 31 December 2021	40,661	23,379	64,040
Value adjustments at 1 January 2021	53,858	0	53,858
Foreign exchange adjustments	428	0	428
Dividend received	-55,000	0	-55,000
Profit/loss for the year	85,051	0	85,051
Equity transactions in subsidiaries	15,076	0	15,076
Value adjustments at 31 December 2021	99,413	0	99,413
Carrying amount at 31 December 2021	140,074	23,379	163,453

Parent company

Name	Domicile	Interest
Subsidiaries		
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%

11 Prepayments

Group

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

DKK'000	Group		Parent company	
	2021	2020	2021	2020
12 Deferred tax				
Deferred tax at 1 January	-3,761	-3,506	0	0
Foreign exchange rate adjustments	-2	4	0	0
Deferred tax adjustment in the year	-875	-259	0	0
Deferred tax adjustments previous years	-88	0	0	0
Deferred tax at 31 December	-4,726	-3,761	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

13 Non-current liabilities other than provisions

DKK'000	Group			
	Total debt at 31/12 2021	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	11,700	5,800	5,900	0
	11,700	5,800	5,900	0

14 Derivative financial instruments and disclosure of fair values

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 entered interest swaps with a negative market value of DKK 62 thousand as of 31 December 2021 (2020: DKK negative 146 thousand).

Currency hedging

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

The Group has entered foreign currency contracts with a contractual value of DKK 202,220 thousand and a positive market value of DKK 7,515 thousand at 31 December 2021 (2020: negative DKK 11,812 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	7,515	62
Changes recognised in the hedging reserve	19,328	85
Fair value level	1	1

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 entered interest swaps with a negative market value of DKK 62 thousand as of 31 December 2021 (2020: DKK negative 146 thousand).

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15 Contractual obligations and contingencies, etc.

Other financial obligations

Group

The Group has entered rent agreements for head office, showrooms and 37 retail stores in the Nordics with remaining contract terms up to 6 years. The total rent obligation amounts to DKK 72,564 thousand, of which DKK 32,500 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 2,219 thousand, of which DKK 1,170 thousands fall due within one 1 year.

The Group has provided bank guarantees of DKK 16,646 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.

16 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 87,891 thousand at 31 December 2021 has been put up as security for bank debt, totalling DKK 11,700 thousand.

Parent company

The Company has provided an unlimited surety for group enterprises's bank debts and bank guarantees. The bank debts totalled DKK 6,462 thousand and bank guarantees totalled 16,646 thousand at 31 December 2021.

17 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>
Jørgensen Holding ApS	Esbjerg, Denmark	Participating interest

Information about consolidated financial statements

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

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Notes to the financial statements

17 Related parties (continued)

Related party transactions

DKK'000	2021	2020
Group		
Interest expenses, group enterprises	508	0
Staff costs	2,405	2,452
Payables to group enterprises	28,309	229
Parent Company		
Interest income, group enterprises	634	540
Interest expenses, group enterprises	508	78
Receivables from group enterprises	23,379	29,909
Payables to group enterprises	28,309	0

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

18 Fee to the auditors appointed by the Company 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.

	Parent company	
DKK'000	2021	2020
19 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	80,000	35,000
Extraordinary dividend distributed in the year	35,000	0
Net revaluation reserve according to the equity method	30,051	18,389
Retained earnings/accumulated loss	-60,391	-4,919
	<u>84,660</u>	<u>48,470</u>
	Group	
DKK'000	2021	2020
20 Adjustments		
Amortisation/depreciation and impairment losses	6,787	4,460
Tax for the year	23,617	13,502
	<u>30,404</u>	<u>17,962</u>
21 Changes in working capital		
Change in inventories	-10,517	-2,059
Change in receivables	-11,371	381
Change in trade and other payables	31,697	499
	<u>9,809</u>	<u>-1,179</u>
22 Cash and cash equivalents at year-end		
Cash according to the balance sheet	43,405	33,076
	<u>43,405</u>	<u>33,076</u>