



Skechers Retail Danmark ApS

Kvaglundvej 89, 6705 Esbjerg Ø

CVR no. 37 30 66 49

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 Skechers Retail Danmark ApS for the financial year 1 January - 31 December 2023.

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

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

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

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

Esbjerg, 1 March 2024

Executive Board:

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Peter Jørgensen

Board of Directors:

.....
David Weinberg
Chair

.....
John Matthew Vandemore

Independent auditor's report

To the shareholder of Skechers Retail Danmark ApS

Opinion

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

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

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

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

Morten Østergaard Koch
State Authorised Public Accountant
mne35420

Mads Klausen
State Authorised Public Accountant
mne46588

Management's review

Company details

Name	Skechers Retail Danmark ApS
Address, Postal code, City	c/o Sports Connection ApS Kvaglundvej 89, 6705 Esbjerg Ø
CVR no.	37 30 66 49
Financial year	1 January - 31 December
Board of Directors	David Weinberg, Chair John Matthew Vandemore
Executive Board	Peter Jørgensen
Auditors	EY Godkendt Revisionspartnerselskab Bavnehøjvej 5, 6700 Esbjerg, Denmark

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
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Key figures

Gross profit	37,956	21,705	18,401	15,201	13,904
Operating profit/loss	6,556	3,176	-2,177	-551	1,142
Profit before interest and tax (EBIT)	6,557	3,176	2,414	1,876	1,141
Net financials	-1,137	-312	-286	-266	-217
Profit before tax	5,419	2,864	2,128	1,609	925
Profit for the year	4,226	2,234	1,661	1,255	721

Fixed assets	10,095	7,005	4,286	5,475	3,221
Non-fixed assets	54,753	37,419	26,223	24,362	21,211
Total assets	64,848	44,424	30,509	29,837	24,432
Investments in property, plant and equipment	5,319	3,780	507	2,597	509
Equity	21,620	17,394	9,607	7,946	6,691

Financial ratios

Current ratio	126.7%	138.4%	227.9%	192.4%	249.6%
Equity ratio	33.3%	39.2%	31.5%	26.6%	27.4%
Return on equity	21.7%	16.5%	18.9%	17.1%	11.4%

Average number of full-time employees	80	50	43	40	41
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The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating profit/loss	$\frac{\text{Profit/loss before net financials +/- Other operating income and other operating expenses}}{\text{Average equity}} \times 100$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Management's review

Business review

The company's activities include retail and other related activities.

Financial review

The income statement for 2023 shows a profit of DKK 4,226 thousand against a profit of DKK 2,234 thousand last year, and the balance sheet at 31 December 2023 shows equity of DKK 21,620 thousand.

Management consider the Company's financial performance in the year satisfactory.

Knowledge resources

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

Statutory CSR report

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

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

Events after the balance sheet date

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

Outlook

For the financial year 2024, the Company expects growth in activities and a result before tax between DKK 5-8 million.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2023	2022
	Gross profit	37,956	21,705
3	Staff costs	-29,087	-17,003
	Amortisation and depreciation	-2,313	-1,526
	Profit before net financials	6,556	3,176
	Financial income	22	8
4	Financial expenses	-1,159	-320
	Profit before tax	5,419	2,864
5	Tax for the year	-1,193	-630
	Profit for the year	4,226	2,234

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Leasehold improvements	7,929	4,923
		<u>7,929</u>	<u>4,923</u>
8	Investments		
	Deposits	2,166	2,082
		<u>2,166</u>	<u>2,082</u>
	Total fixed assets	<u>10,095</u>	<u>7,005</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	42,162	28,237
		<u>42,162</u>	<u>28,237</u>
	Receivables		
	Trade receivables	472	9
	Receivables from group enterprises	0	14
10	Deferred tax assets	48	48
	Other receivables	434	538
9	Prepayments	2,578	634
		<u>3,532</u>	<u>1,243</u>
	Cash	9,059	7,939
	Total non-fixed assets	<u>54,753</u>	<u>37,419</u>
	TOTAL ASSETS	<u>64,848</u>	<u>44,424</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	50	50
	Retained earnings	21,570	17,344
	Total equity	<u>21,620</u>	<u>17,394</u>
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	3,537	1,070
	Payables to group enterprises	32,968	21,318
	Joint taxation contribution payable	1,193	471
	Other payables	4,788	3,711
11	Deferred income	742	460
		<u>43,228</u>	<u>27,030</u>
	Total liabilities other than provisions	<u>43,228</u>	<u>27,030</u>
	TOTAL EQUITY AND LIABILITIES	<u>64,848</u>	<u>44,424</u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 6 Appropriation of profit
- 12 Contractual obligations and contingencies, etc.
- 13 Security and collateral
- 14 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2023	50	17,344	17,394
6	Transfer, see "Appropriation of profit"	0	4,226	4,226
	Equity at 31 December 2023	50	21,570	21,620

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Skechers Retail Danmark ApS for 2023 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities. The annual report up until 2022 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Omission of a cash flow statement

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

Reporting currency

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

Foreign currency translation

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

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

Income statement

Revenue

The Company has chosen IAS 11/18 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.

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.

Gross profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

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

Amortisation/depreciation

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

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

Leasehold improvements	3-5 years
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Financial income and expenses

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

Tax

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

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

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

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.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

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

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

Deposits

Deposits are measured at cost and represents rent deposits.

Impairment of fixed assets

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

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

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

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

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

Receivables

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

Receivables are measured at amortised cost.

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

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Prepayments

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

Equity

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 using the balance sheet 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 the 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 tax rates are recognised in the income statement.

Liabilities

The Company 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.

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.

2 Events after the balance sheet date

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

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2023	2022
3 Staff costs		
Wages/salaries	26,990	15,737
Pensions	1,824	1,096
Other social security costs	273	170
	29,087	17,003
 Average number of full-time employees	 80	 50
 Remuneration for the Executive Board and Board of Directors totalled DKK 2,321 thousand (2022:DKK 1,816 thousand) for the Group.		
Remuneration to the Company's Executive Board and Board of Directors is paid by another Group Company.		
4 Financial expenses		
Interest expenses, group companies	932	185
Other financial expenses	227	135
	1,159	320
5 Tax for the year		
Estimated tax charge for the year	1,193	471
Deferred tax adjustments in the year	0	159
	1,193	630
6 Appropriation of profit		
Recommended appropriation of profit		
Retained earnings	4,226	2,234
	4,226	2,234
7 Property, plant and equipment		
DKK'000		Leasehold improvements
Cost at 1 January 2023		10,350
Additions		5,319
Cost at 31 December 2023		15,669
Impairment losses and depreciation at 1 January 2023		5,427
Depreciation		2,313
Impairment losses and depreciation at 31 December 2023		7,740
Carrying amount at 31 December 2023		7,929

Financial statements 1 January - 31 December

Notes to the financial statements

8 Investments

DKK'000	Deposits
Cost at 1 January 2023	2,082
Additions	84
Cost at 31 December 2023	2,166
Carrying amount at 31 December 2023	2,166

9 Prepayments

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

DKK'000	2023	2022
10 Deferred tax		
Deferred tax at 1 January	-48	-206
Deferred tax adjustment for the year	0	158
Deferred tax at 31 December	-48	-48

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

11 Deferred income

Deferred income, DKK 742 thousand (2022: DKK 460 thousand), consists of payments received from customers that may not be recognised until the subsequent financial year.

12 Contractual obligations and contingencies, etc.

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

Other financial obligations

The Company has entered rent agreements for 26 retail stores with remaining contract terms of 1-5 years. The total rent obligation amounts to DKK 78,865 thousand at 31 December 2023, of which DKK 22,085 thousands fall due within 1 year.

In connection with rent agreements, the Company is obliged to re-establish retail stores upon relocation.

The Company has entered operational leasing contracts related to cars with remaining contract terms up to 14 months. The total lease liabilities amounts to DKK 112 thousand, of which DKK 95 thousands fall due within 1 year.

The Company has provided bank guarantees of DKK 9,947 thousand as collateral for rent obligations.

13 Security and collateral

The Company has not provided any security or other collateral in assets at 31 December 2023.

Financial statements 1 January - 31 December

Notes to the financial statements

14 Related parties

Skechers Retail Danmark ApS' related parties comprise the following:

Parties exercising control

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

Information about consolidated financial statements

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

Related party transactions

Skechers Retail Danmark ApS was engaged in the below related party transactions:

<u>DKK'000</u>	<u>2023</u>	<u>2022</u>
Purchase of goods	72,327	39,688
Purchase of retail equipment	2,028	913
Marketing and other services (cost-sharing)	1,501	348
Management fees (expense)	1,528	1,542
Interest expenses, group companies	932	185
Receivables from group companies	0	14
Payables to group companies	32,968	21,318