

XXL SPORTS & OUTDOOR APS
C/O POWER A/S, HOVEDVEJEN 197, 2600 GLOSTRUP
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 14 July 2023**

Tolle Olaf Rørvik Grøterud

CONTENTS

| | Page |
|---|-------------|
| Company Details | |
| Company Details..... | 3 |
| Statement and Report | |
| Management's Statement..... | 4 |
| Independent Auditor's Report..... | 5-6 |
| Management Commentary | |
| Management Commentary..... | 7 |
| Financial Statements 1 January - 31 December | |
| Income Statement..... | 8 |
| Balance Sheet..... | 9 |
| Equity..... | 10 |
| Notes..... | 11-12 |
| Accounting Policies..... | 13-14 |

COMPANY DETAILS

| | |
|---------------------------|--|
| Company | XXL Sports & Outdoor ApS c/o Power A/S, Hovedvejen 197 2600 Glostrup |
| | CVR No.: 37 42 61 56 |
| | Established: 26 January 2016 |
| | Municipality: Glostrup |
| | Financial Year: 1 January - 31 December |
| Board of Directors | Pasi Johannes Lämpsä Stein Alexander Eriksen Tolle Olaf Rørvik Grøterud |
| Executive Board | Tolle Olaf Rørvik Grøterud |
| Auditor | PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup |

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of XXL Sports & Outdoor ApS for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

We recommend the Annual Report be approved at the Annual General Meeting.

Glostrup, 14 July 2023

Executive Board

Tolle Olaf Rørvik Grøterud

Board of Directors

Pasi Johannes Lämpsä

Stein Alexander Eriksen

Tolle Olaf Rørvik Grøterud

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of XXL Sports & Outdoor ApS

Opinion

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of XXL Sports & Outdoor ApS for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared 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 are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that 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 Management's Review.

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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism 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.*
- 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 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.

Hellerup, 14 July 2023

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Flemming Eghoff
State Authorised Public Accountant
MNE no. mne30221

MANAGEMENT COMMENTARY

Principal activities

The Company's main activity is advertising and sale of sports equipment and all related activities.

Development in activities and financial and economic position

The income statement of the Company for 2022 shows a profit of DKK 639k, and at 31 December 2022 the balance sheet of the Company shows equity of DKK 3,423k.

Significant events after the end of the financial year

No events have occurred after the end of the financial year of material importance for the Company's financial position.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

| | Note | 2022 DKK | 2021 DKK |
|--|------|----------------|----------------|
| GROSS PROFIT | | 972.489 | 844.974 |
| Staff costs..... | 1 | -832.610 | -844.974 |
| OPERATING PROFIT | | 139.879 | 0 |
| Other financial income..... | 2 | 692.215 | 66.379 |
| Other financial expenses..... | | -12.783 | -21.622 |
| PROFIT BEFORE TAX | | 819.311 | 44.757 |
| Tax on profit/loss for the year..... | 3 | -180.460 | -10.040 |
| PROFIT FOR THE YEAR | | 638.851 | 34.717 |
| PROPOSED DISTRIBUTION OF PROFIT | | | |
| Retained earnings..... | | 638.851 | 34.717 |
| TOTAL | | 638.851 | 34.717 |

BALANCE SHEET AT 31 DECEMBER

| ASSETS | Note | 2022 DKK | 2021 DKK |
|---|------|------------------|------------------|
| Trade receivables | | 7.091 | 27.175 |
| Receivables from group enterprises..... | | 4.598.264 | 4.403.786 |
| Deferred tax assets..... | | 3.900 | 60.764 |
| Corporation tax receivable..... | | 179.432 | 98.000 |
| Receivables..... | | 4.788.687 | 4.589.725 |
| CURRENT ASSETS..... | | 4.788.687 | 4.589.725 |
| ASSETS..... | | 4.788.687 | 4.589.725 |
| EQUITY AND LIABILITIES | | | |
| Share capital..... | | 100.000 | 100.000 |
| Retained earnings..... | | 3.322.658 | 2.683.806 |
| EQUITY..... | | 3.422.658 | 2.783.806 |
| Trade payables..... | | 378.467 | 448.224 |
| Corporation tax payable..... | | 217.224 | 0 |
| Other liabilities..... | | 770.338 | 1.357.695 |
| Current liabilities..... | | 1.366.029 | 1.805.919 |
| LIABILITIES..... | | 1.366.029 | 1.805.919 |
| EQUITY AND LIABILITIES..... | | 4.788.687 | 4.589.725 |
| Contingencies etc. | 4 | | |
| Related parties | 5 | | |
| Uncertainty with respect to going concern | 6 | | |

EQUITY

| | Share capital | Retained earnings | Total |
|--|----------------|-------------------|------------------|
| Equity at 1 January 2022..... | 100.000 | 2.683.807 | 2.783.807 |
| Proposed profit allocation..... | | 638.851 | 638.851 |
| Equity at 31 December 2022..... | 100.000 | 3.322.658 | 3.422.658 |

NOTES

| | 2022 DKK | 2021 DKK | Note |
|--|----------------|----------------|----------|
| Staff costs | | | 1 |
| Average number of employees | 1 | 1 | |
| Wages and salaries..... | 759.359 | 768.912 | |
| Pensions..... | 65.374 | 64.672 | |
| Social security costs..... | 2.272 | 2.272 | |
| Other staff costs..... | 5.605 | 9.118 | |
| | 832.610 | 844.974 | |
| Other financial income | | | 2 |
| Group enterprises..... | 62.554 | 0 | |
| Other interest income..... | 629.661 | 66.379 | |
| | 692.215 | 66.379 | |
| Tax on profit/loss for the year | | | 3 |
| Calculated tax on taxable income of the year..... | 123.596 | 0 | |
| Adjustment of deferred tax..... | 56.864 | 10.040 | |
| | 180.460 | 10.040 | |
| Contingencies etc. | | | 4 |
| Contingent liabilities | | | |
| There are no security and contingent liabilities at 31 December 2022. | | | |
| Related parties | | | 5 |
| The Company's related parties include: | | | |
| Controlling interest | | | |
| XXL Europe Holding S.à.r.l., Luxembourg, is the principal shareholder. The Company is included in the Group Report of the Parent Company. | | | |
| The Group Annual Report for XXL Europe Holding S.à.r.l., may be obtained at the following address: | | | |
| 6, rue Guillaume Schneider L - 2522 Luxembourg Luxembourg | | | |
| Transactions with related parties | | | |
| The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions. | | | |

NOTES**Note****Uncertainty with respect to going concern****6**

The beginning of 2023 has been demanding for the track industry in the Nordics, with falling demand and full inventories throughout the industry. XXL has, through campaign activity and careful monitoring of purchases, brought the inventories to normal levels. However, a decline in demand has contributed to failing sales and there has been uncertainty regarding continued operations and whether XXL can meet its covenant demands against the banks.

The board works together with the administration on a number of measures to resolve the situation regarding continued operations and covenants. The board confirms that the going concern condition is present when the 2022 accounts are presented.

ACCOUNTING POLICIES

The Annual Report of XXL Sports & Outdoor ApS for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class B and certain provisions applying to reporting class C.

The Annual Report is prepared consistently with the accounting principles applied last year.

The Financial Statements for 2022 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income, cost of sales and other external expenses.

INCOME STATEMENT

Net revenue

Net revenue from the sale of goods is recognised in the Income Statement if supply and risk transfer to purchaser has taken place before the end of the year and if the income can be measured reliably and is expected to be received.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, lease expenses, etc

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees. Repayments from public authorities are deducted from staff costs.

ACCOUNTING POLICIES

Financial income and expenses

Financial income and expenses include interest income and expenses, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

BALANCE SHEET

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

Foreign currency translation

Transactions in foreign currencies are translated at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognised in the Income Statement as a financial income or expense.

Receivables, payables and other monetary items in foreign currencies that are not settled on the Balance Sheet date are translated at the exchange rate on the Balance Sheet date. The difference between the exchange rate on the Balance Sheet date and the exchange rate at the date when the receivables or payables come into existence recognised in the Income Statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.