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New Balance Denmark ApS

Indekildevej 6 D, 1., 9210 Aalborg SØ

Company reg. no. 38 00 93 03

Annual report

1 January - 31 December 2021

The annual report was submitted and approved by the general meeting on the 6 July 2022.

DocuSigned by:

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Paul Richard Gauron
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's statement

Today, the executive board has presented the annual report of New Balance Denmark ApS for the financial year 1 January - 31 December 2021.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2021 and of the company's results of activities in the financial year 1 January – 31 December 2021.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved at the Annual General Meeting.

Aalborg, 6 July 2022

Executive board

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Paul Richard Gauron
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Paul Richard Gauron

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Kevin Doyle
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Kevin M Doyle

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Joseph Eugene Preston
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Joseph Eugene Preston

Independent auditor's report

To the Shareholder of New Balance Denmark ApS

Opinion

We have audited the financial statements of New Balance Denmark ApS for the financial year 1 January - 31 December 2021, which comprise a summary of significant accounting policies, income statement, balance sheet, statement of changes in equity and notes, for the Company. The financial statements are prepared under 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 2021, and of the results of the Company's operations 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 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 (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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 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.

Independent auditor's report

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.

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.

Independent auditor's report

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 Statement Act. We did not identify any material misstatement of Management's Review.

Copenhagen, 6 July 2022

Grant Thornton

State Authorised Public Accountants
Company reg. no. 34 20 99 36

DocuSigned by:

Brian Rasmussen

Brian Rasmussen

State Authorised Public Accountant
mne30153

Company information

The company

New Balance Denmark ApS

Indekildevej 6 D, 1.

9210 Aalborg SØ

Company reg. no. 38 00 93 03

Established: 15 September 2016

Domicile: Aalborg

Financial year: 1 January 2021 - 31 December 2021

5th financial year

Executive board

Paul Richard Gauron

Kevin M Doyle

Joseph Eugene Preston

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab

Stockholmsgade 45

2100 København Ø

Parent company

New Balance Intermediate, Inc.

Management's review

The principal activities of the company

Like previous years, the principal activities are to import, export, distribute, and sell sportswear and other nearby related products.

Development in activities and financial matters

The gross profit for the year totals DKK 34.374.683 against DKK 15.962.568 last year. Income or loss from ordinary activities after tax totals DKK 15.009.750 against DKK 3.971.826 last year. Management considers the net profit or loss for the year satisfactory.

Branches abroad

The Company has activities in Finland through the branch New Balance Denmark ApS, Suomen sivuliike.

Accounting policies

The annual report for New Balance Denmark ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

In connection with the accounts for 2021, some presentation corrections have been made to the comparative figures, which has not had an effect on the profit for the year or equity.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Fixed assets and other nonmonetary assets acquired in foreign currency and not considered to be investment assets are measured using the exchange rate at the transaction date.

Translation adjustment of balances with foreign group enterprises considered part of the total investment in group enterprises are recognised directly in equity. Likewise, foreign exchange gains and losses on loans and derivatives for the currency hedging of independent foreign group enterprises are recognised directly in equity.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other operating income comprises items of a secondary nature as regards the principal activities of the enterprise, including profit from the disposal of intangible and tangible assets.

Accounting policies

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

If the amortisation period or the residual value is changed, the effect on amortisation will, in future, be recognised as a change in the accounting estimates.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-7 years

Accounting policies

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

All other leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Deposits

Deposits are measured at amortised cost and represent lease deposits, etc.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank.

Accounting policies

Equity

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Accruals and deferred income

Payments received concerning future income are recognised under accruals and deferred income.

Income statement 1 January - 31 December

All amounts in DKK.

Note	2021	2020
Gross profit	34.374.683	15.962.568
2 Staff costs	-13.246.119	-12.280.537
Depreciation and impairment of property, land, and equipment	-403.737	-452.848
Operating profit	20.724.827	3.229.183
Other financial income	0	2.448.127
3 Other financial costs	-1.488.360	-540.215
Pre-tax net profit or loss	19.236.467	5.137.095
4 Tax on net profit or loss for the year	-4.226.717	-1.165.269
Net profit or loss for the year	15.009.750	3.971.826
Proposed appropriation of net profit:		
Dividend for the financial year	13.800.000	0
Transferred to retained earnings	1.209.750	3.971.826
Total allocations and transfers	15.009.750	3.971.826

Balance sheet at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2021</u>	<u>2020</u>
Non-current assets			
5	Other fixtures and fittings, tools and equipment	750.009	1.153.746
	Total property, plant, and equipment	750.009	1.153.746
6	Deposits	350.454	370.754
	Total investments	350.454	370.754
	Total non-current assets	1.100.463	1.524.500
Current assets			
	Trade receivables	13.544.703	7.207.332
	Receivables from group enterprises	0	3.034.223
	Prepayments and accrued income	13.183	221.921
	Total receivables	13.557.886	10.463.476
	Cash on hand and demand deposits	26.312.827	7.646.887
	Total current assets	39.870.713	18.110.363
	Total assets	40.971.176	19.634.863

Balance sheet at 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2021</u>	<u>2020</u>
Equity		
Contributed capital	50.000	50.000
Retained earnings	2.378.309	1.168.559
Proposed dividend for the financial year	13.800.000	0
Total equity	16.228.309	1.218.559
Provisions		
Provisions for deferred tax	11.328	24.780
Total provisions	11.328	24.780
Liabilities other than provisions		
Prepayments received from customers	14.598	12.421
Trade payables	12.452.983	6.142.876
Payables to group enterprises	7.333.202	8.200.309
Income tax payable	464.791	593.978
Other payables	4.102.940	3.441.940
Deferred income	363.025	0
Total short term liabilities other than provisions	24.731.539	18.391.524
Total liabilities other than provisions	24.731.539	18.391.524
Total equity and liabilities	40.971.176	19.634.863

1 Special items**7 Contingencies**

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Proposed dividend for the financial year	Total
Equity 1 January 2020	50.000	-2.803.267	0	-2.753.267
Profit or loss for the year brought forward	0	3.971.826	0	3.971.826
Equity 1 January 2021	50.000	1.168.559	0	1.218.559
Profit or loss for the year brought forward	0	1.209.750	13.800.000	15.009.750
	50.000	2.378.309	13.800.000	16.228.309

Notes

All amounts in DKK.

1. Special items

Special items include significant income and expenses of a special nature relative to the enterprise's ordinary operating activities, such as the cost of extensive structuring of processes, compensation in relation to COVID-19 and fundamental structural adjustments and any related gains on disposal and losses which, over time, have a significant impact. Special items also include other significant amounts of a nonrecurring nature.

As mentioned in the management commentary, the net profit or loss for the year is affected by a number of factors that differ from what is considered by management to be part of operating activities.

Special items for the year are specified below, indicating where they are recognised in the income statement.

	2021	2020
Income:		
Compensation COVID-19	0	107.325
	0	107.325
Special items are recognised in the following items in the financial statements:		
Other operating income	0	107.325
Profit of special items, net	0	107.325

2. Staff costs

Salaries and wages	12.053.042	11.068.467
Pension costs	1.140.821	1.098.943
Other costs for social security	52.256	113.127
	13.246.119	12.280.537
Average number of employees	18	18

Notes

All amounts in DKK.

	2021	2020
3. Other financial costs		
Financial costs, group enterprises	123.758	513.877
Other financial costs	1.364.602	26.338
	1.488.360	540.215
4. Tax on net profit or loss for the year		
Tax of the results for the year, parent company	3.504.160	741.642
Adjustment for the year of deferred tax	-13.452	127.298
Adjustment of tax for previous years	18.863	43.993
Tax for the year, Finnish branch	717.146	252.336
	4.226.717	1.165.269
5. Other fixtures and fittings, tools and equipment		
Cost 1 January 2021	2.237.905	2.071.085
Additions during the year	0	166.820
Cost 31 December 2021	2.237.905	2.237.905
Depreciation and writedown 1 January 2021	-1.084.159	-631.310
Depreciation for the year	-403.737	-452.849
Depreciation and writedown 31 December 2021	-1.487.896	-1.084.159
Carrying amount, 31 December 2021	750.009	1.153.746
6. Deposits		
Cost 1 January 2021	370.754	350.454
Additions during the year	0	20.300
Disposals during the year	-20.300	0
Cost 31 December 2021	350.454	370.754
Carrying amount, 31 December 2021	350.454	370.754

Notes

All amounts in DKK.

7. Contingencies

Contingent liabilities

	31/12 2021 DKK in thousands
Total contingent liabilities	<u>1.239</u>