

New Balance Denmark ApS

Indekildevej 6 D, 1., 9210 Aalborg SØ

Company reg. no. 38 00 93 03

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 10 July 2020.

Paul Richard Gauron
Chairman of the meeting

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Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS British 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 report

Today, the executive board has presented the annual report of New Balance Denmark ApS for the financial year 1 January - 31 December 2019 of New Balance Denmark ApS.

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 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

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 by the general meeting.

Aalborg, 10 July 2020

Executive board

Paul Richard Gauron

Francis Paul Allen

Kevin M Doyle

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 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the 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 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 including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, 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 international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment 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 the 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 preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from 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 disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on and the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

Independent auditor's report

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

Copenhagen, 10 July 2020

Grant Thornton

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

Brian Rasmussen

State Authorised Public Accountant
mne30153

Kasper Sone Randrup

State Authorised Public Accountant
mne36175

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 2019 - 31 December 2019

3rd financial year

Executive board

Paul Richard Gauron

Francis Paul Allen

Kevin M Doyle

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab

Stockholmsgade 45

2100 København Ø

Parent company

New Balance Intermediate, Inc.

Management commentary

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 14.508.000 against DKK 11.483.000 last year. Income or loss from ordinary activities after tax totals DKK 363.000 against DKK -897.000 last year. Management considers the net profit or loss for the year satisfactory.

The Company's equity is negative in the amount of DKK 2.808.821 at 31 December 2019. At the Company's annual general meeting the Company's financial position will be addressed in accordance with the Danish Companies Act, section 119. The parent company, have issued a letter of support to the Company.

Events occurring after the end of the financial year

The company's management expected an improved result compared to the one of the financial year 2019. However, based on the present situation with Covid-19, the company's management cannot at present state anything about the financial consequences and expected results for the financial year 2020.

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.

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 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.

Accounting policies

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

Property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

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

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.

Accounting policies

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

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.

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.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Accounting policies

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

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

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2019</u>	<u>2018</u>
Gross profit	14.508.023	11.482.514
2 Staff costs	-13.240.411	-10.920.540
Depreciation and impairment of property, land, and equipment	-376.283	-254.269
Operating profit	891.329	307.705
3 Other financial costs	-692.153	-1.159.179
Pre-tax net profit or loss	199.176	-851.474
4 Tax on net profit or loss for the year	163.868	-46.024
Net profit or loss for the year	363.044	-897.498
Proposed appropriation of net profit:		
Transferred to retained earnings	363.044	0
Allocated from retained earnings	0	-897.498
Total allocations and transfers	363.044	-897.498

Statement of financial position at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Non-current assets			
5	Other fixtures and fittings, tools and equipment	1.439.775	1.482.562
	Total property, plant, and equipment	1.439.775	1.482.562
6	Deposits	350.454	189.338
	Total investments	350.454	189.338
	Total non-current assets	1.790.229	1.671.900
Current assets			
	Trade receivables	18.074.961	10.848.830
	Receivables from group enterprises	7.292.946	6.219.749
	Deferred tax assets	102.518	0
	Prepayments and accrued income	365.507	456.766
	Total receivables	25.835.932	17.525.345
	Cash on hand and demand deposits	2.564.932	3.914.450
	Total current assets	28.400.864	21.439.795
	Total assets	30.191.093	23.111.695

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2019</u>	<u>2018</u>
Equity			
7	Contributed capital	50.000	50.000
8	Retained earnings	-2.803.267	-3.166.311
	Total equity	-2.753.267	-3.116.311
Provisions			
	Provisions for deferred tax	0	61.350
	Total provisions	0	61.350
Liabilities other than provisions			
	Subordinate loan capital	17.561.848	6.940.270
	Total long term liabilities other than provisions	17.561.848	6.940.270
	Prepayments received from customers	12.421	307.699
	Trade payables	4.802.869	3.377.236
	Payables to group enterprises	4.925.205	12.078.715
	Other payables	5.642.017	3.462.736
	Total short term liabilities other than provisions	15.382.512	19.226.386
	Total liabilities other than provisions	32.944.360	26.166.656
	Total equity and liabilities	30.191.093	23.111.695

1 Uncertainties concerning the enterprise's ability to continue as a going concern**9** Contingencies

Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The Company's equity is negative in the amount of DKK 2.753.267 as of 31 December 2019. At the Company's annual general meeting the Company's financial position will be addressed in accordance with the Danish Companies Act, section 119. The parent company, have issued a letter of support to the Company and its loan capital of DKK 17.561.848 is subordinated and stand behind other creditors.

	2019	2018
	<hr/>	<hr/>
2. Staff costs		
Salaries and wages	11.516.756	9.688.116
Pension costs	1.603.872	1.232.424
Other costs for social security	119.783	0
	<hr/>	<hr/>
	13.240.411	10.920.540

Average number of employees	<hr/>	<hr/>
	15	14

3. Other financial costs

Financial costs, group enterprises	234.767	132.014
Other financial costs	457.386	1.027.165
	<hr/>	<hr/>
	692.153	1.159.179

4. Tax on net profit or loss for the year

Adjustment for the year of deferred tax	<hr/>	<hr/>
	-163.868	46.024
	<hr/>	<hr/>
	-163.868	46.024

Notes

All amounts in DKK.

	31/12 2019	31/12 2018
5. Other fixtures and fittings, tools and equipment		
Cost 1 January 2019	1.736.831	63.699
Additions during the year	334.254	1.673.132
Cost 31 December 2019	2.071.085	1.736.831
Depreciation and writedown 1 January 2019	-254.269	0
Depreciation for the year	-377.041	-254.269
Depreciation and writedown 31 December 2019	-631.310	-254.269
Carrying amount, 31 December 2019	1.439.775	1.482.562
6. Deposits		
Cost 1 January 2019	189.338	0
Additions during the year	161.116	189.338
Cost 31 December 2019	350.454	189.338
Carrying amount, 31 December 2019	350.454	189.338
7. Contributed capital		
Contributed capital 1 January 2019	50.000	50.000
	50.000	50.000
8. Retained earnings		
Retained earnings 1 January 2019	-3.166.311	-2.268.813
Profit or loss for the year brought forward	363.044	-897.498
	-2.803.267	-3.166.311

Notes

All amounts in DKK.

9. Contingencies

Contingent liabilities

	DKK in thousands
Lease liabilities	3.101
Total contingent liabilities	3.101