

# ARGON 18 Europe ApS

Vassingerødvej 147, 3540 Lyngø

CVR no. 38 67 74 70

## Annual report 2023

Approved at the Company's annual general meeting on 14 May 2024

Chair of the meeting:

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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 ARGON 18 Europe 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.

Lynge, 14 May 2024  
Executive Board:

.....  
Jan Sørensen  
CEO

Board of Directors:

.....  
Henrik Lyngbye Pedersen  
Chairman

.....  
Jan Sørensen

.....  
Martin LeSauteur

## Independent auditor's report

To the shareholders of ARGON 18 Europe ApS

### Conclusion

We have conducted an extended review of the financial statements of ARGON 18 Europe 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.

Based on the work we have performed, 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 conclusion

We conducted our extended review in accordance with the Danish Business Authority's standard on extended review for Small entities and FSR - Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### *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 that 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures to obtain limited assurance for our conclusion on the financial statements and perform specifically required supplementary procedures to obtain additional assurance for our conclusion.

An extended review comprises procedures that primarily consist of making enquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

### Statement on the Management's review

Management is responsible for the Management's review.

Our conclusion 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 extended review 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 extended review, or otherwise appears to be materially misstated.

## Independent auditor's report

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.

Copenhagen, 14 May 2024  
EY Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

Morten Weinreich Larsen  
State Authorised Public Accountant  
mne42791

## Management's review

### Company details

Name	ARGON 18 Europe ApS
Address, Postal code, City	Vassingerødvej 147, 3540 Lyngø
CVR no.	38 67 74 70
Established	31 May 2017
Registered office	Allerød
Financial year	1 January - 31 December
Board of Directors	Henrik Lyngbye Pedersen, Chairman Jan Sørensen Martin LeSauteur
Executive Board	Jan Sørensen, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

## Management's review

### Business review

The principal activity of the Company is wholesale of cycles and sportswear as well as sports equipment and related activities.

### Financial review

The income statement for 2023 shows a loss of DKK 15,894 thousand against a loss of DKK 18,241 thousand last year, and the balance sheet at 31 December 2023 shows a negative equity of DKK 35,087 thousand.

The Company has lost more than half of the share capital and is subject to the provisions on re-establishment of the share capital under the Danish Companies Act. The Company has completed its discussions with its owners and has obtained a commitment for the necessary financing of operations up to and including 31 December 2024. On this basis the financial statements have been prepared under the going concern assumption. Reference is made to note 2.

Management considers the Company's financial performance in the year unsatisfactory.

### 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

### Income statement

Note	DKK'000	2023	2022
	Revenue	28,284	13,228
	Cost of sales	-23,438	-12,728
	Other operating income	2,734	1,182
	Other external expenses	-16,415	-16,184
	Gross profit	-8,835	-14,502
3	Staff costs	-5,096	-3,759
	Depreciation of property, plant and equipment	-20	-21
	Profit/loss before net financials	-13,951	-18,282
	Income from investments in group enterprises	37	198
	Financial income	5	2
4	Financial expenses	-2,591	-822
	Profit/loss before tax	-16,500	-18,904
5	Tax for the year	606	663
	Profit/loss for the year	-15,894	-18,241
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-15,894	-18,241
		-15,894	-18,241

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
6	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	28	49
		28	49
7	Investments		
	Investments in group enterprises	507	470
	Deposits	222	177
		729	647
	Total fixed assets	757	696
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	32,496	32,481
	Finished goods and goods for resale	3,999	3,025
	Prepayments for goods	228	1,104
		36,723	36,610
	Receivables		
	Trade receivables	5,140	2,271
	Receivables from group enterprises	64	2,005
	Other receivables	0	379
	Prepayments	102	38
		5,306	4,693
	Cash	890	150
	Total non-fixed assets	42,919	41,453
	TOTAL ASSETS	43,676	42,149

## Financial statements 1 January - 31 December

### Balance sheet

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	1,100	1,100
	Retained earnings	-36,187	-20,293
	Total equity	-35,087	-19,193
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	417	399
		417	399
	Current liabilities other than provisions		
	Bank debt	40,651	31,117
	Trade payables	5,167	14,611
	Payables to group enterprises	21,384	4,629
	Payables to shareholders	10,682	10,371
	Other payables	462	215
		78,346	60,943
	Total liabilities other than provisions	78,763	61,342
	TOTAL EQUITY AND LIABILITIES	43,676	42,149

- 1 Accounting policies
- 2 Capital resources
- 8 Contractual obligations and contingencies, etc.
- 9 Security and collateral
- 10 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2023	1,100	-20,293	-19,193
Transfer through appropriation of loss	0	-15,894	-15,894
Equity at 31 December 2023	1,100	-36,187	-35,087

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies

The annual report of ARGON 18 Europe ApS for 2023 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.

Pursuant to section 110(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The comparison figures regarding timing of payment of payables to group entities and payables to shareholders has been updated from non-current to current payables to reflect the terms of loans. The update has not impacted the profit/loss or other items in the balance sheet.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

#### Reporting currency

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

#### 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/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

##### 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.

##### Depreciation

The item comprises 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:

Fixtures and fittings, other plant and equipment	5 years
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##### Profit/loss from investments in group entities

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

##### Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

##### Tax

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

The 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.

## 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".

##### Investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

##### Deposits

Deposits are measured at cost.

##### Investments in group entities

Equity investments in group entities are measured according to the equity method.

On initial recognition, equity investments in group entities are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in group entities measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

##### 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.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### 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.

Raw materials and consumables contain components for the production of bicycles, while finished goods and goods for resale contain fully manufactured bicycles.

##### 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.

##### Prepayments

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

##### Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

##### 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".

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax 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. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate 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.

##### Prepayments received from customers

Prepayments received from customers comprises payments received concerning income in subsequent financial reporting years.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 2 Capital resources

The Company has completed its discussions with its owners and has obtained a commitment for the necessary financing of operations up to and including 31 December 2024. On this basis the financial statements have been prepared under the going concern assumption.

As a part of the discussions, it has been agreed upon that the outstanding payables to group entities and shareholders of DKK 17,707 thousand and DKK 10,682 thousand will not be repaid during 2024.

DKK'000	2023	2022
3 Staff costs		
Wages/salaries	4,477	3,422
Pensions	333	134
Other social security costs	103	65
Other staff costs	183	138
	<u>5,096</u>	<u>3,759</u>
Average number of full-time employees	<u>14</u>	<u>9</u>
4 Financial expenses		
Interest expenses, group entities	273	102
Other financial expenses	2,318	720
	<u>2,591</u>	<u>822</u>
5 Tax for the year		
Tax adjustments, prior years	0	-663
Refund in joint taxation	-606	0
	<u>-606</u>	<u>-663</u>
6 Property, plant and equipment		
DKK'000		Fixtures and fittings, other plant and equipment
Cost at 1 January 2023		<u>168</u>
Cost at 31 December 2023		<u>168</u>
Impairment losses and depreciation at 1 January 2023		119
Depreciation		21
Impairment losses and depreciation at 31 December 2023		<u>140</u>
Carrying amount at 31 December 2023		<u>28</u>

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 7 Investments

DKK'000	Investments in group enterprises	Deposits	Total
Cost at 1 January 2023	233	177	410
Additions	0	45	45
Cost at 31 December 2023	<u>233</u>	<u>222</u>	<u>455</u>
Value adjustments at 1 January 2023	237	0	237
Value adjustments for the year	37	0	37
Value adjustments at 31 December 2023	<u>274</u>	<u>0</u>	<u>274</u>
Carrying amount at 31 December 2023	<u><u>507</u></u>	<u><u>222</u></u>	<u><u>729</u></u>
Group entities			
Name	Legal form	Domicile	Interest
Argon18	GmbH	Handewitt, DE	100.00%

#### 8 Contractual obligations and contingencies, etc.

##### Other contingent liabilities

The Company is jointly taxed with its parent, Bregnerød Investeringsselskab ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends.

##### Other financial obligations

Rent and lease liabilities vis-à-vis the parent company and its other group entities:

DKK'000	2023	2022
Rent and lease liabilities	<u>861</u>	<u>694</u>
Other rent and lease liabilities:		
Rent and lease liabilities	<u>80</u>	<u>143</u>

#### 9 Security and collateral

The Company has issued a guarantee of DKK 30.5 million in favour of the Canadian parent company Cycles Argon 18 Inc.

The ultimate beneficial owner of the company has provided a pledge as security for the company's credit agreements.

## Financial statements 1 January - 31 December

### Notes to the financial statements

#### 10 Related parties

##### Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Bregnerød Investeringsselskab ApS	Vassingerødvej 147, 3540 Lyngø, Denmark	<a href="https://datacvr.virk.dk">https://datacvr.virk.dk</a>

##### Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
CYCLES ARGON-18 Inc.	Montréal, Canada