

Sport Danmark A/S

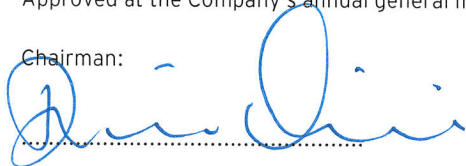
Baltorpbakken 5, DK-2750 Ballerup

CVR no. 12 55 94 96

Annual report 2018

Approved at the Company's annual general meeting on 31 May 2019

Chairman:

A handwritten signature in blue ink, appearing to be 'Anders', written over a dotted horizontal line.



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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 Sport Danmark A/S for the financial year 1 January - 31 December 2018.

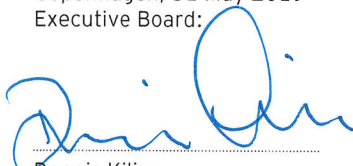
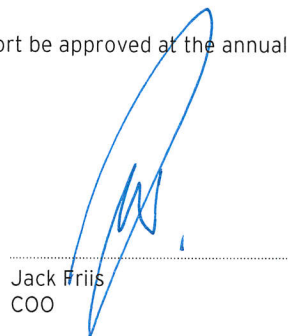
The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

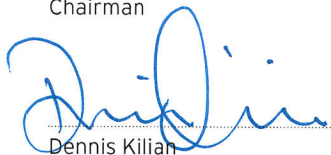
Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 31 May 2019
Executive Board:


Dennis Kilian
CEO
Jack Friis
COO

Board of Directors:


Michael Christiansen
Chairman
Michael Haaning
Jess Ørgaard Libak Tropp
Dennis Kilian



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

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Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

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

Copenhagen, 31 May 2019

Executive Board:

Dennis Killian
CEO

Jack Frils
COO

Board of Directors:

Michael Christiansen
Chairman

Michael Haaning

Jess Ørgaard Libak Tropp

Dennis Killian

Responsible for the annual report on the part of the Executive Board

The statements are the responsibility of the Executive Board. The Executive Board is responsible for the preparation and approval of the annual report. The Executive Board is also responsible for the preparation and approval of the financial statements. The Executive Board is also responsible for the preparation and approval of the Management's review. The Executive Board is also responsible for the preparation and approval of the annual general meeting. The Executive Board is also responsible for the preparation and approval of the annual report on the part of the Executive Board.

As Michael Christiansen, Chairman of the Board of Directors, I have read and approved the annual report and the financial statements and the Management's review. I have also approved the annual report on the part of the Executive Board and the annual report on the part of the Board of Directors.

The Board of Directors is responsible for the preparation and approval of the annual report. The Board of Directors is also responsible for the preparation and approval of the financial statements. The Board of Directors is also responsible for the preparation and approval of the Management's review. The Board of Directors is also responsible for the preparation and approval of the annual general meeting. The Board of Directors is also responsible for the preparation and approval of the annual report on the part of the Executive Board.

Independent auditor's report

To the shareholders of Sport Danmark A/S

Opinion

We have audited the financial statements of Sport Danmark A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report

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

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Copenhagen, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687



Karsten Faurholt
State Authorised Public Accountant
mne41309

Management's review

Company details

Name	Sport Danmark A/S
Address, Postal code, City	Baltorpbakken 5, DK-2750 Ballerup
CVR no.	12 55 94 96
Established	1 January 1989
Registered office	Ballerup
Financial year	1 January - 31 December
Board of Directors	Michael Christiansen, Chairman Michael Haaning Jess Ørgaard Libak Tropp Dennis Kilian
Executive Board	Dennis Kilian, CEO Jack Friis, COO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvold Helmutshs Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKK'000	2018	2017	2016	2015	2014
Key figures					
Revenue	630,832	625,980	611,730	596,037	710,091
Gross margin	39,599	60,806	62,295	58,519	48,269
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-15,029	10,265	8,103	10,622	1,496
Earnings before interest, taxes, depreciation, amortisation and special items (Adjusted EBITDA)	-13,059	13,019	8,248	12,041	3,706
Net financials	-1,669	-1,672	753	430	-434
Profit/loss for the year	-25,948	735	2,104	106	-3,427
Total assets					
Investment in property, plant and equipment	15,854	2,607	2,653	2,518	233
Equity	24,556	50,504	49,769	47,665	47,559
Financial ratios					
Operating margin	-4.5%	0.4%	-29.3%	88.3 %	-582.9 %
Gross margin	6.3%	9.7%	10.2%	9.8%	6.8%
Equity ratio	10.0%	24.6%	20.3%	23.8%	22.8%
Return on equity	-69.1%	1.5%	4.3%	0.2%	-7.0%
Adjusted EBITDA-margin	-2.1%	1.8%	1.0%	1.8%	0.5%
Average number of employees					
	81	82	80	72	75

In the 5 years overview the key figure, Revenue, have been changed in the comparisons years. The changed is a classification between Revenue and Cost for goods sold which affect the Financial ratios Operating margin and Gross margin. Revenue have been adjusted with the following amounts in thousands in 2017: -94,648, 2016: -189,368, 2015: -69,435, 2014: -68,438

Financial ratios except from adjusted EBITDA margin are calculated in accordance with the Danish Finance Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

Management's review

Business review

The primary activity of Sport Danmark A/S is to operate the retail banners SPORTMASTER and Rezet Sneaker Store.

As of 1 July 2012, SPORTMASTER was established as a vertical capital retail chain - a transformation from the voluntary chain that had been operating since 1979.

SPORTMASTER is a nationwide omni-channel retailer with more than 95 quality stores and the leading Danish sports online store. SPORTMASTER has an extensive and attractive range of products, including own brands and leading sports brands of shoes, clothing and equipment for sports and leisure activities.

Rezet Sneaker Store was acquired in May 2015 and is now the leading premium sneaker omni-channel retailer with a powerful offer of key brands' exclusive sneaker range.

Financial review

Revenue for 2018 was DKK 630.8 million (2017: DKK 626.0 million). Gross profit was DKK 35.6 million (2017: DKK 60.8 million) Operating profit before depreciations and amortizations (EBITDA) was DKK -15.0 million (2017: DKK 10.2 million), whereas operating profit (EBIT) amounts to DKK -28.2 million (2017: DKK 2.8 million).

Operating profit has been negatively impacted by the two-time move of warehouse location during 2018, causing in extra warehouse and logistic costs as well as significant lost sales.

The loss of the year amounts to DKK -25.9 million (2017: DKK 0.7)

Management considers the Company's financial performance in the year 2018 to be non-satisfactory, due to the massive impacts to the business from the twice made inventory moves in running an optimal supply chain in a competitive retail environment.

Special risks

Risk management:

Sport Danmark A/S considers risk management an essential and natural in connection with the realisation of the Company's objectives and strategy. The daily activities, the implementation of the established strategy and continuous realisation of business opportunities involve a natural risk and, therefore, the company's handling of these issues are seen as a natural and integrated part of the daily work and a way to create a profitable Company with constant growth.

Commercial risks

The Group's most significant business risks concern general socioeconomic developments, including private consumption developments as well as the Group's capacity to maintain its strong market position. Accordingly, the Group aims to be at the forefront of market developments by constantly improving and developing its range of products and services with a view to always be the natural choice for Danes buying sports equipment.

Currency Risks

The company's revenue is invoiced in DKK, whereas part of the Company's purchases are made in USD related currencies. As a part of the Company's risk policy, purchases in USD are partly hedged via foreign exchange contracts.

Management's review

Statutory CSR report

The statutory report regarding CSR, including human rights, environment and climate and Anti-corruption and competition cf. §99a in the Danish Financial Statements Act, is included in Sport Nordic Holding ApS' report, to which reference is made.

Account of the gender composition of Management

The Board of Directors of the Company consists of four members, all male. The goal is to increase the proportion of women to a minimum of 25% by the end of 2020. The goal of having 25% women in the board by the end of 2020 was not reached in 2018 due to a limited number of vacant positions and a lack of qualified female candidates.

On other management levels the Company is seeking to increase the number of female managers. The company has established recruitment procedures ensuring that candidates of both genders are considered when hiring or promoting for management positions.

It is the policy of the Group always to appoint the best qualified candidates to leadership posts and at the same time support and enhance the qualifications of female leadership talents. In the Management team at the head office the proportion of women is 21%. The goal is, through increased use of networks, etc., to increase the proportion of women to a minimum of 30% by the end of 2020.

Outlook

Sport Danmark expects that the continuously increasing competition in the market over time will have consequences for the distribution in Denmark. Sport Danmark expects and believes in benefitting from our strong focus on continued digital development and Omni-channel perspective in our offerings and in the ways we address the market. This is also the view of our key global partners and suppliers who confirms and continues to see us as their preferred Danish partner and sales channel going into the future. In the shorter term, we - despite the above - expect profitability to be under pressure.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2018	2017
	Revenue	630,832	625,980
	Cost of goods sold	-643,823	-610,736
	Other operating income	116,421	104,890
	Other external costs	-63,831	-59,328
	Gross margin	39,599	60,806
3	Staff costs	-54,628	-50,541
	Depreciation and amortisation	-13,130	-7,486
	Profit/loss before net financials	-28,159	2,779
4	Financial income	1,037	491
5	Financial expenses	-2,706	-2,163
	Profit/loss before tax	-29,828	1,107
6	Tax on profit/loss for the year	3,880	-372
	Profit/loss for the year	-25,948	735

Financial statements 1 January - 31 December
Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Other intangible assets	30,649	8,652
	Other intangible assets in progress	0	18,570
		<u>30,649</u>	<u>27,222</u>
8	Property, plant and equipment		
	Land and buildings	2,732	4,413
	Fixture and fittings (Financiell lease)	0	0
	Leasehold improvements	163	127
		<u>2,895</u>	<u>4,540</u>
	Financial assets		
	Deposits	586	569
9	Deferred tax assets	2,492	0
		<u>3,078</u>	<u>569</u>
	Total non-current assets	<u>36,622</u>	<u>32,331</u>
	Current assets		
	Inventories		
	Goods for resale	92,355	82,666
		<u>92,355</u>	<u>82,666</u>
	Receivables		
	Trade receivables	185	999
	Receivables from group enterprises	103,739	72,725
	Joint taxation contribution receivable	0	257
	Other receivables	11,045	12,225
	Prepayments	1,877	3,947
		<u>116,846</u>	<u>90,153</u>
	Cash	715	47
	Total current assets	<u>209,916</u>	<u>172,866</u>
	TOTAL ASSETS	<u><u>246,538</u></u>	<u><u>205,197</u></u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
10	Share capital	15,100	15,100
	Retained earnings	9,456	35,404
	Total equity	<u>24,556</u>	<u>50,504</u>
	Non-current liabilities		
9	Deferred tax	0	2,054
	Total non-current liabilities	<u>0</u>	<u>2,054</u>
	Current liabilities		
	Bank debt	332	0
	Trade payables	172,032	134,720
	Corporation tax	409	0
	Other payables	44,584	10,714
	Prepayments from customers	4,625	7,205
	Total current liabilities	<u>221,982</u>	<u>152,639</u>
	Total liabilities	<u>221,982</u>	<u>154,693</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>246,538</u></u>	<u><u>205,197</u></u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2017	15,100	34,669	49,769
14	Transfer, see "Appropriation of profit/loss"	0	735	735
	Equity at 1 January 2018	15,100	35,404	50,504
14	Transfer, see "Appropriation of profit/loss"	0	-25,948	-25,948
	Equity at 31 December 2018	15,100	9,456	24,556

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sport Danmark A/S for 2018 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The annual accounts have been prepared in accordance with the same accounting policies as last year.

As mentioned in the Financial highlights in the Management's review, the comparative figures for Revenue and Cost of goods sold have been re-stated as recharged costs previously, were presented as revenue instead of deductions of cost of goods sold.

Omission of a cash flow statement

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

Reporting currency

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

Foreign currency translation

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

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

Leases

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

On initial recognition, leases for assets that transfer substantially all the risks and rewards incident to the ownership to the Company (finance leases) are measured in the balance sheet at the lower of fair value and the present value of the future lease payments. In calculating the net present value, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently accounted for in the same way as the Company's other assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

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".

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Revenue from the sale of goods for resale is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received.

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

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including management fee.

Cost of sales

Cost of sales includes the cost of goods used in generating the year's revenue.

Cost of goods sold is recognised after deduction of supplier discounts and bonuses.

Other external expenses

Other external costs comprise administrative expenses and other costs for operations and maintenance.

Staff costs

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

Amortisation/depreciation and impairment

The item comprises amortisation/depreciation and impairment of intangible assets, property, plant and equipment, fixture and fitting and lease improvements.

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

Other intangible assets	3-7 years
Plant and machinery	3-5 years
Fixture and fittings (Financial lease)	1-2 years
Leasehold improvements	2-10 years

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

The Company is covered by the Danish rules on compulsory joint taxation of the Sport Nordic Holding Group's subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

Sport Nordic Holding ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Other intangible assets, which comprise IT software, are measured at cost less accumulated amortisation and impairment losses.

The depreciation period is determined at the time of acquisition and is reassessed every year. In case of changes in the amortisation period, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Property, plant and equipment

Plant and equipment, fixtures and fittings and leasehold improvements are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the time of acquisition and is reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other external costs.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial assets

Deposits are measured at amortised cost.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual assessment of indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

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

Inventories

Inventories are measured at the lower of cost, measured by reference to the FIFO method, and net realisable value.

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

The net realisable value of inventories is calculated as the sales amount less costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

Receivables

Receivables are measured at amortised cost.

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

Impairment is made for bad debt losses where there is an objective indication that a receivable has been impaired. If there is an objective indication that an individual receivable has been impaired, a write-down is made based on an individual assessment.

Impairments are calculated as the difference between the carrying amount of receivables and the present value of the expected cash flows.

Cash-pool balance is included in Receivables from Group Entreprises.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity

Proposed dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Income taxes

Joint taxation contribution payable and receivable is recognised in the balance sheet as corporation tax payable and corporation tax receivable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes 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 different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, 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 and jurisdiction.

Adjustment is made to deferred tax resulting from elimination of unrealised intra-group profits and losses.

Deferred tax is measured in accordance with the tax rules and at the tax rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the 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.

Other liabilities are measured at net realisable value.

Deferred income

Prepayments from customers comprise liabilities regarding issued gift vouchers, recognised at the date of issue, and the customer loyalty programme, Club SPORTMASTER, recognised at fair value at the date of recognition of the related sales.

Subsequently, prepayments from customers are measured at amortised cost.

Segment information

Sport Danmark A/S has only domestic revenue and only one segment. Consequently, the Company does not provide segment information.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit (EBIT)} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$
Adjusted EBITDA-margin	$\frac{\text{Adjusted EBITDA} \times 100}{\text{Revenue}}$

Adjusted EBITDA

Adjusted EBITDA, as disclosed in the Management's review, comprise operating profit before amortisation, depreciation and impairment losses amortization and adjusted for special items.

Special items

Special items comprise significant income and expenses of a special nature relative to the Group's revenue generating operating activities such as costs of comprehensive structuring of processes and basic structural adjustments as well as any disposal gains and losses relating thereto and which over time are of significant importance. Special items also comprise significant one-off items which in the opinion of Management do not form part of the Group's operating activities.

2 Events after the balance sheet date

No material events affecting the company's financial position have occurred subsequent to the financial year.

DKK'000	2018	2017
3 Staff costs		
Wages/salaries	50,868	46,690
Pensions	3,109	3,188
Other social security costs	651	663
	<u>54,628</u>	<u>50,541</u>
Average number of full-time employees	<u>81</u>	<u>82</u>
Remuneration to members of management:		
Executive board	9,826	7,906
Board of Directors	484	994
	<u>10,310</u>	<u>8,900</u>

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2018	2017
4 Financial income		
Interest from group entities	209	0
Other interest income	29	0
Exchange gain	799	1
Other financial income	0	490
	<u>1,037</u>	<u>491</u>
5 Financial expenses		
Other interest expenses	174	9
Exchange losses	2,063	2,154
Interest expenses regarding finance leases	469	0
	<u>2,706</u>	<u>2,163</u>
6 Tax on profit/loss for the year		
Estimated tax charge for the year	0	-666
Deferred tax adjustments in the year	-3,880	910
Tax adjustments, prior years	0	128
	<u>-3,880</u>	<u>372</u>

Deferred tax adjustments in the year consists of deferred tax adjustments of t.DKK -6,785 and write-down of deferred tax assets to net realizable value of t.DKK 2,905.

Management has assessed that the carrying amount of deferred tax assets can be recovered within 4-5 years.

7 Intangible assets

DKK'000	Other intangible assets	Other intangible assets in progress	Total
Cost at 1 January 2018	36,273	18,570	54,843
Additions	10,563	0	10,563
Transferred	18,570	-18,570	0
Cost at 31 December 2018	<u>65,406</u>	<u>0</u>	<u>65,406</u>
Impairment losses and amortisation at 1 January 2018	27,621	0	27,621
Amortisation for the year	7,136	0	7,136
Impairment losses and amortisation at 31 December 2018	<u>34,757</u>	<u>0</u>	<u>34,757</u>
Carrying amount at 31 December 2018	<u>30,649</u>	<u>0</u>	<u>30,649</u>
Amortised over	<u>3-7 years</u>		

Financial statements 1 January - 31 December

Notes to the financial statements

8 Property, plant and equipment

DKK'000	Land and buildings	Fixture and fittings (Financial lease)	Leasehold improvements	Total
Cost at 1 January 2018	16,877	0	814	17,691
Additions of reassessment	0	14,992	0	14,992
Additions	808	0	54	862
Reassessment of leasing period	0	-12,345	0	-12,345
Disposals	-94	0	0	-94
Cost at 31 December 2018	17,591	2,647	868	21,106
Impairment losses and depreciation at 1 January 2018	12,464	0	687	13,151
Impairment losses	0	196	0	196
Depreciation	2,489	2,451	18	4,958
Depreciation and impairment of disposals	-94	0	0	-94
Impairment losses and depreciation at 31 December 2018	14,859	2,647	705	18,211
Carrying amount at 31 December 2018	2,732	0	163	2,895
Property, plant and equipment include finance leases with a carrying amount totalling	0	0	0	0
Depreciated over	1-2 years	1-2 years	3-10 years	

DKK'000	2018	2017
9 Deferred tax		
Deferred tax at 1 January	2,054	1,016
Adjustment regarding prior years	-889	128
Adjustment of deferred tax	-6,562	910
Write-down of deferred tax assets to net realizable value	2,905	0
Deferred tax at 31 December	-2,492	2,054

10 Share capital

Analysis of the share capital:

15,100 shares of DKK 1,000.00 nominal value each	15,100	15,100
	15,100	15,100

The Company's share capital has remained DKK 15,100 thousand over the past 5 years.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company is jointly taxed with the Danish parent company Sport Nordic Holding ApS. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes. At 31 December 2018, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 0. Any subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase.

The Group's Danish companies are jointly and severally liable for group VAT registration.

Other financial obligations

The Company has entered into operating leases with an annual lease payment of DKK 3,047 thousand (2017: DKK 2,310 thousand). The total nominal residual lease payment amounts to DKK 8,802 thousand (2017: DKK 4,209 thousand).

12 Collateral

The Company's assets, including inventories, receivables and property, plant and equipment, are provided as security for bank loans amounting to DKK 60.063 thousand raised in group companies.

13 Related parties

Sport Danmark A/S' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
SDK Sport II ApS	Denmark	100 % ownership

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Sport Nordic Holding ApS	Ballerup	Baltorpbakken 5, 2750 Ballerup, Denmark.

Related party transactions

Sport Danmark A/S was engaged in the below related party transactions:

<u>DKK'000</u>	<u>2018</u>	<u>2017</u>
Sale of goods and services to group companies	630,832	625,979
Management fee income from group companies	116,421	104,890
Receivables from group companies	103,739	72,725

Information on the remuneration to management

Information on the remuneration to Management appears from note 3, "Staff costs".

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Notes to the financial statements

DKK'000	<u>2018</u>	<u>2017</u>
14 Appropriation of profit/loss		
Recommended appropriation of profit/loss	-25,948	735
Retained earnings/accumulated loss	<u>-25,948</u>	<u>735</u>