

Sport Danmark A/S

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 12 55 94 96



Annual report 2015

Approved at the Company's annual general meeting on 31/5-2016

Chairman:



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working world

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Sport Danmark A/S for the financial year 1 January - 31 December 2015.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

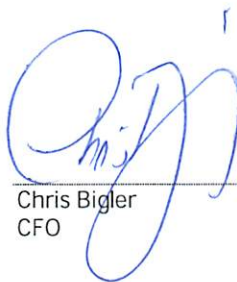
Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 27 May 2016
Executive Board:



Jens Høgsted
CEO



Chris Bigler
CFO



Jack Friis
COO

Board of Directors:



Michael Christiansen
Chairman



Michael Haaning



Jess Ørgaard Libak Tropp



Chris Bigler



Jens Høgsted

Independent auditors' report

To the shareholder of Sport Danmark A/S

Independent auditors' report on the financial statements

We have audited the financial statements of Sport Danmark A/S for the financial year 1 January - 31 December 2015. The financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 27 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised
Public Accountant



Søren Christiansen
State Authorised
Public Accountant

Management's review

Company details

Name	Sport Danmark A/S
Address, zip 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 Chris Bigler Jens Høgsted
Executive Board	Jens Høgsted, CEO Chris Bigler, CFO Jack Friis, COO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights

	2015	2014	2013	2012 (6 mths)
Key figures (DKK'000)				
Gross profit	58,769	50,479	54,303	25,462
Operating profit/loss before depreciation and amortisation (EBITDA)	10,622	1,496	4,687	2,935
Operating profit/loss before special items, depreciation and amortisation (Adjusted EBITDA)	12,041	3,706	11,396	9,077
Operating profit/loss before special items	1,945	-1,731	8,068	7,813
Operating profit/loss	526	-3,941	1,359	1,671
Profit/loss from financial income and expenses	430	-434	2,697	-5,026
Profit/loss for the year	106	-3,427	2,936	-2,809
Balance sheet				
Total assets	200,623	208,496	142,550	115,625
Investment in property, plant and equipment	2,518	233	1,647	1,434
Equity	47,665	47,559	50,986	48,050
Financial ratios (%)				
Solvency ratio	23.8	22.4	35.8	41.6
Return on equity	0.2	-7.0	5.9	-5.7
Personnel				
FTE (employees)	72	75	67	52

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Primary activities

The primary activity of Sport Danmark A/S is to operate the SPORTMASTER retail chain.

SPORTMASTER is a nationwide retail chain of more than 100 quality stores - operating both on- and offline - and employing more than 1,000 people. 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.

Development in activities and finances

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.

The transformation was completed in 2015. The financial impact of the transformation includes one-off costs with a significant negative impact on the financial statements for 2015.

Gross profit for 2015 was DKK 58.8 million (2014: DKK 50.5 million), which was acceptable. Operating profit before depreciation and amortisation (EBITDA) was DKK 10.6 million (2014: DKK 1.5 million), whereas operating profit (EBIT) was DKK 0.5 million (2014: negative by DKK 3.9 million).

The operating profit was negatively impacted by the transformation to a vertical chain. One-off costs totalling DKK 1.4 million related to the transformation, etc., have been recognised as special items in the income statement.

The Company's profit for the year was DKK 0.1 million (2014: loss of DKK 3.4 million), which is considered satisfactory.

Outlook

SPORTMASTER expects that the market will stay competitive in 2016. We expect to continuously invest in the market and our platforms.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would significantly influence the evaluation of this annual report.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2015	2014
	Gross profit	58,769	50,479
2	Staff costs	-46,728	-46,773
	Depreciation and amortisation	-10,096	-5,437
3	Special items	-1,419	-2,210
	Operating profit/loss	526	-3,941
4	Financial income	758	0
5	Financial expenses	-328	-434
	Profit/loss before tax	956	-4,375
6	Tax on profit/loss for the year	-850	948
	Profit/loss for the year	106	-3,427
Proposed profit appropriation/distribution of loss			
	Retained earnings	106	-3,427
	Profit/loss for the year	106	-3,427

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Non-current assets		
7	Intangible assets		
	Other intangible assets	12,243	10,031
		<u>12,243</u>	<u>10,031</u>
8	Property, plant and equipment		
	Plant and equipment	3,456	1,916
	Leasehold improvements	0	240
		<u>3,456</u>	<u>2,156</u>
	Other non-current assets		
	Deposits	569	476
		<u>569</u>	<u>476</u>
	Total non-current assets	<u>16,268</u>	<u>12,663</u>
	Current assets		
	Inventories		
	Finished goods and goods for resale	79,657	52,466
		<u>79,657</u>	<u>52,466</u>
	Receivables		
	Trade receivables	4,029	665
	Amounts owed by group companies	80,652	129,824
	Other receivables	17,394	9,323
	Corporation tax	96	2,032
	Prepayments	2,527	1,523
		<u>104,698</u>	<u>143,367</u>
	Total current assets	<u>184,355</u>	<u>195,833</u>
	TOTAL ASSETS	<u><u>200,623</u></u>	<u><u>208,496</u></u>

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	<u>2015</u>	<u>2014</u>
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	15,100	15,100
	Retained earnings	<u>32,565</u>	<u>32,459</u>
	Total equity	<u>47,665</u>	<u>47,559</u>
	Liabilities		
	Current liabilities		
	Prepayments from customers	8,184	4,364
	Trade payables	132,144	143,550
	Amounts owed to group companies	915	3,589
10	Deferred tax	1,554	1,195
11	Other payables	<u>10,161</u>	<u>8,239</u>
	Total liabilities	<u>152,958</u>	<u>160,937</u>
	TOTAL EQUITY AND LIABILITIES	<u>200,623</u>	<u>208,496</u>
12	Contractual obligations and contingencies, etc.		
13	Related party disclosures		

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2014	15,100	35,886	50,986
Transferred, see profit appropriation/distribution of loss	0	-3,427	-3,427
Equity at 1 January 2015	15,100	32,459	47,559
Transferred, see profit appropriation/distribution of loss	0	106	106
Equity at 31 December 2015	15,100	32,565	47,665

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Sport Danmark A/S for 2015 has been prepared in accordance with the provisions applying to reporting class C medium-sized enterprises under the Danish Financial Statements Act.

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

No cash flow statement has been prepared as the cash flows of Sport Danmark A/S are included in the cash flow statement of Sport Nordic Holding ApS.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at 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 rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

Revenue, cost of goods sold and other external costs are summarised in one item called gross profit/loss with reference to Section 32 of the Danish Financial Statements Act.

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 net of VAT and taxes charged on behalf of third parties. All discounts granted are recognised in revenue.

Cost of goods sold

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 costs

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

Staff costs

Staff costs comprise wages, salaries, pensions and other staff costs.

Special items

Special items comprise significant income and expenses of an exceptional nature relative to the Company's earnings-generating operating activities, including expenses relating to the establishment of SPORTMASTER as an integrated retail chain and restructuring cost, as well as other significant one-off items.

The items are stated separately to give a true and fair view of the Company's operating profit/loss and are specified in a note to the financial statements.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Tax on profit/loss for the year

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

Other intangible assets, which comprise IT software, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised on a straight-line basis over 3 years.

Property, plant and equipment

Plant and equipment 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.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Plant and equipment	3-5 years
Leasehold improvements	3-10 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment is subject to an annual test for 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.

Write-down 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.

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Equity

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Corporation tax and deferred tax

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

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.

Prepayments from customers

Prepayments from customers comprise liabilities regarding issued gift vouchers, recognised at the date of issue.

Prepayments from customers are measured at amortised cost.

Liabilities other than provisions

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.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2015	2014
2 Staff costs		
Wages and salaries	42,777	43,439
Pensions	3,003	2,889
Other social security costs	948	445
	<u>46,728</u>	<u>46,773</u>
Average number of full-time employees	<u>72</u>	<u>75</u>

Remuneration to the Executive Board of DKK 8,382 thousand (2014: DKK 7,405 thousand) and remuneration to the Board of Directors of DKK 963 thousand (2014: DKK 975 thousand) are included in staff costs.

DKK'000	2015	2014
3 Special items		
Restructuring costs related to close down and moving of locations, including salary and severance payments, etc.	-1,152	-1,327
Other one-off items	-267	-883
	<u>-1,419</u>	<u>-2,210</u>
4 Financial income		
Realised gains on foreign exchange contracts	<u>758</u>	<u>0</u>
5 Financial expenses		
Interest expense to group companies	199	0
Other interest expense	129	434
	<u>328</u>	<u>434</u>

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	2015	2014	
6 Tax on the profit/loss for the year			
Joint taxation contribution	96	1,508	
Adjustment of deferred tax	-321	-399	
Adjustment of current tax regarding prior years	-587	1,309	
Adjustment of deferred tax regarding prior years	-38	-1,470	
	<u>-850</u>	<u>948</u>	
7 Intangible assets			
DKK'000		Other intangible assets	
Cost at 1 January 2015		17,293	
Additions		11,092	
Cost at 31 December 2015		<u>28,385</u>	
Impairment losses and amortisation at 1 January 2015		7,262	
Amortisation		8,880	
Impairment losses and amortisation at 31 December 2015		<u>16,142</u>	
Carrying amount at 31 December 2015		<u>12,243</u>	
Amortised over		<u>3 years</u>	
8 Property, plant and equipment			
DKK'000	Plant and equipment	Leasehold improvements	Total
Cost at 1 January 2015	9,141	671	9,812
Additions	2,518	0	2,518
Disposals	-9	0	-9
Cost at 31 December 2015	<u>11,650</u>	<u>671</u>	<u>12,321</u>
Impairment losses and depreciation at 1 January 2015	7,225	431	7,656
Depreciation	976	240	1,216
Depreciation and impairment of disposals	-7	0	-7
Impairment losses and depreciation at 31 December 2015	<u>8,194</u>	<u>671</u>	<u>8,865</u>
Carrying amount at 31 December 2015	<u>3,456</u>	<u>0</u>	<u>3,456</u>
Depreciated over	<u>3-5 years</u>	<u>3-10 years</u>	

Financial statements for the period 1 January - 31 December

Notes to the financial statements

9 Share capital

The share capital comprises 15,100 shares of DKK 1,000 each. The share capital has remained unchanged for the past five years.

DKK'000	2015	2014
10 Deferred tax		
Deferred tax at the beginning of the period	1,195	-674
Adjustment regarding prior years	38	1,470
Adjustment of deferred tax	321	399
Deferred tax assets at 31 December	1,554	1,195
Deferred tax assets and liabilities relates to:		
Intangible assets	2,591	2,003
Property, plant and equipment	-1,037	-785
Tax loss carryforwards	0	-23
	1,554	1,195
11 Other payables		
Holiday pay obligations and salary related liabilities	6,568	5,817
Other liabilities	3,593	2,422
	10,161	8,239

12 Contractual obligations and contingencies, etc.

Contingent assets and 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 2015, 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.

The Company's assets, including inventories, are provided as security for bank loans in group companies.

The Company has provided a guarantee for loans totaling DKK 237,082 thousand raised in group companies.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

12 Contractual obligations and contingencies, etc. (continued)

Operating lease obligations

The Company has entered into operating leases with an annual lease payment of DKK 1,299 thousand (2014: DKK 3,367 thousand). The total nominal residual lease payment amounts to DKK 4,742 thousand (2014: DKK 4,213 thousand).

13 Related party disclosures

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

Parties exercising control

SDK Sport II ApS, Denmark, which controls the Company.

Other related parties

The member of the Executive Board and the members of the Board of Directors.

The Sport Nordic Holding ApS Group companies: Sport Nordic Holding ApS, SDK Sport I ApS, SDK Sport II ApS and Uniboys ApS.

Ownership

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

SDK Sport II ApS, Denmark.

The financial statements are included in the consolidated financial statements for Sport Nordic Holding ApS, Baltorpbakken 5, 2750 Ballerup, Denmark.