

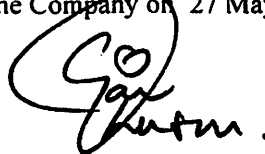
# **adidas Danmark A/S**

**Dusager 14  
8200 Aarhus N**

**CVR no. 20 75 47 88**

## **Annual report 2015**

The annual report was presented and  
adopted at the annual general meeting of  
the Company on 27 May 2016

A handwritten signature in black ink, appearing to read 'G. J. Hansen', written over a horizontal line.

Chairman

## Contents

	<b>Page</b>
Statement by the Board of Directors and the Executive Board	2
Independent auditor's report	3
<b>Management's review</b>	
Company details	5
Financial highlights	6
Operating review	7
<b>Financial Statements</b>	
Accounting policies	8
Income statement	13
Balance sheet	14
Notes to the financial statements	16

## 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 adidas 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 assets, liabilities and financial position at 31 December 2015 and of the results of the Company's operations for the year 1 January - 31 December 2015.

In our opinion, the Management's review includes a fair review of the development in the Company's operations and financial matters, of the results for the year and of the Company's financial position.

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

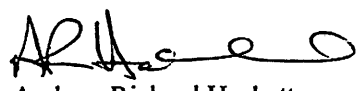
Aarhus, 27 May 2016

### Executive Board

Sven Moser

### Board of Directors

  
Gavin Preston Thomson  
Chairman

  
Andrew Richard Hackett  
Deputy Chairman

  
Andreas Johannes Richter

  
Gil André Charles René Steyaert

  
Sven Moser



**KPMG**  
Statsautoriseret Revisionspartnerselskab  
Bredskifte Allé 13  
8210 Aarhus  
Denmark

Telephone 70707761  
[www.kpmg.com/dk](http://www.kpmg.com/dk)  
CVR no. 25578198

## **Independent auditor's report**

**To the Shareholder of adidas Danmark A/S**

### **Independent auditor's report on the financial statements**

We have audited the financial statements of adidas Danmark A/S for the financial year 1 January - 31 December 2015. The financial statements comprise accounting policies, income statement, balance sheet and notes. 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.

#### **Auditor's 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 auditor's 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 auditor considers internal control relevant to the Company's 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.



## Independent auditor's report

### Opinion

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Company's 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 further 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.

Aarhus, 27 May 2016

**KPMG**

Statsautoriseret Revisionspartnerselskab

Jakob Westerdahl  
State Authorised  
Public Accountant

## Management's review

### Company details

<b>Company</b>	adidas Danmark A/S Dusager 14 8200 Aarhus N Denmark
	Website: <a href="http://www.adidas.dk">www.adidas.dk</a>
	CVR no.: 20 75 47 88
	Financial year: 1 January - 31 December
	Registered office: Aarhus

<b>Board of Directors</b>	Gavin Preston Thomson, Chairman Andrew Richard Hackett, Deputy Chairman Andreas Johannes Richter Gil André Charles René Steyaert Sven Moser
---------------------------	---

<b>Executive Board</b>	Sven Moser
------------------------	------------

<b>Auditor</b>	KPMG Statsautoriseret Revisionspartnerselskab Bredskifte Allé 13 8210 Aarhus Denmark
----------------	--

<b>General meeting</b>	The annual general meeting is held on 27 May 2016 at the Company's address.
------------------------	---

## Management's review

### Financial highlights

Seen over a five-year period, the development of the Company is described by the following financial highlights:

	2015	2014	2013	2012	2011
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
<b>Key figures</b>					
Gross profit	42,785	37,877	37,653	36,459	38,249
Profit before financial income and expenses	11,660	7,659	7,780	7,380	8,135
Net financials	-94	37	-169	-1,327	4
Profit/loss for the year	8,734	5,671	3,992	-1,863	6,065
Balance sheet total	67,092	51,057	54,011	36,852	39,711
Equity	17,344	14,610	14,939	10,947	18,810
<b>Financial ratios</b>					
Return on assets	19.7%	14.6%	17.1%	19.3%	20.6%
Solvency ratio	25.9%	28.6%	27.7%	29.7%	47.4%
Return on equity	54.7%	38.4%	30.8%	-12.5%	33.2%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

## **Management's review**

### **Operating review**

#### **Business activities**

The Company's activity is to sell sports gear of the brands adidas and Reebok in Denmark.

#### **Financial review**

The Company's income statement for the year ended 31 December 2015 shows a profit of DKK 8,734 thousand, and the balance sheet at 31 December 2015 shows equity of DKK 17,344 thousand.

The Company's operating profit and development where as expected at the beginning of the year.

#### **The year at a glance and follow-up on expectations from last year**

The increase in the Company's activities and operating profit where as expected at the beginning of the year. The company expects its sales performance to be in line with market development, which is expected to be slightly up on 2015. 2016 results are expected to improve compared to 2015.

#### **Risks**

##### *Operating risks*

In Managements assesment, the Company is not exposed to any special risks apart from those generally occuring in this line of business.

##### *Currency risks*

As the Company primarily sell in Danisk Krone and buy in Euro, foreign exchange risk is considered low.

#### **Environment**

In Management's assesment, the Company's activities do not impact on the external environment.

#### **Research and development**

The Company does not undertake any research, but the product range is undergoing constant development.

#### **Post balance sheet events**

No events have occurred after the balance sheet date which could significantly affect the Company's financial position



## **Financial statements 1 January - 31 December**

### **Accounting policies**

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

The accounting policies applied are consistent with those applied last year.

In pursuance of section 86(4), of the Danish Financial Statements Act, no cash flow statement has been prepared.

### **Income statement**

#### **Revenue**

Revenue from the sale of goods for resale and finished goods is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

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

#### **Cost of sales**

Cost of goods sold comprise direct and indirect costs incurred to generate revenue, including costs for sale and distribution of goods sold.

#### **Other external costs**

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

#### **Gross profit**

In pursuance of section 32 of the Danish Financial Statements Act, the Company does not disclose its revenue. The gross profit reflects an aggregation of revenue, changes in inventories of finished goods and work in progress and other operating income less raw materials and consumables and other external expenses.

#### **Staff costs**

Staff costs comprise wages and salaries, including holiday allowance, pension and other social security costs, etc, to the Company's employees.

## Financial statements 1 January - 31 December

### Accounting policies

#### Financial income and expenses

Financial income and expenses include interest, financial expenses, realised and unrealised exchange adjustments, amortisation of mortgage loans as well as extra payments and repayment under the onaccount taxation scheme, etc.

#### Tax on profit for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, including changes arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to entries directly in equity.

### Balance sheet

#### Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 10 years, as the business is linked to an asset with a long lifespan

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively.

#### Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life. Land is not depreciated.

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

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and labour.

Depreciation is provided on a straight-line basis over the expected useful life of the asset based on the following expected useful lives:

Operating equipment	2-8	years
Leasehold improvements	3-5	years

## Financial statements 1 January - 31 December

### Accounting policies

Gains or losses are recognised in the income statement as other operating income or other operating expenses, respectively

Property plant and equipment are written down to the recoverable amount if this is lower than the carrying amount.

#### 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 and amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write downs 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 forecast net cash flows from the use of the asset or the group of assets, including forecast 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 using FIFO method Where the net realisable value is lower than the cost, inventories are carried at this lower value.

The cost of goods for resale and consumables comprises the purchase price plus delivery costs.

The net realisable value of inventories is determined as the selling price less costs of completion and costs incurred to effect the sale, taking into account marketability, obsolescence and developments in the expected selling price.

#### 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 is impaired, an impairment loss for that individual asset is recognised.

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, using the effective interest rate of individual receivables or portfolios of receivables as discount rate.

## **Financial statements 1 January - 31 December**

### **Accounting policies**

#### **Prepayments**

Prepayments comprise costs incurred concerning subsequent financial years.

#### **Equity**

##### **Dividend**

Proposed dividends are disclosed as a separate item under equity. Dividends are recognised as a liability at the date of declaration by the annual general meeting.

##### **Provisions**

Provisions comprise expected expenses relating to guarantee commitments, losses on work in progress, reconstructions, etc. Provisions are recognised when as a result of a past event the Company has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at fair value.

##### **Corporation tax and deferred tax**

Current tax liabilities and current tax receivables are recognised in the balance sheet as estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years 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.

Deferred tax is adjusted for elimination of unrealised intra-group gains and losses.

Deferred tax is measured on the basis of the taxation rules and taxation rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

##### **Liabilities**

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

## Financial statements 1 January - 31 December

### Accounting policies

Other liabilities are measured at net realisable value.

#### Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate 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 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.

#### Financial highlights overview

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

Financial highlights are calculated as follows:

Return on assets  $\frac{\text{Profit before financial income and expenses} \times 100}{\text{Average total assets}}$

Solvency ratio  $\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$

Return on equity  $\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

## Financial statements 1 January - 31 December

### Income statement

	<u>Note</u>	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>Gross profit</b>		<b>42,785</b>	<b>37,877</b>
Staff costs	1	-29,177	-28,208
<b>Earnings Before Interest Taxes Depreciation and Amortisation</b>		<b>13,608</b>	<b>9,669</b>
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-1,948	-2,010
<b>Profit before financial income and expenses</b>		<b>11,660</b>	<b>7,659</b>
Financial income	2	185	162
Financial expenses	3	-279	-125
<b>Profit before tax</b>		<b>11,566</b>	<b>7,696</b>
Tax on profit for the year	4	-2,832	-2,025
<b>Profit for the year</b>		<b>8,734</b>	<b>5,671</b>
Proposed dividend for the year		7,500	6,000
Retained earnings		1,234	-329
		<b>8,734</b>	<b>5,671</b>

## Financial statements 1 January - 31 December

### Balance sheet

	<u>Note</u>	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>Assets</b>			
Goodwill		2,787	3,514
<b>Intangible assets</b>	5	<u>2,787</u>	<u>3,514</u>
Operating equipment		1,442	1,579
Leasehold improvements		0	34
Assets under construction		1,116	65
<b>Property, plant and equipment</b>	6	<u>2,558</u>	<u>1,678</u>
<b>Non-current assets</b>		<u>5,345</u>	<u>5,192</u>
Finished goods and goods for resale		3,351	3,901
<b>Inventories</b>		<u>3,351</u>	<u>3,901</u>
Trade receivables		29,405	18,432
Amounts owed by group enterprises		21,713	19,338
Other receivables		1,901	1,449
Deferred tax asset		3,391	954
Prepayments	7	1,779	1,608
<b>Receivables</b>		<u>58,189</u>	<u>41,781</u>
<b>Cash at bank and in hand</b>		<u>207</u>	<u>183</u>
<b>Total current assets</b>		<u>61,747</u>	<u>45,865</u>
<b>Total assets</b>		<u>67,092</u>	<u>51,057</u>

## Financial statements 1 January - 31 December

### Balance sheet

	<u>Note</u>	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>Equity and liabilities</b>			
Share capital		8,000	8,000
Retained earnings		1,844	610
Proposed dividend for the year		7,500	6,000
<b>Total equity</b>	8	<u>17,344</u>	<u>14,610</u>
Other provisions	9	<u>15,392</u>	<u>3,895</u>
<b>Total provisions</b>		<u>15,392</u>	<u>3,895</u>
Trade payables		6,413	1,463
Payables to associates		3,046	11,959
Corporation tax		4,384	1,791
Other payables	10	<u>20,513</u>	<u>17,339</u>
<b>Non-current liabilities other than provisions</b>		<u>34,356</u>	<u>32,552</u>
<b>Total liabilities other than provisions</b>		<u>34,356</u>	<u>32,552</u>
<b>Total equity and liabilities</b>		<u>67,092</u>	<u>51,057</u>
Contingent assets, liabilities and other financial obligations	11		
Related parties and ownership	12		



## Financial statements 1 January - 31 December

### Notes

	<u>2015</u>	<u>2014</u>
	DKK'000	DKK'000
<b>1 Staff costs</b>		
Wages and salaries	26,137	25,418
Pensions	2,331	2,376
Other social security costs	438	414
Other staff costs	<u>271</u>	<u>0</u>
	<b><u>29,177</u></b>	<b><u>28,208</u></b>
Average number of employees	<u>50</u>	<u>50</u>

According to section 98 B(3) of the Danish Financial Statements Act, remuneration of the Executive Board has not been disclosed.

	<u>2015</u>	<u>2014</u>
	DKK'000	DKK'000
<b>2 Financial income</b>		
Financial group from group enterprises	0	4
Other financial income	<u>185</u>	<u>158</u>
	<b><u>185</u></b>	<b><u>162</u></b>
<b>3 Financial expenses</b>		
Interest paid to group enterprises	77	46
Other financial expenses	<u>202</u>	<u>79</u>
	<b><u>279</u></b>	<b><u>125</u></b>

## Financial statements 1 January - 31 December

### Notes

	<u>2015</u> DKK'000	<u>2014</u> DKK'000
<b>4 Tax on profit for the year</b>		
Current tax for the year	5,316	2,701
Deferred tax for the year	-2,791	-676
Adjustment of tax concerning previous years	307	0
	<u>2,832</u>	<u>2,025</u>
<b>5 Intangible assets</b>		
		<u>Goodwill</u> DKK'000
Cost at 1 January 2015		7,270
Cost at 31 December 2015		<u>7,270</u>
Amortisation and impairment losses at 1 January 2015		3,756
Depreciation for the year		<u>727</u>
Amortisation and impairment losses at 31 December 2015		<u>4,483</u>
<b>Carrying amount at 31 December 2015</b>		<u><u>2,787</u></u>

## Financial statements 1 January - 31 December

### Notes

#### 6 Property, plant and equipment

	Operating equipment	Leasehold improvements	Assets under construction
	DKK'000	DKK'000	DKK'000
Cost at 1 January 2015	12,761	2,454	65
Additions for the year	1,050	0	1,116
Disposals for the year	0	0	-65
Cost at 31 December 2015	<u>13,811</u>	<u>2,454</u>	<u>1,116</u>
Impairment losses and depreciation at 1 January 2015	11,182	2,420	0
Depreciation for the year	<u>1,187</u>	<u>34</u>	<u>0</u>
Impairment losses and depreciation at 31 December 2015	<u>12,369</u>	<u>2,454</u>	<u>0</u>
<b>Carrying amount at 31 December 2015</b>	<b><u>1,442</u></b>	<b><u>0</u></b>	<b><u>1,116</u></b>
Depreciated over	<u>2-8 years</u>	<u>3-5 years</u>	

#### 7 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums and subscriptions.

## Financial statements 1 January - 31 December

### Notes

#### 8 Equity

	Share capital	Retained earnings	Proposed dividend for the year	Total
	DKK'000	DKK'000	DKK'000	DKK'000
Equity at 1 January 2015	8,000	610	6,000	14,610
Ordinary dividend paid	0	0	-6,000	-6,000
Profit/loss for the year	0	1,234	7,500	8,734
<b>Equity at 31 December 2015</b>	<b>8,000</b>	<b>1,844</b>	<b>7,500</b>	<b>17,344</b>

The share capital consists of 4 shares of a nominal value of DKK 2,000 thousand. No shares carry any special rights.

There have been no changes in the share capital during the last 5 years.

#### 9 Other provisions

Other provisions include a restructuring provision of DKK 9,864 thousand pertaining to the termination of the Company's leasehold in Aarhus.

Other provisions also include a provision of DKK 5,528 thousand (2014: DKK 3,895 thousand) related to warranties.

#### 10 Other payables

	2015	2014
	DKK'000	DKK'000
Accrued VAT payable	2,780	2,189
Accrued wages, tax and social security costs	8,641	7,130
Other accrued costs	9,092	8,020
	<b>20,513</b>	<b>17,339</b>

## Financial statements 1 January - 31 December

### Notes

#### 11 Contingent assets, liabilities and other financial obligations

##### Contingent liabilities

The Company has assumed contractual obligations, including leases and rent agreements, with a residual term of up to 48 months. The liability at 31 December 2015 totalled DKK 14.6 million, of which DKK 8.2 million falls due for payment in 2016.

The Company has entered into multi-year sponsor agreements with several sporting associations and athletes. The total liability at 31 December 2015 totalled DKK 20.0 million, of which DKK 8.8 million falls due for payment in 2016.

The Company has issued bank guarantees of DKK 0.4 million.

#### 12 Related parties and ownership

##### Controlling interest

adidas International B.V., Amsterdam, Holland

##### Other related parties

adidas Danmark A/S' related parties exercising significant influence compromise group enterprises as well as their Boards of Directors, Executive Boards and executive employees and their immediate family members. Further, related parties compromise companies in which the above persons have substantial interests.

##### Ownership

According to the Company's register of shareholders, the following shareholders hold a minimum of 5% of the voting rights or a minimum of 5% of the share capital:

adidas international B.V.  
Hoogoorddreef 9-A, Amsterdam 1101 BA, Holland

adidas Danmark A/s is part of the consolidated financial statements of adidas Group.  
The consolidated financial statements can be requisitioned at <http://www.adidas-group.com/>