SDK Sport II ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 47 95 26

Annual report 2015

Approved at the Company's annual general meeting on ~~27~~ 31 May 2016

Chairman:

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Building a better working world

Contents

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 SDK Sport II ApS 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	Chris Bigler	Jens Høgsted

Independent auditors' report

To the shareholder of SDK Sport II ApS

Independent auditors' report on the financial statements

We have audited the financial statements of SDK Sport II ApS 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	Søren Christiansen
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

Company details

Name	SDK Sport II ApS
Address, zip code, city	Baltorpbakken 5, DK-2750 Ballerup
CVR no.	34 47 95 26
Established	20 April 2012
Registered office	Ballerup
Financial year	1 January - 31 December
Board of Directors	Michael Christiansen (Chairman) 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)				
Revenue	1,063,528	1,072,267	1,016,735	581,022
Gross profit	447,887	416,161	430,352	264,559
Operating profit/loss before depreciation and amortisation (EBITDA)	20,428	37,720	21,496	46,882
Operating profit/loss before special items, depreciation and amortisation (Adjusted EBITDA)	27,603	41,237	22,514	51,080
Operating profit/loss before special items	-16,858	-1,807	-18,121	31,134
Operating profit/loss	-24,033	-5,324	-19,139	26,936
Profit/loss from financial income and expenses	-11,629	-7,972	-10,175	-718
Profit/loss for the year	**-14,305**	**-26,506**	**-40,340**	**470**
Total assets	730,024	800,280	782.213	791,251
Investment in property, plant and equipment	17,170	12,351	10,184	10,126
Equity	**441,023**	**464,760**	**586,972**	**626,825**
Financial ratios (%)				
Gross margin	42.1	38.8	42.3	45.5
Operating margin	-2.3	-0.5	-1.9	4.6
Solvency ratio	60.4	58.1	75.0	79.2
Return on equity	-3.2	-5.0	-6.6	0.1
FTE (employees)	**535**	**576**	**619**	**652**

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 SDK II Sport ApS is to operate the SPORTMASTER and Rezet Sneaker Store retail chains.

SPORTMASTER is a nationwide retail chain of 100 quality stores - operating both on- and offline - and employing more than 1,000 employees. 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 a chain with three premium sneaker stores in Copenhagen and Aarhus and an online store.

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.

SPORTMASTER.DK was relaunched in the fall 2013 and has continuously been upgraded with broader product offerings, improved customer service and increased integration with our off-line stores. SPORTMASTER.DK continues to grow.

Building an omnichannel offer to our club members has been high priority since the establishment as a vertical capital retail chain. Club SPORTMASTER was re-launched in the fall 2012. The offer to our club members has proved to be very successful and both the number of memberships and their share of revenue continued to grow in 2015. The success was underlined in May 2015 as SPORTMASTER won the E-commerce award for the best omnichannel business in Denmark.

Total revenue of SPORTMASTER for 2015 was DKK 1,064 million (2014: DKK 1,072 million) and the operating profit before depreciation and amortisation (EBITDA) was DKK 20.5 million (2014: DKK 37.7 million).

The operating profit was negatively impacted by the transformation to a vertical chain. A part of the transformation costs has been recognised as special items in the income statement. Adjusting for these special items, the Company's EBITDA for 2015 was DKK 27.6 million (2014: DKK 41.2 million).

Loss for the year was DKK 14.3 million (2014: DKK 26.5 million).

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.

Risk management

SDK Sport II ApS considers risk management an essential and natural element 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.

Management's review

Operating review (continued)

Commercial risks

The Company's most significant business risks concern general socioeconomic developments, including private consumption developments as well as the Company's capacity to maintain its strong market position. Accordingly, the Company 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.

Interest rate risks

The Company's bank debt carries variable interest, which is invoiced in DKK. To reduce the interest rate exposure, the Company has entered an interest-rate swap covering the entire bank debt until the maturity of bank agreement.

Currency risks

The Company's revenue is primarily invoiced in DKK, whereas below 1% of purchases are made in USD related currencies. Accordingly, the Company's currency risk exposure is limited.

Capital structure and funding

SDK Sport II ApS is financed by a combination of equity and bank debt. Equity consists of one share class which is owned by SDK Sport I ApS and ultimately Nordic Capital Fund VII, its co-investors and senior management.

The capital structure is considered adequate and flexible enough to support the strategy and continued growth of the Company.

Corporate Social Responsibility

The Company follows Sport Nordic Holding ApS' group policies. Please see the annual report of Sport Nordic Holding ApS for reporting on corporate social responsibility

The Board of Directors currently consists of 3 members, out of which all are men. The company's goal is to be seen in a broad group target context and therefore has its own specific goal of having one woman in the Board, which is expected to be fulfilled by the end of 2019. During the year the Board of Directors has been changed and 3 new members have been elected. All the elected members are men, as they were found the best suited 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. During the year the number of female managers in the Company has remained unchanged.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2015	2014
	Revenue	1,063,528	1,072,267
	Cost of goods sold	-615,641	-656,106
	Gross profit	447,887	416,161
	Other external costs	-255,841	-201,663
2	Staff costs	-164,443	-173,239
	Depreciation and amortisation	-44,461	-43,066
3	Special items	-7,175	-3,517
	Operating profit/loss	-24,033	-5,324
	Share of profit/loss in subsidiaries after tax	20,028	-9,754
4	Financial expenses	-11,629	-7,972
	Profit/loss before tax	-15,634	-23,050
5	Tax on profit/loss for the year	1,329	-3,456
	Profit/loss for the year	-14,305	-26,506

Proposed profit appropriation/distribution of loss		
Proposed dividends	0	20,000
Retained earnings	-14,305	-46,506
Profit/loss for the year	-14,305	-26,506

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Non-current assets		
6	**Intangible assets**		
	Goodwill	311,252	337,547
	Other intangible assets	3,288	3,798
		314,540	341,345
7	**Property, plant and equipment**		
	Plant and equipment	6,500	8,735
	Leasehold improvements	42,515	38,988
		49,015	47,723
	Other non-current assets		
	Deposits	20,841	19,208
8	Investments in subsidiaries	62,411	31,754
		83,252	50,962
	Total non-current assets	446,807	440,030
	Current assets		
	Inventories		
	Finished goods and goods for resale	251,506	285,113
		251,506	285,113
	Receivables		
	Trade receivables	16,264	16,616
10	Deferred tax	11,336	5,967
	Other receivables	896	11,703
	Prepayments	2,420	1,631
		30,916	35,917
	Cash at bank and in hand	795	39,220
	Total current assets	283,217	360,250
	TOTAL ASSETS	730,024	800,280

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	EQUITY AND LIABILITIES		
	Equity		
9	Share capital	10,101	10,100
	Retained earnings	430,922	434,660
	Proposed dividends	0	20,000
	Total equity	441,023	464,760
	Liabilities		
11	**Non-current liabilities**		
	Bank loans	62,337	61,736
		62,337	61,736
	Current liabilities		
	Prepayments from customers	21,812	31,541
	Amounts owed to group companies	117,485	149,141
	Corporation tax	2,048	5,594
	Amounts owed to former owners	4,667	7,243
12	Other payables	71,423	71,371
	Deferred income	9,229	8,894
		226,664	273,784
	Total liabilities	289,001	335,520
	TOTAL EQUITY AND LIABILITIES	730,024	800,280

13 **Contractual obligations and contingencies, etc.**
14 **Related party disclosures**

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Proposed dividends	Total
Equity at 1 January 2014	10,100	576,872	0	586,972
Distributed dividends during the year	0	-95,000	0	-95,000
Value adjustments of hedging instruments	0	-905	0	-905
Tax on value adjustments of hedging instruments	0	199	0	199
Transferred, see profit appropriation/ distribution of loss	0	-46,506	20,000	-26,506
Equity at 1 January 2015	10,100	434,660	20,000	464,760
Distributed dividends during the year	0	0	-20,000	-20,000
Capital increase	1	10,999	0	11,000
Value adjustments of hedging instruments	0	-554	0	-554
Tax on value adjustments of hedging instruments	0	122	0	122
Transferred, see profit appropriation/ distribution of loss	0	-14,305	0	-14,305
Equity at 31 December 2015	10,101	430,922	0	441,023

Costs related to capital increases in 2015 amount to DKK 232 thousand, which has been expensed.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SDK Sport II ApS for 2015 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

Contributions for leasehold improvements have been reclassified from leasehold improvements to deferred income in the comparative figures. The reclassification does not affect the profit/loss for 2014 and equity at 31 December 2014. The balance sheet total at 31 December 2014 has increased by DKK 8,894 thousand.

Apart from the above, 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 SDK Sport II ApS are included in the cash flow statement of Sport Nordic Holding ApS.

Pursuant to section 112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared as the Company is included in the consolidated financial statements of Sport Nordic Holding ApS.

Business combinations

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains and losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

Goodwill and negative goodwill from acquired enterprises can be adjusted until the end of the year following the year of acquisition.

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Income statement

Revenue

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)

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement.

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

Goodwill

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a period of 15 years. Goodwill is considered strategic and consequently amortised over a period of 15 years.

Other intangible assets

Other intangible assets, which comprise payment regarding tenancy takeover and trade names, 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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

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.

Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

Investments in subsidiaries are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of SDK Sport II ApS are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied, see Business combinations above.

Impairment of non-current assets

The carrying amount of intangible assets and property, plant and equipment as well as investments in subsidiaries 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Reserve for net revaluation according to the equity method

Net revaluation of investments in subsidiaries is recognised at cost in the reserve for net revaluation according to the equity method.

The reserve may be eliminated in case of losses, realisation of investments or a change in accounting estimates.

The reserve cannot be recognised at a negative amount.

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.

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, and the customer loyalty programme, Club SPORTMASTER, recognised at the date of recognition of the related sales.

Prepayments from customers are measured at amortised cost.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

Segment information

SDK Sport II ApS has only domestic revenue and only one segment. Consequently, the Company does not provide segment information.

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:

Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

Financial statements for the period 1 January - 31 December

Notes to the financial statements

	DKK'000	2015	2014
2	**Staff costs**		
	Wages and salaries	153,340	162,416
	Pensions	6,848	6,547
	Other social security costs	4,255	4,276
		164,443	173,239
	Average number of full-time employees	535	576

Remuneration to the Executive Board amounts to DKK 0 (2014: DKK 0) as remuneration is expensed through the management fee paid to Sport Danmark A/S.

	DKK'000	2015	2014
3	**Special items**		
	Restructuring costs related to close down and moving of locations, including salary and severance payments, etc.	-7,175	-12,055
	Other one-off items	0	8,538
		-7,175	-3,517
4	**Financial expenses**		
	Interest expense, banks	7,195	5,568
	Amortisation of financing costs	600	600
	Other interest expense	2,359	1,804
	Interest expense, group companies	1,475	0
		11,629	7,972
5	**Tax on the profit/loss for the year**		
	Joint taxation contribution	-2,048	-5,170
	Adjustment of deferred tax	4,954	2,274
	Adjustment of current tax regarding prior years	-1,869	-439
	Adjustment of deferred tax regarding prior years	292	-121
		1,329	-3,456

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Goodwill	Other intangible assets	Total
Cost at 1 January 2015	403,901	4,580	408,481
Additions	208	1,745	1,953
Transfers	-94	94	0
Cost at 31 December 2015	404,015	6,419	410,434
Impairment losses and amortisation at 1 January 2015	66,354	782	67,136
Amortisation	26,409	2,349	28,758
Impairment losses and amortisation at 31 December 2015	92,763	3,131	95,894
Carrying amount at 31 December 2015	311,252	3,288	314,540
Amortised over	15 years	3 years	

7 Property, plant and equipment

DKK'000	Plant and equipment	Leasehold improve-ments	Total
Cost at 1 January 2015	28,334	54,663	82,997
Additions	3,056	14,114	17,170
Disposals	-208	-324	-532
Cost at 31 December 2015	31,182	68,453	99,635
Impairment losses and depreciation at 1 January 2015	19,599	15,675	35,274
Depreciation	5,235	10,468	15,703
Disposals	-152	-205	-357
Impairment losses and depreciation at 31 December 2015	24,682	25,938	50,620
Carrying amount at 31 December 2015	6,500	42,515	49,015
Depreciated over	3-5 years	3-10 years	

Financial statements for the period 1 January - 31 December

Notes to the financial statements

8 **Investments in subsidiaries**

DKK'000	2015	2014
Cost at 1 January	73,720	73,720
Addition	10,629	0
Cost at 31 December	84,349	73,720
Value adjustments at 1 January	-41,966	-32,212
Profit/loss for the year	-535	-3,427
Adjustment, internal profit elimination	22,707	-4,803
Amortisation of goodwill	-2,144	-1,524
Value adjustments at 31 December	-21,938	-41,966
Carrying amount at 31 December	62,411	31,754

The carrying amount of goodwill recognised as investments in subsidiaries amounts to DKK 26,928 thousand (2014: DKK 19,046 thousand).

Name	Registered office	Voting rights and ownership
Sport Danmark A/S	Ballerup	100%
Uniboys ApS	Copenhagen	100%

9 **Share capital**

The share capital comprises 10,101,000 shares of DKK 1 each.

Changes in share capital for the past five years can be specified as follows:

DKK'000	2015	2014	2013	2012	2011
Balance at 1 January	10,100	10,100	10,100	10,100	10,100
Capital increase	1	0	0	0	0
	10,101	10,100	10,100	10,100	10,100

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	DKK'000	2015	2014
10	**Deferred tax assets**		
	Deferred tax assets at 1 January	5,967	3,615
	Adjustment of deferred tax, prior years	293	121
	Adjustment of deferred tax	4,954	2,032
	Adjustment of deferred tax recognised in equity	122	199
	Deferred tax assets at 31 December	11,336	5,967
	Deferred tax assets relates to:		
	Intangible assets	-720	-393
	Property, plant and equipment	9,634	6,222
	Liabilities other than provisions	391	138
	Deferred income	2,030	0
		11,335	5,967

		2015	2014
11	**Bank loans**		
	The bank loans are recognised in the balance sheet as follows:		
	Non-current liabilities	62,337	61,736
		62,337	61,736
	Non-current liabilities falling due more than five years after the balance sheet date (carrying amount)	0	0
	Financing costs offset against liabilities	2,100	2,700

		2015	2014
12	**Other payables**		
	Holiday pay obligations and salary related liabilities	22,847	25,027
	VAT payables	41,186	39,365
	Fair value of hedging instruments	1,734	1,180
	Other liabilities	5,656	5,799
		71,423	71,371

Financial statements for the period 1 January - 31 December

Notes to the financial statements

13 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

The Company is jointly taxed with the 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 goodwill, are provided as security for bank loans.

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

Operating lease obligations

The Company has entered into operating leases with an annual lease payment of DKK 119,247 thousand (2014: 148,897 thousand). The total nominal residual lease payment amounts to DKK 345,457 thousand (2014: 216,969 thousand).

14 Related party disclosures

SDK Sport II ApS' related parties comprise the following:

Parties exercising control

SDK Sport I 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, Sport Danmark A/S 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 I ApS, Denmark.

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