Sport Nordic Holding ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 56 07

Annual report 2015

Approved at the Company's annual general meeting on 3/5-2016

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 Sport Nordic Holding 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2015 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015.

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

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

Copenhagen, 21 April 2016
Executive Board:

Jess Ørgaard Libak Tropp

Board of Directors:

Michael Christiansen Chairman	Michael Haaning	Mikkel Vendelin Olesen
Jess Ørgaard Libak Tropp	Lars Terney	Mette Maix

Independent auditors' report

To the shareholders of Sport Nordic Holding ApS

Independent auditors' report on the consolidated financial statements and the parent company financial statements

We have audited the consolidated financial statements and the parent company financial statements of Sport Nordic Holding ApS for the financial year 1 January - 31 December 2015. The consolidated financial statements and the parent company financial statements comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2015 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Independent auditors' report

To the shareholders of Sport Nordic Holding ApS

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 consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 21 April 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 Nordic Holding ApS
Address, zip code, city	c/o Sport Danmark ApS Baltorpbakken 5, 2750 Ballerup
CVR no.	34 48 56 07
Established	1 May 2012
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Michael Christiansen (Chairman) Michael Haaning Mikkel Vendelin Olesen Jess Ørgaard Libak Tropp Lars Terney Mette Maix
Executive Board	Jess Ørgaard Libak Tropp
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

	2015	2014	2013	2012 (6 mths.)
Key figures (DKK'000)				
Revenue	1,073,533	1,076,233	1,041,418	595,249
Gross profit	520,210	510,083	507,024	263,085
Operating profit/loss before depreciation and amortisation (EBITDA)	59,007	33,111	9,826	29,614
Operating profit/loss before special items, depreciation and amortisation (Adjusted EBITDA)	67,601	38,838	17,554	40,784
Operating profit/loss before special items	10,730	-11,333	-28,045	19,500
Operating profit/loss	2,136	-17,060	-35,773	8,330
Profit/loss from financial income and expense	-23,004	-28,968	-26,811	-12,781
Profit/loss for the year	**-24,299**	**-43,100**	**-55,251**	**-5,543**
Total assets	804,220	825,441	812,606	850,747
Investment in property, plant and equipment	19,750	38,541	11,918	13,021
Equity	**314,972**	**280,380**	**324,368**	**374,108**
Cash flows from operating activities	-4,431	60,741	-34,259	47,801
Cash flows from investing activities	-48,404	-81,894	-27,097	-478,171
Cash flows from financing activities	14,801	36,309	-16,469	532,259
Total cash flows	**-38,034**	**15,156**	**-77,852**	**101,889**
Financial ratios (%)				
Gross margin	48.5	47.4	48.7	44.2
Operating margin	0.2	-1.6	-3.4	1.4
Solvency ratio	39.2	34.0	39.9	44.0
Return on equity	-8.2	-14.3	-15.8	-1.5
FTE (employees)	621	651	686	704

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 Nordic Holding ApS is to own and 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 1,074 million. The profitability has again in 2015 improved significantly. Operating profit before depreciation and amortisation (EBITDA) was DKK 59.0 million (2014: DKK 33,1 million), whereas operating profit (EBIT) was DKK 2,1 million (2014: DKK -17,1 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 Group's EBITDA for 2015 was DKK 67.6 million (2014: DKK 38.8 million).

The Group's financial position has improved significantly with cash capital increases in total amounting to DKK 59.9 million and a repayment of debt of DKK 45.1 million. Combined with the improvement of profitability in the past three years, the Goup's financial position is today very strong.

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.

Management's review

Operating review (continued)

Risk management

Sport Nordic Holding considers risk management an essential and natural element in connection with the realisation of the Group'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 Group's handling of these issues are seen as a natural and integrated part of the daily work and a way to create a profitable Group with constant growth.

Commercial risks

Sport Nordic Holding's most significant business risks concern general socioeconomic developments, including private consumption developments as well as SPORTMASTER's capacity to maintain its strong market position. Accordingly, Sport Nordic Holding 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

Sport Nordic Holding's bank debt carries variable interest, which is invoiced in DKK. To reduce the interest rate exposure, Sport Nordic Holding has entered interest-rate swaps covering the entire bank debt until the maturity of bank agreement.

Currency risks

Sport Nordic Holding's revenue is primarily invoiced in DKK, whereas below 5% of purchases are made in USD related currencies. Accordingly, SPORTMASTER's currency risk exposure is limited.

Capital structure and funding

Sport Nordic Holding is financed by a combination of equity and bank debt. Equity consists of one share class which is owned by 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 Sport Nordic Holding.

Corporate Governance

By virtue of its ownership, Sport Nordic Holding is subject to "Guidelines for responsible ownership and good company management" defined by the Danish Venture Capital and Private Equity Association. The guidelines are available at DVCA's website www.dvca.dk. It is Sport Nordic Holding's intention to fully comply with the guidelines where it is relevant for Sport Nordic Holding.

The basis for the organisation of the management tasks is, among other things, the Danish Companies Act, the Danish Financial Statements Act, the Articles of Association of the Company as well as good practice from comparable companies. In addition, Management of Sport Nordic Holding is continuously monitoring the development within Corporate Governance. In this way, Management ensures that the Group, internally as well as externally, is managed in a way which is in harmony with time and in accordance with applicable law in order to protect the interests of all interested parties.

The Board of Directors has agreed upon updated Rules of Procedures for the Board of Directors. In addition, the Board of Directors has appointed an Audit Committee.

The following Board members are represented on the Audit Committee:

- Michael Haaning, Vice Chairman
- Jess Ørgaard Libak Tropp, Board Member

The Board of Directors consists of a total of six members. Three of the representatives have been appointed by the principal shareholder and three of the representatives are independent. The Nordic Capital Fund VII is represented on the Board of Directors by Michael Haaning, Lars Terney and Jess Ørgaard Libak Tropp, respectively.

Management's review

Operating review (continued)

Four to six Board meetings are held each year. The Board of Directors determines the strategy of the Group and is an active sparring partner to Management of the Group. Two to three meetings are held in the Audit Committee each year.

Internal controls over financial reporting

Sport Nordic Holding's risk management and internal controls over financial reporting are focused on reducing the risk of material misstatements in the presentation of the consolidated financial statements and parent company financial statements.

Management evaluates essential risks and internal controls related to Sport Nordic Holding's financial reporting on an ongoing basis. The Group has established a central accounting function, which is responsible for managing the financial reporting process, as well as a controlling function, which is responsible for the detailed follow-up on the Group's shops.

The Audit Committee oversees the financial reporting process including the sufficiency and efficiency of the established internal controls, new financial reporting standards, accounting policies and essential accounting estimates and judgements on an ongoing basis.

The Audit Committee reports to the Board of Directors.

Corporate Social Responsibility

Sport Nordic Holding works with specific objectives in a number of relevant areas, but a policy on corporate social responsibility, human rights and climate has not been adopted.

The Board of Directors of the Company consists of six members, of whom one is a woman. The goal is to increase the proportion of women to 30% by the end of 2019. The gender composition of the Board of Directors has remained unchanged in 2015. Michael Christiansen was considered the best qualified candidates for the vacant position in the Board of Directors. Due to that, the share of female board members was unchanged.

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 23%. The number of female leaders has been unchanged in 2015. The goal is, through increased use of networks etc., to increase the proportion of women to 30% by the end of 2019.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	Revenue	1,073,533	1,076,233	0	0
	Cost of goods sold	-553,323	-566,150	0	0
	Gross profit	520,210	510,083	0	0
	Other external costs	-239,802	-251,234	-55	-10
3	Staff costs	-212,807	-220,012	0	0
	Depreciation	-16,949	-16,415	0	0
	Amortisation	-39,922	-33,755	0	0
4	Special items	-8,594	-5,727	0	0
	Operating profit/loss	2,136	-17,060	-55	-10
9	Share of profit/loss in subsidiaries after tax	0	0	-24,319	-43,092
	Financial income	840	0	80	0
5	Financial expenses	-23,844	-28,968	0	0
	Profit/loss before tax	-20,868	-46,028	-24,294	-43,102
6	Tax on profit/loss for the year	-3,431	2,928	-5	2
	Profit/loss for the year	-24,299	-43,100	-24,299	-43,100

Proposed profit appropriation/distribution of profit/loss

	Parent company 2015	Parent company 2014
Retained earnings	-24,299	-43,100
Profit/loss for the year	-24,299	-43,100

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

		Consolidated		Parent company	
Note	DKK'000	2015	2014	2015	2014
	ASSETS				
	Non-current assets				
7	**Intangible assets**				
	Goodwill	339,405	358,462	0	0
	Other intangible assets	16,238	13,829	0	0
		355,643	372,291	0	0
8	**Property, plant and equipment**				
	Plant and equipment	10,016	10,651	0	0
	Leasehold improvements	42,677	39,228	0	0
		52,693	49,879	0	0
	Other non-current assets				
	Deposits	21,631	19,684	0	0
9	Investments in subsidiaries	0	0	293,000	260,692
		21,631	19,684	293,000	260,692
	Total non-current assets	429,967	441,854	293,000	260,692
	Current assets				
	Inventories				
	Finished goods and goods for resale	317,564	292,939	0	0
		317,564	292,939	0	0
	Receivables				
	Trade receivables	21,733	17,281	0	0
	Amounts owed by subsidiaries	0	0	27,937	19,084
11	Deferred tax	16,941	18,144	0	13
	Other receivables	11,882	21,651	0	625
	Corporation tax	0	92	0	0
	Prepayments	4,947	3,154	0	0
		55,503	60,322	27,937	19,722
	Cash at bank and in hand	1,186	39,220	0	0
	Total current assets	374,253	392,481	27,937	19,722
	TOTAL ASSETS	804,220	834,335	320,937	280,414

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
	EQUITY AND LIABILITIES				
	Equity				
10	Share capital	12,739	10,436	12,739	10,436
	Retained earnings	302,233	269,944	302,233	269,944
	Total equity	314,972	280,380	314,972	280,380
	Liabilities				
12	**Non-current liabilities**				
	Bank loans	228,786	245,143	0	0
	Amounts owed to former owners	4,667	4,667	0	0
		233,453	249,810	0	0
	Current liabilities				
12	Current portion of non-current liabilities	0	26,244	0	0
	Prepayments from customers	29,996	35,905	0	0
	Trade payables	135,509	143,550	0	0
	Amounts owed to subsidiaries	0	0	5,890	0
	Amounts owed to former owners	0	3,324	0	0
	Corporation tax	0	0	3	9
13	Other payables	81,061	86,228	72	25
	Deferred income	9,229	8,894	0	0
		255,795	304,145	5,965	34
	Total liabilities	489,248	553,955	5,965	34
	TOTAL EQUITY AND LIABILITIES	804,220	834,335	320,937	280,414

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

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Consolidated		
	Share capital	Retained earnings	Total
Equity at 1 January 2014	10,394	313,974	324,368
Capital increase	42	1,193	1,235
Issue of warrants	0	140	140
Acquisition of treasure shares	0	-1,200	-1,200
Treasury shares as payment for acquisition of subsidiaries and activities	0	1,446	1,446
Value adjustments of hedging instruments	0	-3,217	-3,217
Tax on value adjustments of hedging instruments	0	708	708
Transferred, see profit appropriation/distribution of loss	0	-43,100	-43,100
Equity at 1 January 2015	10,436	269,944	280,380
Capital increase	2,303	57,338	59,641
Acquisition of treasure shares	0	-837	-837
Issue of warrants	0	1,061	1,061
Value adjustments of hedging instruments in subsidiaries	0	-1,248	-1,248
Tax on value adjustments of hedging instruments	0	274	274
Transferred, see profit appropriation/distribution of loss	0	-24,299	-24,299
Equity at 31 December 2015	12,739	302,233	314,972

DKK'000	Parent company		
	Share capital	Retained earnings	Total
Equity at 1 January 2014	10,394	313,974	324,368
Capital increase	42	1,193	1,235
Issue of warrants	0	140	140
Acquisition of treasure shares	0	-1,200	-1,200
Treasury shares as payment for acquisition of subsidiaries and activities	0	1,446	1,446
Value adjustments of hedging instruments in subsidiaries	0	-2,509	-2,509
Transferred, see profit appropriation/distribution of loss	0	-43,100	-43,100
Equity at 1 January 2015	10,436	269,944	280,380
Capital increase	2,303	57,338	59,641
Acquisition of treasure shares	0	-837	-837
Issue of warrants	0	1,061	1,061
Value adjustments of hedging instruments in subsidiaries	0	-974	-974
Transferred, see profit appropriation/distribution of loss	0	-24,299	-24,299
Equity at 31 December 2015	12,739	302,233	314,972

Costs related to capital increases in 2015 amount to DKK 246 thousand, which have been expensed.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Cash flow statement

DKK'000	Note	Consolidated 2015	Consolidated 2014
Profit/loss for the year		-24,299	-43,100
Depreciation and amortisation		56,871	50,170
Other adjustments of non-cash operating items etc.	16	26,518	26,044
Cash generated from operations (operating activities) before changes in working capital		59,090	33,114
Changes in working capital	17	-41,552	57,317
Cash generated from operations		17,538	90,431
Interest received		840	0
Interest paid		-22,809	-27,240
Corporation tax paid		0	-2,450
Cash flows from operating activities		-4,431	60,741
Acquisition of other intangible assets	7	-13,045	-8,562
Acquisition of property, plant and equipment	8	-19,750	-19,227
Disposals of property, plant and equipment		91	93
Acquisition of other non-current assets		-1,742	0
Disposals of other non-current assets		0	5,382
Acquisition of subsidiaries and activities and payment of debt to former owners		-13,958	-59,580
Cash flows from investing activities		-48,404	-81,894
External financing:			
Proceeds from long-term debt		0	60,759
Repayment of long-term debt		-45,064	-24,000
Capital increase		59,641	610
Proceeds from issue of warrants		1,061	140
Acquisition of treasure shares		-837	-1,200
Cash flows from financing activities		14,801	36,309
Net cash flows from operating, investing and financing activities		-38,034	15,156
Cash and cash equivalents at 1 January		39,220	24,064
Cash and cash equivalents at 31 December		1,186	39,220

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

The annual report of Sport Nordic Holding 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 consolidated financial statements and the parent company financial statements are consistent with those of last year.

Consolidated financial statements

The consolidated financial statements comprise the parent company, Sport Nordic Holding ApS, and subsidiaries in which Sport Nordic Holding ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Business combinations

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated 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 15 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.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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., involving enterprises controlled by the parent company, 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.

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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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 Group'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 Group's operating profit/loss and are specified in a note to the financial statements.

Profits/losses from investments in subsidiaries

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses.

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 parent 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.

The parent company 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 current tax, 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 strategically and consequently amortised over a period of 15 years.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other intangible assets

Other intangible assets, which comprise IT software, payment regarding tenancy takeover and trade names, are measured at cost less accumulated amortisation and impairment losses. Other intangible assets are amortised at 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

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 Sport Nordic Holding ApS are not recognised in the reserve for net revaluation.

On acquisition of subsidiaries, the acquisition method is applied, see Consolidated financial statements 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.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Treasury shares

Total acquisition and disposal costs of treasury shares are recognised directly in retained earnings under 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

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Joint taxation contribution payable and receivable is recognised in the balance sheet as "Corporation tax payable" or "Corporation tax receivable".

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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 carry forwards, 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.

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.

Deferred income

Deferred income comprises payments received concerning income in subsequent years.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of enterprises is shown separately in cash flows from investing activities. Cash flows from acquisitions of enterprises are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of enterprises are recognised up until the date of disposal.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and at hand.

Segment information

Sport Nordic Holding Group has only domestic revenue and only one segment. Consequently, the Group 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 $\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$

	Consolidated		Parent company	
DKK'000	2015	2014	2015	2014
2 **Fees paid to auditors appointed at the annual general meeting**				
Total fees to EY	665	607	55	40
	665	607	55	40
Fee regarding statutory audit	445	442	25	25
Assurance engagements	73	48	0	0
Other assistance	97	117	15	15
Tax assistance	50	0	15	0
	665	607	55	40

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
3 Staff costs and incentive programmes				
Wages and salaries	197,721	205,855	0	0
Pensions	9,884	9,436	0	0
Other social security costs	5,202	4,721	0	0
	212,807	220,012	0	0
FTE (employees)	621	651	0	0

Remuneration to the parent company Board of Directors of DKK 963 thousand (2014: DKK 975 thousand) is included in staff costs.

Incentive programmes

Sport Nordic Holding has established a share-based incentive programme in the form of a warrant program for senior executives. The warrants are acquired at the fair value at the grant date.

In 2015, proceed from issue of warrants regarding 751,453 shares amount to DKK 1,061 thousand.

At 31 December 2015 a total number of outstanding warrants amount to 1,598,702. The warrants give right to acquire 1,441,607 shares of DKK 1 each.

The total number of outstanding warrants owned by the Board of Directors at 31 December 2015 amount to 220,077 shares.

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
4 Special items				
Restructuring costs related to close downs, including salary and severance payments, etc.	-8,327	-13,382	0	0
Other one-off items	-267	7,655	0	0
	-8,594	-5,727	0	0
5 Financial expenses				
Interest expense, banks	19,745	20,879	0	0
Amortisation of financing costs	2,463	3,539	0	0
Other interest expenses	1,636	4,550	0	0
	23,844	28,968	0	0
6 Tax on the profit/loss for the year				
Current tax for the year	0	0	-2	2
Adjustment of deferred tax	-1,588	3,817	-3	0
Adjustment to current tax regarding prior years	-1,637	-58	10	-12
Adjustment to deferred tax regarding prior years	-206	-831	-10	12
	-3,431	2,928	-5	2

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

7 Intangible assets

DKK'000	Consolidated Goodwill	Consolidated Other intangible assets	Consolidated Total
Cost at 1 January 2015	428,987	21,873	450,860
Transfer	-94	94	0
Additions on acquisition of subsidiaries	9,229	1,000	10,229
Additions	208	12,837	13,045
Cost at 31 December 2015	438,330	35,804	474,134
Impairment losses and amortisation at 1 January 2015	70,525	8,044	78,569
Amortisation	28,400	11,522	39,922
Impairment losses and amortisation at 31 December 2015	98,925	19,566	118,491
Carrying amount at 31 December 2015	339,405	16,238	355,643
Amortised over	15 years	3 years	

8 Property, plant and equipment

DKK'000	Consolidated Plant and equipment	Consolidated Leasehold improve-ments	Consolidated Total
Cost at 1 January 2015	32,584	55,190	87,774
Additions on acquisition of subsidiaries	0	187	187
Additions	5,636	14,114	19,750
Disposals	-216	-323	-539
Cost at 31 December 2015	38,004	69,168	107,172
Impairment losses and depreciation at 1 January 2015	21,933	15,962	37,895
Depreciation	6,217	10,732	16,949
Disposals	-162	-203	-365
Impairment losses and depreciation at 31 December 2015	27,988	26,491	54,479
Carrying amount at 31 December 2015	10,016	42,677	52,693
Depreciated over	3-5 years	3-10 years	

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Parent company 2015	Parent company 2014
9 Investments in subsidiaries		
Cost at 1 January	368,080	368,080
Capital increase	57,600	0
Cost at 31 December	425,680	368,080
Value adjustments at 1 January	-107,387	-61,786
Profit/loss for the year	-24,319	-43,092
Value adjustments of hedging instruments after tax	-974	-2,509
Value adjustments at 31 December	-132,680	-107,387
Carrying amount at 31 December	293,000	260,693

Name	Registered office	Voting rights and ownership
SDK Sport I ApS	Ballerup	100%

10 Share capital

The share capital comprises 12,738,709 shares of DKK 1 each. In 2015, the parent company purchased 30,536 number of treasury shares for DKK 837 thousand.

At 31 December 2015 the parent company owns 30,536 treasury shares.

Changes in share capital since the establishment can be specified as follows:

DKK'000	2015	2014	2013	2012
Capital injection at establishment of the Company on 1 May 2012	0	0	0	80
Balance at the beginning of the period	10,436	10,394	10,289	0
Cash capital increase	2,303	42	105	10,209
	12,739	10,436	10,394	10,289

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
11 Deferred tax assets				
Deferred tax assets at 1 January	18,144	14,450	13	1
Adjustment to last year	-206	0	-10	0
Addition on acquisition of subsidiaries	317	0	0	0
Adjustment of deferred tax	-1,588	2,986	-3	12
Adjustment of deferred tax recognised in equity	274	708	0	0
Deferred tax assets at 31 December	16,941	18,144	0	13

Deferred tax assets relates to:

	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
Intangible assets	-3,530	-2,396	0	0
Property, plant and equipment	10,689	7,007	0	0
Inventories	3,425	9,779	0	0
Liabilities other than provisions	3,203	976	0	0
Tax loss carryforwards	3,154	2,778	0	13
	16,941	18,144	0	13

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000	Consolidated 2015	Consolidated 2014
12 Non-current liabilities		
The bank loans are recognised in the balance sheet as follows:		
Non-current liabilities	228,786	245,143
Current liabilities	0	26,244
	228,786	271,387
Bank loans falling due more than five years after the balance sheet date (carrying amount)	0	0
Financing costs offset against liabilities	8,296	10,759

Amounts owed to former owners is due within 5 years.

DKK'000	Consolidated 2015	Consolidated 2014	Parent company 2015	Parent company 2014
13 Other payables				
Holiday pay obligations and salary related liabilities	29,415	30,844	0	0
VAT payables	35,318	39,238	0	0
Fair value of hedging instruments	6,385	4,594	0	0
Other liabilities	9,943	11,552	72	25
	81,061	86,228	72	25

14 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

The parent company is jointly taxed with the subsidiaries. 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 companies are jointly and severally liable for group VAT registration.

As security for bank loans mortgage is provided in the Group's assets, including goodwill.

The parent company has guaranteed for banks loans in subsidiaries of DKK 237,082 thousand.

Operating lease obligations

The Group has entered into operating leases with an annual lease payment of DKK 124,719 thousand (2014: 152,264 thousand). The total nominal residual lease payment amounts to DKK 349,456 thousand (2014: 221,182 thousand).

Consolidated financial statements and parent company financial statements for the period 1 January - 31 December

Notes to the financial statements

15 Related party disclosures

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

Nordic Capital Fund VII, England, which controls the Company.

Other related parties

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

The Group companies: SDK Sport I ApS, SDK Sport II 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:

Nordic Capital Fund VII, England.

		Consolidated	
	DKK'000	2015	2014
16	**Other adjustments of non-cash operations items etc.**		
	Financial income	-840	0
	Financial expenses	23,844	28,968
	Losses on disposals of property, plant and equipment	83	4
	Tax on profit/loss for the year	3,431	-2,928
		26,518	26,044
17	**Changes in working capital**		
	Change in inventories	-22,933	-18,359
	Change in receivables	3,551	8,234
	Change in trade and other payables	-22,170	67,442
		-41,552	57,317