Sport Nordic Holding ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 56 07

Annual Report 2017

Approved at the Company's annual general meeting on 30 May 2018

Chairman:

Mette M ....

Contents

Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Sport Nordic Holding ApS for the financial year 1 January - 31 December 2017.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

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

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

Copenhagen, 30 May 2018
Executive Board:

Jens Høgsted

Board of Directors:

Michael Christiansen Chairman	Michael Haaning	Mikkel Vendelin Olesen

Jess Ørgaard Libak Tropp

Independent auditor's report

To the shareholders of Sport Nordic Holding ApS

Opinion

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 2017, comprising statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including accounting policies for the Group and income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Parent Company. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Independence

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

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

Based on our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report

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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as 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.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

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

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

- Identify and assess the risk of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may imply that the Group and the Parent Company to cease to continue as a going concern.

Independent auditor's report

- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 30 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen	Michael Groth Hansen
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE-no.: mne24687	MNE-no.: mne33228

Management's review

Company details

Name	Sport Nordic Holding ApS
Address, zip code, city	c/o Sport Danmark ApS Baltorpbakken 5, DK-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
Executive Board	Jens Høgsted
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

	2017	2016	2015	2014	2013
Key figures (DKK'000)					
Revenue	1,146,008	1,106,120	1,073,533	1,076,233	1,041,418
Gross profit	496,816	486,651	495,351	510,083	507,024
Operating profit before depreciation and amortisation (EBITDA)	21,479	38,501	60,576	33,111	9,826
Operating profit before special items, depreciation and amortisation (Adjusted EBITDA)	33,128	39,594	68,314	38,838	17,554
Operating profit/loss before special items	8,161	16,705	38,227	-11,333	-28,045
Operating profit/loss (EBIT)	-3,488	15,612	30,489	-17,060	-35,773
Financial income and expense	-18,405	-24,799	-24,252	-28,968	-26,811
Profit/loss for the year	**-17,535**	**-7,682**	**2,392**	**-43,100**	**-55,251**
Total assets	827,957	832,395	837,233	825,441	812,606
Investment in property, plant and equipment	13,889	25,938	19,750	38,541	11,918
Equity	**396,870**	**414,660**	**331,115**	**280,380**	**324,368**
Cash flows from operating activities	47,186	27,707	-4,431	60,741	-34,259
Cash flows from investing activities	-43,204	-34,038	-44,381	-81,894	-27,097
Cash flows from financing activities	-4,515	6,346	10,778	36,309	-16,469
Total cash flows	**-533**	**15**	**-38,034**	**15,156**	**-77,852**
Financial ratios (%)					
Gross margin	43.4	44.0	46.1	47.4	48.7
Adjusted EBITDA margin	2.9	3.6	6.4	3.6	1.7
Operating margin	-0.3	1.4	2.8	-1.6	-3.4
Solvency ratio	47.9	49.8	39.5	34.0	39.9
Return on equity	-4.3	-2.1	0.8	-14.3	-15.8
FTE (employees)	632	624	621	651	686

Key figures and financial ratios for 2015-2017 are prepared in accordance with IFRS as adopted by EU. Comparative figures for 2013-2014 have not been restated to reflect the changed practice, but have been prepared in accordance with the former accounting policies based on the provisions of the Danish Financial Statements Act.

Financial ratios - except from adjusted EBITDA margin - are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios. 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 retail banners SPORTMASTER and Rezet Sneaker Store.

SPORTMASTER is a nationwide omni-channel retailer with more than 100 quality stores and the leading Danish sports online store. SPORTMASTER has an extensive and attractive range of products, including own brands and leading sports brands of shoes, clothing and equipment for sports and leisure activities.

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

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.

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 physical SPORTMASTER stores.

Building the best omni-channel offer to our club members has been first 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 2017. In March 2018 SPORTMASTER again was appointed best omni-channel retailer in Denmark.

In a year with severe pressure on the retail market across markets and segments, it is remarkable that the total revenue of Sport Nordic Holding Group for 2017 increased by 4% to DKK 1,146 million. Also gross profit was increased, but not gross margin. It is even more remarkable that the underlying transformation of the revenue from classical retail to digital sales channels which in 2017 was 17% of turnover increased by almost 40%.

Investments in the future was totalling DKK 45 million and is a historically high level. Among others, there has been large investments in the online platforms a new logistic setup and further enhancements of Club SPORTMASTER which at the end of 2017 counts 1.2 million members.

Investments in the future hampers the current profitability of the company. However, it is our belief, that the long term investments we have made in 2017 combined with our increasing ability to crack the code of tomorrows consumer, will be a long term winning strategy. Adjusted operating profit before depreciation and amortisation (adjusted EBITDA) was DKK 33.1 million (2016: DKK 39.6 million), whereas operating profit before special items (adjusted EBIT) was DKK 8.2 million (2016: DKK 16.7 million).

The number of employees has been almost unchanged at an average of 632 (FTE) during the year (2015: 624).

The net result was below expectations at the beginning of the year.

The Group's financial position is unchanged with a solvency rate of 47.9% (2016: 49.8%) as all investments has been financed though operating cash flows. Combined with the expected longer term improvement of profitability, the Group's financial position is today strong.

Outlook

Sport Nordic Holding expects that the continuously increasing competition in the market over time will have consequences for the distribution in Denmark. Sport Nordic Holding expects to benefit from our continued investments in digitization of the company, OMNI channel solutions combined with being the preferred Danish partner for the major global suppliers. In the shorter term, profitability will continue to be challenged.

Management's review

Operating review (continued)

Events after the balance sheet date

In the beginning of first quarter 2018 we went live with the new logistic platform. There has been implementation issues affecting deliveries to stores and online customers, which has had a negative impact on sales and profitability. Deliveries have been normalized in second quarter 2018.

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 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.

The Executive Board develops, implements and maintains internal control and risk management systems. These systems are approved by the Board of Directors, whom holds the overall responsibility for risk management in the Group.

Through reporting from the Executive Board, the Audit Committee oversees the internal control systems and assesses if the systems are efficient and are complied with. Further, the Audit Committee oversees the development in and handling of significant risks. On a monthly basis the Board of Directors are informed about the development in the main risks. Further in order for the Board of Directors to initiate actions to remedy and mitigate risks, once a year they receive an overview of the main risks and their estimated potential impact on the profitability of the Group.

Significant Commercial risks

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

Cyclical development

The Sport Nordic Holding Group has a nationwide shop network and a high market share in Denmark. The Group is thus affected by the cyclical development in Denmark. Management monitors the development in consumer behavior and sales on a daily basis and can therefore promptly respond to a sales slide, for example by initiating sales promotions.

Industry development

In later years, high competition for store traffic has characterised the Danish sports retail market and many stores have had to close over the past 36 months. This also implied a concentration of the ownership to the Danish retail stores. Moreover, trade patterns of the customers have changed, who, to an increasing extent, do their shopping in web shops as well as physical shops. The Group's presence is massive on both platforms, and it succeeds in creating an integrated purchase experience. The Group always strives at improving the customers' experience through a high level of service in the shops, local presence throughout the organisational environment, development of the network of shops, development of the assortment, marketing through the more traditional and new on-line media and the development of offers to the most loyal customers via an increasing level of customised offers.

Products and suppliers

The industry is characterised by global players who constantly increase their market shares. Strong and true partnerships are essential to win with the leading brands, as well as attractive terms of trade. The Group has invested much management power in building strong relations that is believed to be an asset in a highly competitive environment.

The Group develops its own goods under the brands M79 and MASTER, which is manufactured by a network of suppliers with whom the Group has long term relationships. There is a risk of diluting the brand values, if the manufacturers do not comply with the Group's Code of Ethics and code of conduct.

Management's review

Operating review (continued)

Significant financial risks

Sport Nordic Holding is to some extent exposed to currency risk, interest rate risk, liquidity and financing risks. Reference is made to note 20 in the Group's financial statements for further information on these risks. Overall, we see the financial risk as low to moderate.

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 in the Audit Committee:

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

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

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

The Group is active in sports retailing both through physical stores in Denmark and online in Denmark as well as other markets around the world. We are resellers of global brands like Nike, Adidas and Hummel, but we also develop our own private label products and have them produced by manufacturers in China and Hong Kong.

Management's review

Operating review (continued)

We are crazy about sport - and we strive to get more people into sports. Therefore we support more than 300 local sports clubs, Danish Football Association and their football camps, a number of professional clubs as well as supporting professional athletes. But we also support the non-profit organization GAME Denmark, whom works with street sports like street basket, street soccer, dance and parkour.

Via "Julehjælpen" we also support families in need with Christmas gift cards to our SPORTMASTER stores.

The Group has all its employees in Denmark, and we have adopted the collective agreement between Dansk Erhverv and HK.

Sport Nordic Holding works with specific objectives in a number of relevant areas, but a policy on corporate social responsibility, human rights, environment and climate was not adopted in 2016. The Group has in 2017 adopted a CSR policy covering the following areas:

- Anticorruption and competition
- Labour standards and Human rights

Anticorruption and competition

The Group refuses to accept or retain business through bribery. Employees are not allowed directly or indirectly to offer, promise, grant, or authorize the giving of money or anything of value to someone in order to unduly influence the recipient in the performance of professional duties or in order to obtain or retain an improper business advantage. Employees do not ask for or accept improper benefits from others for performance of their duties to the Group. Applicable anti-bribery laws are strictly followed.

The Group and its employees follow applicable competition law. Employees do not engage in discussions with competitors regarding market allocation, information exchange, production and sales quotas.

During 2017 we have not seen any breaches of our policies. Further we have developed our internal education programme so that these policies will be a part of our Talent and Leadership Academy.

Labour standards and Human rights

The Group does not compromise on requirements set out in national law or international standards with regard to worker safety and human rights. The Group takes responsibility for all people participating in the conduct of its business. Those whose work contributes to the Group's business success are not deprived of their human rights, or subject to mental or bodily harm in their labour. The Group understands that its business may have an impact on human rights issues, in particular in relation to people's working and living conditions.

Manufacturers of the Group's private labels are required to adhere to the Group's Code of Conduct. We base our requirements mainly on internationally recognized standards such as the Universal Declaration of Human Rights, The UN Convention on the Rights of the Child, applicable International Labour Organisation ("ILO") Conventions, and national legislation.

The Group's code of conduct has been updated in 2017 and we expect that a minimum of 80% of the Group's private label production is done by manufacturers whom have accepted to comply with our Code of Conduct.

The environment & climate

The Group complies with all applicable environmental laws and regulations. Environmental resources are used responsibly and carefully and the Group strives to conduct its business in an environmentally sustainable way, by way of, for example, improved transport efficiencies or investment in low energy consumption lights for our physical store network (LED).

The Group has not yet developed a specific policy on this area because as a retailer we do not consider environment as the area where our efforts would have the greatest impact. Ideas from employees that reduce the environmental impact of the Group's activities are though supported and encouraged.

Management's review

Operating review (continued)

Policy concerning the underrepresented gender

The Board of Directors of the Company consists of five members, all male. The goal is to increase the proportion of women to a minimum of 30% by the end of 2020.

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 2017. The goal is, through increased use of networks, etc., to increase the proportion of women to a minimum of 30% by the end of 2020.

Consolidated financial statements for the period 1 January – 31 December

Statement of comprehensive income

Note	DKK'000	2017	2016
	Revenue	1,146,008	1,106,120
	Cost of goods sold	-649,192	-619,469
	Gross profit	496,816	486,651
	Other operating income	500	1,400
3	Other external costs	-242,676	-227,784
4	Staff costs	-221,512	-220,673
8	Amortisation	-9,698	-10,061
10	Depreciation	-15,269	-12,828
5	Special items	-11,649	-1,093
	Operating profit	-3,488	15,612
	Financial income	491	805
6	Financial expenses	-18,896	-25,604
	Profit before tax	-21,893	-9,187
7	Tax on the profit for the year	4,358	1,505
	Profit for the year	-17,535	-7,682
	Other comprehensive income after tax	0	0
	Total comprehensive income	-17,535	-7,682

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
8,9	**Intangible assets**		
	Goodwill	367,805	367,805
	Other intangible assets	18,039	12,958
	Other intangible assets in progress	18,570	3,731
		404,414	384,494
10	**Property, plant and equipment**		
	Plant and equipment	11,657	11,907
	Leasehold improvements	54,810	55,940
		66,467	67,847
	Other non-current assets		
	Deposits	20,322	19,958
7	Deferred tax	23,030	18,672
		43,352	38,630
	Total non-current assets	514,233	490,971
	Current assets		
11	Inventories	286,315	313,143
20	Trade receivables	9,977	11,731
	Prepayments	6,227	5,332
	Corporation tax	304	304
12	Other receivables	10,233	9,713
	Cash at bank and in hand	668	1,201
	Total current assets	313,724	341,424
	TOTAL ASSETS	827,957	832,395

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
13	**Equity**		
	Share capital	16,264	16,264
	Treasury shares	-1,047	-837
	Retained earnings	381,653	399,233
	Total equity	396,870	414,660
	Liabilities		
	Non-current liabilities		
14	Provisions	17,227	16,937
15	Bank loans	144,470	142,730
	Total non-current liabilities	161,697	159,667
	Current liabilities		
14	Provisions	4,381	0
15	Bank loans	1,552	5,764
15	Amounts owed to former owners	3,267	3,267
	Prepayments from customers	26,216	25,517
	Trade payables	154,505	140,317
16	Other payables	70,050	74,812
	Deferred income	9,419	8,391
	Total current liabilities	269,390	258,068
	Total liabilities	431,087	417,735
	TOTAL EQUITY AND LIABILITIES	827,957	832,395

Consolidated financial statements for the period 1 January – 31 December

Cash flow statement

DKK'000	Note	2017	2016
Profit/loss for the year		-17,535	-7,682
Depreciation and amortisation		24,967	22,889
Other adjustments of non-cash operating items, etc.	18	13,823	21,270
Cash generated from operations (operating activities) before changes in working capital		21,255	36,477
Changes in working capital	19	42,880	10,042
Cash generated from operations		64,135	46,519
Interest received		1	166
Interest paid		-16,950	-21,017
Corporation tax paid		0	2,039
Cash flows from operating activities		47,186	27,707
Acquisition of other intangible assets	8	-29,618	-10,512
Acquisition of property, plant and equipment	10	-13,222	-25,199
Disposals of property, plant and equipment		0	0
Acquisition of other non-current assets		-364	0
Disposals of other non-current assets		0	1,673
Cash flows from investing activities		-43,204	-34,038
External financing:			
Repayment of long-term debt		0	-90,000
Net change in short-term bank loans		-4,212	5,167
Shareholders:			
Capital increase		0	91,179
Acquisition of treasure shares and settlement of warrants		-303	0
Cash flows from financing activities		-4,515	6,346
Net cash flows from operating, investing and financing activities		-533	15
Cash and cash equivalents at 1 January		1,201	1,186
Cash and cash equivalents at 31 December		668	1,201

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

Consolidated financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share Capital	Treasury share reserve	Retained earnings	Total
Equity 1 January 2017	16,264	-837	399,233	414,660
Comprehensive income in 2017				
Profit for the year	0	0	-17,535	-17,535
Total other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	-17,535	-17,535
Transactions with owners				
Acquisition of treasury shares and settlement of warrants	0	-210	-93	-303
Incentive program	0	0	48	48
Total transactions with owners	0	-210	-45	-255
Equity 31 December 2017	16,264	-1,047	381,653	396,870

DKK'000	Share Capital	Treasury share reserve	Retained earnings	Total
Equity 1 January 2016	12,739	-837	319,213	331,115
Comprehensive income in 2016				
Profit for the year	0	0	-7,682	-7,682
Total other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	-7,682	-7,682
Transactions with owners				
Capital increase	3,525	0	87,654	91,179
Incentive program	0	0	48	48
Total transactions with owners	3,525	0	87,702	91,227
Equity 31 December 2016	16,264	-837	399,233	414,660

Transaction costs in relation with capital increase in 2016 amounted to DKK 126 thousand and was accounted for as a deduction from equity.

Consolidated financial statements for the period 1 January – 31 December

Summary of notes to the consolidated financial statements

Consolidated financial statements for the period 1 January - 31 December

Notes

1 **Accounting policies**

Sport Nordic Holding ApS is a limited liability company registered in Denmark. The financial statements section of the annual report for the period 1 January - 31 December 2017 comprises both the consolidated financial statements of Sport Nordic Holding ApS and its subsidiaries (the Group) and the separate parent company financial statements.

The consolidated financial statements for Sport Nordic Holding ApS for 2017 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act for large class C companies.

The annual report also fulfils the requirements laid down in International Financial Reporting Standards issued by the IASB.

The Board of Directors and the Executive Board have on 30 May 2018 discussed and approved the annual report for Sport Nordic Holding ApS for 2017. The annual report will be presented to the shareholders of Sport Nordic Holding ApS for adoption at the annual general meeting on 30 May 2018.

The accounting policies are unchanged from last year.

Basis of preparation

The consolidated financial statements have been presented in Danish kroner, rounded to the nearest DKK thousand which is also the functional currency for the parent company.

The accounting policies set out below have been applied consistently in respect of the financial year and to comparative figures.

Summary of significant accounting policies

Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Sport Nordic Holding ApS (the Company), and subsidiaries controlled by Sport Nordic Holding ApS.

The Group controls an entity if the Group is exposed to or is entitled to variable returns due to its interest in the entity and can impact these returns through its controlling interest in the entity.

In the assessment as to whether the Group exercises control, allowance is made for de facto control and potential voting rights that are real and of substance at the reporting date.

The consolidated financial statements have been prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains in so far as they do not reflect impairment.

In the consolidated financial statements, the items of subsidiaries are recognised in full.

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 financial statements up to the date of disposal. Comparative figures are not restated to reflect acquisitions. Discontinued operations and assets held for sale are presented separately, see below.

The purchase method is applied to acquisitions of new businesses over which Sport Nordic Holding ApS obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax related to the revaluations is recognised.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

The acquisition date is the date when Sport Nordic Holding ApS effectively obtains control over the acquired business.

Any excess of the consideration transferred, the value of non-controlling equity interests in the acquired enterprise and the fair value of any previously held equity interests over the fair value of the identifiable assets, liabilities and contingent liabilities acquired (goodwill) is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested annually for indications of impairment. The first impairment test is performed before the end of the year of acquisition.

The consideration paid for a business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed terms, such part of the consideration is recognised at fair value at the date of acquisition.

Expenses incurred in connection with corporate acquisitions are recognised in administrative expenses in the year in which the expenses are incurred.

If uncertainties regarding identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it turns out subsequently that the identification or measurement of the purchase consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the statement will be adjusted retrospectively, including goodwill, until 12 months after the acquisition, and comparative figures will be restated. After that, goodwill will not be adjusted. Changes in estimates of contingent purchase considerations are recognised in profit or loss for the year.

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, including goodwill at the date of disposal and costs of disposal.

Foreign currency translation

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the rate at the transaction date and the rate at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the balance sheet date.

The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in profit or loss as financial income or financial expenses.

Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in the balance sheet, and positive and negative values are set off only when the Company has the right and the intention to settle several financial instruments net.

As derivative financial instruments (currency exchange contracts and interest rate swaps) are not classified and/or do not qualify for hedge accounting, changes in fair value are recognised in the income statement as financial income or financial expenses.

Revenue

Revenue from the sale of goods for resale is recognised in the income statement provided that risks and rewards have been transferred to the buyer before the year-end and that the income can be reliably measured and is expected to be received.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Revenue is measured at the fair value of the agreed consideration excl. 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 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.

Financial income and expenses

Finance income and expenses comprise interest income and expenses as well as exchange gains and losses on transactions denominated in foreign currencies. Furthermore, amortisation of financial assets and liabilities as well as surcharges and allowances under the on-account tax scheme and fair value adjustments of derivative financial instruments which are not designated as hedging instruments are included.

Income tax

Tax on profit/loss for the year

Sport Nordic Holding ApS is jointly taxed with all its Danish subsidiaries. The current Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

Tax for the year comprises the year's current tax charge and deferred tax adjustments. The tax expense is recognised in profit or loss, other comprehensive income or directly in equity.

Current 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 prior-year taxable income and tax paid on account.

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 on office premises 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 alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised under other non-current assets 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.

Deferred tax assets are subject to annual impairment tests and are recognised only in so far as it is probable that the assets will be utilised.

Deferred tax assets and liabilities are offset if the Group has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities simultaneously.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the comprehensive income for the year.

Intangible assets

Goodwill

Goodwill is initially recognised in the balance sheet at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. Identification of cash-generating units is based on the management structure and internal financial control.

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 machinery 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. Further, cost includes the present value of the estimated costs for dismantling and removing the asset and restoring the site on which the asset was located.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognised in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are de-recognised in the balance sheet, and the carrying amount is recognised in the income statement. All other expenses relating to ordinary repairs and maintenance are recognised in profit or loss as incurred.

Where individual components of an item of property, plant and equipment have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components. The expected useful lives are as follows:

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

Depreciation is calculated on the basis of the residual value and impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

When the depreciation period or the residual value is changed, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Impairment testing of non-current assets

Goodwill

Goodwill is subject to annual impairment tests, initially before the end of the acquisition year. Similarly, in-process development projects are subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit or group of cash-generating units to which goodwill is allocated. The assets of the cash-generating units are written down to the recoverable amount over the income statement if the carrying amount is higher. The recoverable amount of a cash-generating unit is generally determined as the present value of the expected future net cash flows from the entity or activity (cash-generating unit) to which the goodwill relates.

Other non-current assets

The carrying amount of other non-current assets is tested annually for evidence of impairment. When there is evidence that assets may be impaired, the recoverable amount of the asset is calculated. The recoverable amount is the higher of an asset's fair value less expected costs to sell and its value in use.

Value in use is the present value of the future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

Recognition of impairment losses in the income statement

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit, respectively, exceeds the recoverable amount of the asset or the cash-generating unit. The impairment loss is recognised in a separate line item in the income statement.

Impairment of goodwill is not reversed. Impairment losses recognised in respect of other assets are reversed in so far as the assumptions and estimates underlying the impairment losses have changed. Impairment losses are reversed only in so far as the new carrying amount of the asset does not exceed the carrying amount that would have resulted (net of amortisation or depreciation) had no impairment loss been recognised in respect of the asset in prior years.

Inventories

Inventories are measured at the lower of cost in accordance with the FIFO method and the net realisable value.

Goods for resale are measured at cost, comprising 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. Provisions are made for bad debts where there is an objective indication that an individual receivable or a portfolio of receivables has been impaired.

If there is objective evidence that a portfolio has been impaired, an impairment test is performed to estimate the expected future cash flows on the basis of historical loss experience, adjusted for current market conditions and individual conditions related to the individual portfolio.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Provisions are made up as the difference between the carrying amount and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate used at the time of initial recognition is used as the discount rate for the individual receivable or portfolio.

Recognition as income of interest on written-down receivables is calculated based on the written-down value using the effective interest rate for the individual receivable or portfolio.

Prepayments

Prepayments are measured at cost.

Equity

Dividends

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

Treasury share reserve

The treasury share reserve comprises cost of acquisition for the Group's portfolio of treasury shares. Dividends received from treasury shares are recognised directly in retained earnings in equity. Gains and losses from sale of treasury shares are recognised in share premium.

Employee obligations

Pension commitments and similar non-current liabilities

The Group has entered into pension plans and similar arrangements with most employees.

Contributions to defined contribution plans where the Group makes fixed pension payments to independent pension funds are recognised in the income statement in the period to which they relate, and any outstanding contributions are recognised in the balance sheet as other payables.

The Group has not established any defined benefits plans.

Warrants programme

The value of services received in exchange for granted warrants is measured at the fair value of the warrants granted.

For equity-settled programmes, the warrants are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. The counter entry is recognised directly in equity as an owner transaction.

On initial recognition of the warrants, an estimate is made of the number of options expected to vest. That estimate is subsequently revised for changes in the number of warrants expected to vest so that the total recognition is based on the actual number of vested warrants.

Accordingly, recognition is based on the number of warrants ultimately vested. The fair value of granted warrants is estimated using an option pricing model, taking into account the terms and conditions upon which the warrants were granted.

Consolidated financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Provisions

Provisions are recognised when, as a result of past events, the Group has a legal or a constructive obligation and it is probable that there will be an outflow of resources embodying economic benefits to settle the obligation.

The amount recognised as a provision is Management's best estimate of the expenses required to settle the obligation.

On measurement of provisions, the costs required to settle the liability are discounted if the effect is material to the measurement of the liability. A pre-tax discount factor is used that reflects the current market interest rate level plus risks specific to the liability. Changes to the discount factor during the year are recognised as financial expenses.

Restructuring costs are recognised as liabilities once a detailed, formal restructuring plan has been published no later than on the balance sheet date to the persons affected by the plan. On acquisition of businesses, restructuring provisions in the acquired business are included in goodwill only when the acquired business had a restructuring liability at the acquisition date.

A provision for onerous contracts is recognised when the expected benefits to be obtained by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

Provisions for restoration of leasehold improvements, etc., are measured at the present value of the expected future restoration costs at the end of the reporting period. The provision is calculated on the basis of current public authority orders and estimated costs that are discounted at present value. Specific risks associated with the provision are included in the estimated costs. A discount factor reflecting the general interest rate levels is used. Provisions are recognised as they arise and are adjusted on an ongoing basis in order to reflect changes in requirements and prices, etc. The present value of the costs is recognised in the cost of the property, plant and equipment in question and is depreciated with these assets. The increase of the present value due to the passage of time is recognised in the income statement as financial expenses.

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 fair value at the date of recognition of the related sales.

Subsequently, prepayments from customers are measured at amortised cost.

Financial liabilities

Amounts owed to credit institutions, etc. are recognised at the date of borrowing at fair value less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement under financial expenses over the term of the loan.

Other financial liabilities are measured at amortised cost.

Deferred income

Deferred income is measured at cost.

Consolidated financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Fair value measurement

The Group uses the fair value concept in connection with certain disclosure requirements and for recognition of financial instruments. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants ("exit price").

The fair value is a market-based and not an entity-specific measurement. The entity uses the assumptions that the market participants would use for the pricing of the asset or liability based on the current market conditions, including risk assumptions. The entity's purpose of holding the asset or settling the liability is thus not taken into account when the fair value is determined.

The fair value measurement is based on the principal market. If a principal market does not exist, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and transport costs.

All assets and liabilities measured at fair value, or in respect of which the fair value is disclosed, are classified based on the fair value hierarchy, see below:

- Level 1: Value in an active market for similar assets/liabilities
- Level 2: Value based on recognised valuation methods on the basis of observable market information
- Level 3: Value based on recognised valuation methods and reasonable estimates (non-observable market information).

Cash flow statement

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as 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 acquired businesses are recognised in the cash flow statement from the date of acquisition. Cash flows from disposals of businesses are recognised up until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit/loss after tax adjusted for non-cash operating items, changes in working capital, interest income and expenses, dividends received and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of businesses and activities, addition and disposal of intangible assets, property, plant and equipment and other non-current assets as well as securities not classified as cash and cash equivalents.

Cash flows from financing activities comprise changes in the size and composition of the share capital and associated expenses as well as borrowings, repayment of interest-bearing debt, purchase and sale of treasury shares and distribution of dividends to shareholders.

Cash and cash equivalents comprise cash which are subject to an insignificant risk of changes in value.

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviate significantly from the rates ruling at the transaction date.

Consolidated financial statements 1 January – 31 December

Notes

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios.

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

Adjusted EBITDA is calculated as EBITDA +/- special items.

2 Significant estimation uncertainty, assumptions and assessments

Significant estimation uncertainty and assumptions

The calculation of the carrying amount of certain assets and liabilities requires judgements, estimates and assumptions concerning future events.

The estimates and assumptions made are among other things based on historical experience and other factors that Management finds reasonable in the circumstances but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected events or circumstances may arise. The Group is subject to risks and uncertainties which may mean that the actual outcome may differ from the estimates made. Special risks for the Group are mentioned in the Management's review under "Risk management" and in note 22 to the consolidated financial statements.

It may be necessary to change previously made estimates due to changes in the facts on which these estimates were based or due to new knowledge or subsequent events.

Estimates particularly material to the financial reporting are made, e.g., by way of impairment testing of goodwill and an assessment of the recoverability of deferred tax assets and impairment write-down in respect of inventories.

Impairment test, goodwill

In connection with the presentation of the financial statements for 2016, Management performed an impairment test of goodwill. The test was based on a number of assumptions as to the Company's financial development going forward. The most material assumptions relate to the expectations as to improved earnings. Therefore, the estimates of revenue and earnings growth are material. Also, the expectations as to the development in the interest rate used for discounting purposes are material.

If the expected earnings development is not realised, the carrying amount of goodwill cannot be maintained.

The impairment test and the relating particularly sensitive factors are described in detail in note 9 to the consolidated financial statements.

Consolidated financial statements for the period 1 January – 31 December

Notes

2 **Significant estimation uncertainty, assumptions and assessments (continued)**

Recoverability of deferred tax assets

The expected recoverable amount for deferred tax assets is based on an estimate for the expected development in the Group's earnings capacity and the possibilities of applying the tax asset to recoverable amount to reduce expected future tax payments. If the expected earnings development is not realised, the carrying amount of deferred tax therefore cannot be maintained.

Management has assessed that the carrying amount of deferred tax assets can be recovered within a short number of years.

Special items

Management has assessed certain costs as being special items due to their exceptional nature relative to the Group's earnings-generating operating activities.

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.

Assessment of the need for impairment write-down in respect of inventories

The Group has inventories in all of its stores and in the central warehouse. As the net realisable value of some of these inventories is expected to be lower than cost, the inventories have been written down to such expected lower value. The write-down is based on an estimate of the net realisable value based on actual, historical sales and Management's assessment.

Significant accounting judgements in applying the chosen accounting policies

As part of the application of the Group's accounting policies, Management performs judgements, based on estimations, which may materially impact the amounts recognised in the consolidated financial statements.

In 2017 Management has performed such assessments regarding leases. All leases have been assessed as operational leases.

	DKK'000	2017	2016
3	**Fees paid to auditors appointed at the annual general meeting**		
	Fee regarding statutory audit	460	487
	Assurance engagements	50	38
	Other assistance	103	272
	Tax assistance	52	64
		665	861
4	**Staff costs**		
	Wages and salaries	204,576	205,341
	Defined contribution plans	11,930	10,826
	Other social security costs	4,958	4,458
	Share-based payment	48	48
		221,512	220,673
	FTE (employees)	632	624

Consolidated financial statements for the period 1 January - 31 December

Notes

4 **Staff costs (continued)**

Remuneration to the Board of Directors, Executive Board and executive employees

	2017		2016	
DKK'000	Board of Directors and Executive Board	Executive employees	Board of Directors and Executive Board	Executive employees
Wages and salaries	3,978	13,353	4,152	13,864
Defined contribution plans	0	833	0	835
Other social costs	2	25	2	26
Share-based payment	29	19	29	19
	4,009	14,230	4,183	14,744

By reference to section 98b of the Danish Financial Statements Act, remuneration to the Board of Directors and the Executive Board is disclosed together.

Members of the Executive Board and other executive officers are eligible for bonus dependent on the financial performance for the year in question.

The Group has not entered into any special agreements on severance pay with members of the Executive Board in connection with a takeover of the Group.

Incentive programmes

Sport Nordic Holding ApS has established a share-based incentive programme in the form of a warrant programme for members of the Board of Directors, the Executive Board, executive employees and other employees. The warrants are acquired at a value which is close to the fair value at the grant date.

The warrants programme comprised a total of 1,441,607 warrants at 31 December 2017.

In 2017 Sport Nordic Holding ApS acquired and cancelled 41,710 warrants from executive employees.

Each warrant entitles the holder to subscribe for 1 share at a nominal value of DKK 1 in Sport Nordic Holding ApS. The right can be exercised at end of 2019.

The warrants can only be settled in shares. The outstanding warrants, excluding warrants held by the parent company, constitute 7.9 % of the share capital if all warrants are exercised (2016: 8.1%).

The exercise of the subscription rights is contingent on the holder not being under notice at the exercise date. There are no other conditions for the rights acquisition. Special provisions apply in the case of illness and death and in the case of changes in the capital structure of the Company, etc.

Specification of outstanding warrants

	Board of Directors and Executive Board	Executive employees	Other employees	Number in total	Average exercise price per warrant (DKK)	Fair value per warrant (DKK)	Fair value in total (DKK'000)1)
Outstanding at the beginning of 2017	606,179	574,720	260,708	1,441,607	70.8		
Settled in 2017	0	-29,236	-12,474	-41,710	2.2		
Outstanding at the end of 2017	606,179	545,484	248,234	1,399,897	70.8		

1) Fair value is less payment from the holder.

Consolidated financial statements for the period 1 January - 31 December

Notes

4 **Staff costs (continued)**

The fair value calculated at the granting is based on a Black-Scholes warrant pricing model. The values of the warrants granted in 2015 was calculated using an expected volatility of 35% and a risk-free interest rate of 0.1%.

In 2017, costs recognised in the result for the year relating to warrants amounted to DKK 48 thousand (2016: DKK 48 thousand).

	DKK'000	2017	2016
5	**Special items**		
	Restructuring costs related to close downs, including salary and severance payments, etc.	-11,649	-1,093
		-11,649	-1,093
6	**Financial expenses**		
	Interest expense, banks	14,007	20,121
	Amortisation of financing costs	1,741	4,541
	Other interest expenses	796	931
	Foreign exchange loss	2,352	11
		18,896	25,604
	Interest on financial liabilities measured at amortised costs	8,812	15,952
7	**Tax**		
	Tax on the profit for the year is specified as follows:		
	Current tax	0	0
	Deferred tax	4,606	-844
	Current tax regarding previous years	0	2,343
	Deferred tax regarding previous years	-248	6
		4,358	1,505

Tax on the profit for the year is explained as follows:

	2017	2017	2016	2016
	DKK'000	%	DKK'000	%
Computed tax of result before tax	4,816	22.0	2,010	22.0
Tax effect of:				
Non-deductible expenses	-210	-1.0	-1,009	-11.1
Taxable merger In Group companies	0	0	-1,845	-20.1
Tax regarding previous years	-248	-1.1	2,349	25.6
	4,358	19.9%	1,505	16.4%

Consolidated financial statements for the period 1 January - 31 December

Notes

7 **Tax (continued)**

Deferred tax

DKK'000	2017	2016
Deferred tax assets 1 January	18,672	19,510
Deferred tax, recognised in the profit for the year	4,358	-838
Deferred tax assets 31 December	23,030	18,672
Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	23,030	18,672
Deferred tax (liability)	0	0
Deferred tax 31 December, net	23,030	18,672
Deferred tax assets relates to:		
Intangible assets	-7,539	-4,999
Property, plant and equipment	15,624	16,546
Inventories	2,072	2,895
Liabilities other than provisions	3,744	3,116
Provisions	4,753	0
Tax losses carry forward, etc.	4,376	1,114
	23,030	18,672

Changes in temporary differences during the year

	2017		
DKK'000	Balance at1/1	Recognised in the profit for the year, net	Balance at 31/12
Intangible assets	-4,999	-2,540	-7,539
Property, plant and equipment	16,546	-922	15,624
Inventories	2,895	-823	2,072
Liabilities other than provisions	3,116	628	3,744
Provisions	0	4,753	4,753
Tax losses carry forwards	1,114	3,262	4,376
	18,672	4,358	23,030

Changes in temporary differences during the year

	2016		
DKK'000	Balance at1/1	Recognised in the profit for the year, net	Balance at 31/12
Intangible assets	-4,223	-776	-4,999
Property, plant and equipment	13,951	2,595	16,546
Inventories	3,425	-530	2,895
Liabilities other than provisions	3,203	-87	3,116
Tax losses carry forwards	3,154	-2,040	1,114
	19,510	-838	18,672

Consolidated financial statements for the period 1 January - 31 December

Notes

8 Intangible assets

DKK'000	Goodwill	Other intangible assets	Other intangible assets in progress	Total
Cost at 1 January 2017	367,805	42,585	3,731	414,121
Additions	0	14,571	15,047	29,618
Transfer	0	208	-208	0
Cost at 31 December 2017	367,805	57,364	18,570	443,739
Amortisation at 1 January 2017	0	29,627	0	29,627
Amortisation	0	9,558	0	9,558
Impairment loss for the year	0	140	0	140
Amortisation at 31 December 2017	0	39,325	0	39,325
Carrying amount at 31 December 2017	367,805	18,039	18,570	404,414
Cost at 1 January 2016	367,805	35,804	0	474,134
Additions	0	6,781	3,731	10,512
Cost at 31 December 2016	367,805	42,585	3,721	484,646
Amortisation at 1 January 2016	0	19,566	0	90,091
Amortisation	0	10,061	0	10,061
Amortisation at 31 December 2016	0	29,627	0	100,152
Carrying amount at 31 December 2016	367,805	12,958	3,731	384,494

Other intangible assets comprise licenses.

Except from goodwill, it is assessed that intangible assets have a definite useful life.

9 Impairment test

Goodwill

At 31 December 2017, the carrying amount of goodwill for the Group amount to DKK 367.8 million (2016: DKK 367.8 million).

At 31 December 2017, Management impairment tested the carrying amount of goodwill, which concerns one cash generating unit.

The recoverable value is based on the net present value which is determined by using expected net cash flows on basis of budgets and forecasts for the years 2018-2022 and a discount factor before tax of 8.7% (2016: 9.4 %).

The gross margin for the budget period is estimated based on the historical gross margin. It is assumed in the impairment test that the gross margin will decline in 2019-2022 due to sales channel and mix changes.

The weighted average growth rate used in connection with extrapolation of future net cash flows for the years after 2019 is 2%. This growth rate is lower than the expected long term average growth within the sporting goods sector.

The impairment test did not give rise to any need for impairment write-down.

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9 Impairment test (continued)

Other intangible assets

Management has not identified factors, that indicates impairment on other intangible assets and other intangible assets in progress.

10 Property, plant and equipment

DKK'000	Plant and equipment	Leasehold improve-ments	Total
Cost at 1 January 2017	44,356	104,324	148,680
Additions	5,724	8,165	13,889
Disposals	-4	-297	-301
Cost at 31 December 2017	50,076	112,192	162,268
Depreciation at 1 January 2017	32,449	48,384	80,833
Depreciation	5,695	7,967	13,662
Disposals	-4	-297	-301
Impairment loss for the year	279	1,328	1,607
Depreciation at 31 December 2017	38,419	57,382	95,801
Carrying amount at 31 December 2017	11,657	54,810	66,467
Cost at 1 January 2016	38,004	86,038	124,042
Additions	6,352	19,586	25,938
Disposals	0	-1,300	-1,300
Cost at 31 December 2016	44,356	104,324	148,680
Depreciation at 1 January 2016	27,988	41,317	69,305
Depreciation	4,461	8,367	12,828
Disposals	0	-1,300	-1,300
Depreciation at 31 December 2016	32,449	48,384	80,833
Carrying amount at 31 December 2016	11,907	55,940	67,847

Additions on leasehold improvements include non-cash additions relating to provisions for restoration of leasehold improvements of DKK 667 thousand (2016: DKK 739 thousand).

DKK'000	2017	2016
11 Inventories		
Goods for resale	286,315	313,143
Carrying amount of inventories, recognised at net sales value	52,015	61,189

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DKK'000	2017	2016
12 Other receivables		
Supplier bonuses	5,741	6,318
Other receivables	4,492	3,395
	10,233	9,713

13 Equity

Capital management

Management continually assesses the need to adjust the capital structure to weigh the higher yield requirement applicable to equity against the increased uncertainty associated with loan capital. The equity share of total assets amounted to 48% at the end of 2017 (2016: 49%).

Capital is managed for the Group taken as a whole.

It is the Group's policy to use cash flows from operating activities to invest in developing the Company's revenue and earnings and to repay long-term liabilities.

Share capital

The share capital comprises 16,264,013 shares of DKK 1 each.

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

DKK'000	2017	2016	2015	2014	2013
Balance at 31 January 1 January	16,264	12,739	10,436	10,394	10,289
Cash capital increase	0	3,525	2,303	42	105
	16,264	16,264	12,739	10,436	10,394

Treasury shares

In 2017, the parent company purchased 10,042 number of treasury shares for DKK 210 thousand.

At 31 December 2017 the parent company owns 40,578 treasury shares (2016: 30,536).

	Number of shares		Nominal value (DKK'000)		% of share capital	
DKK'000	2017	2016	2017	2016	2017	2016
1 January	30,536	30,536	31	31	0.2	0.2
Additions	10,042	0	10	0	0	0
31 December	40,578	30,536	41	31	0.2	0.2

Treasury shares are primarily acquired for purposes of the Group's share option plans.

Warrants

The parent company has issued warrants in connection with incentive program, see note 4.

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14 Provisions

DKK '000	2017	2016
Provisions 1 January	16,937	16,870
Provided during the year	4,943	739
Provisions used during the year	0	-667
Reversal of provisions in connection with closing of stores	-272	-5
Provisions at 31 December	21,608	16,937
Specification of provisions:		
Decomissioning cost in connection with vacation of premises	17,332	16,937
Onerous lease contracts	4,276	0
Provisions at 31 December	21,608	16,937

Provisions include liabilities for restoration upon vacation of premises and provisions for onerous lease contracts. The liability accumulates as wear and tear increase on the premises and is reassessed annually to determine the state of the premises at the balance sheet date.

Costs are expected to incur upon the expected termination of the premises which depends on a potential extension of the leases. Costs regarding onerous contracts are primarily short-term as they are expected to incur upon the vacation of the premises of the loss-giving lease stores during 2018.

15 Bank loans and amounts owed to former owners

DKK '000	2017	2016
Non-current liabilities	144,470	142,730
Current liabilities	4,819	9,031
Carrying amount	149,289	151,761
Nominal value	151,901	156,113
Falls due more than 5 years after the balance sheet date, nominal value	0	0

Consolidated financial statements for the period 1 January - 31 December

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15 Bank loans and amounts owed to former owners (continued)

2017	Average nominal interest rate	Average effective interest rate	Currency	Rate fixation period	Carrying amount
Bank loans					
Variable interest rate *)	4.75%	4.75%	DKK	18 months	146,022
Amounts owed to former owners					
Not interest bearing	-	-	DKK	-	3,267
In total					149,289

Development in bank loans during the year	
Bank loans 1 January 2017	148,494
Change in short-term debt to credit institutions	-4,212
Amortization of borrowing costs	1,740
Bank loans 31 December 2017	146,022

*) 100% of loans are fixed with interest rate swaps. Please refer to note 20.

2016	Average nominal interest rate	Average effective interest rate	Currency	Rate fixation period	Carrying amount
Bank loans					
Variable interest rate	4.75%	4.75%	DKK	30 months	148,494
Amounts owed to former owners					
Not remunerated	-	-	DKK	-	3,267
In total					151,761

Borrowing costs capitalised in 2016 amounted to DKK 597 thousand.

16 Other payables

DKK' 000	2017	2016
Holiday pay obligations and salary related liabilities	32,962	31,525
VAT payables	26,052	27,584
Fair value of hedging instruments	4,297	6,421
Other payables	6,739	9,282
	70,050	74,812

17 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

As security for bank loans mortgage is provided in the Group's assets, including goodwill. The Group has entered into operating leases, cf. note 21.

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18 Other adjustments of non-cash operations items, etc.

DKK'000	2017	2016
Financial income	-491	-805
Financial expenses	18,896	25,604
Tax on profit/loss for the year	-4,358	-1,505
Share-based payment	48	48
Other provisions	-272	-672
Other operating income	0	-1,400
	13,823	21,270

19 Changes in working capital

Change in inventories	26,828	4,421
Change in receivables	339	6,040
Change in trade and other payables, prepayments from customers and deferred income	15,713	-419
	42,880	10,042

20 Financial risks and financial instruments

The Group's risk management policy

The overall financial risk management framework is laid down in the Group's finance policy. The finance policy includes the Group's currency policy, investment policy and policies regarding credit risks vis-a-vis financial counterparties. Moreover, the policy includes a description of approved financial instruments and risk framework.

The Group's risk exposure or risk management has not changed relative to 2016.

The Group's finance function manages financial risks at centralised level. Every month, Management supervises the Group's risk concentration in areas such as currencies, interest, etc.

The finance policy is updated annually and approved by the audit committee.

It is the Group's policy not to engage in active speculation in financial risks. Thus, the Group's financial management is aimed solely at managing and reducing the financial risks directly associated with the Group's operations and financing.

The Group is exposed to a few financial risks. The disclosures in this note solely concern the most critical financial risks, which are:

- Market risks (currency and interest rate risks)
- Liquidity and financing risks

The Group's most critical risks are described in the sections below. Each section first provides a summary description of the financial risk, the relating business activity, impacts, risk management related to the financial risk and the effect in the financial year.

Consolidated financial statements for the period 1 January – 31 December

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20 Financial risks and financial instruments (continued)

Market risks

Currency risks

Related business activity	Impact	Risk management	Effect
The Group is exposed to currency movements primarily EUR and USD due to purchases that are settled in currencies other than the functional currency.	*Effect:* Moderate *Threat:* Low	It is group currency policy to hedge 60%-100% of the currency risks based on expected foreign currency transactions in the coming 6-12 months. The Group hedges the currency risk by means of foreign exchange contracts. Currency risks relating to recognised financial assets and liabilities are hedged if the exposure in a currency corresponds to or if, in the near future, it is deemed highly probable that the exposure will make up more than DKK 10 million net. The Group hedged currency movements relating to purchase transactions to hedge its cash flows. Fair values of financial instruments are not hedged. The EURO is not hedged due to Denmark's fixed exchange rate policy; however, the development in the Eurozone is monitored on an ongoing basis.	The primary effect following from currency risks relates to the Company's purchases in USD. The Group has hedges those currency risks in accordance with the Group's finance policy. As in 2016, the Group has only hedged its currency risks by means of foreign exchange contracts.

Consolidated financial statements for the period 1 January – 31 December

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20 Financial risks and financial instruments (continued)

Exposure and sensitivity analysis

The Group's exposure and sensitivity to currency movements are summed up in the table below.

A fairly reasonable change in the exchange rates vis-a-vis the exchange rates at the balance sheet date would all things being equal have the following hypothetical impact on profit for the year and the Group's equity at year end:

2017						
	Nominal position			Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments held to hedge future cash flows	Increase in the exchange rate	Hypothetical impact on profit/loss for the year	Hypothetical impact on equity
USD/DKK	1,406	-2,947	7,592	5%	236	236

2016						
	Nominal position			Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments held to hedge future cash flows	Increase in the exchange rate	Impact of profit/loss	Hypothetical impact on equity
USD/DKK	2,537	-1,817	4,515	5%	204	204

A corresponding negative change of the exchange rates would have a corresponding reverse impact on profit/loss for the year and equity.

Assumptions applied for the sensitivity analysis

- The sensitivities stated are based on the assumption of unchanged sales, price level and interest level.
- The sensitivities related to financial instruments are calculated based on the financial instruments recognised at 31 December.

For accounting purposes the forward exchange contracts are not treated as a hedging instrument and changes in fair value are therefore recognised in the income statement (financial income and expenses).

Consolidated financial statements for the period 1 January – 31 December

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20 **Financial risks and financial instruments (continued)**

Interest rate risks

Related business activity	Impact	Risk management	Effect
Following the financing of investments and the day-to-day operations, the Group is exposed to movements in the level of interest. The primary exposure relates to movements in CIBOR.	*Effect*: Moderate *Threat:* Low	The Group uses interest rate swaps to hedge interest rate risks relating to lending, whereby floating interest payments are transformed into fixed interest payments. According to the Group's finance policy, all group loans must be hedged by means of interest rate swaps.	100% of the Group's loan financing is fixed interest rate loans with interest rate swaps (2016: 100%). The weighted average fixed interest rate regarding interest rate swaps closed is 1.72% (2016: 1.02%).

Exposure

The Group's interest rate exposure is summed up as follows:

- The weighted average term (fixed-rate period) of the Group's loans was 1.5 years at 31 December 2017 (2016: 2.5 years), including the effect of the interest rate swaps closed.
- The Group's cash is deposited on a drawing account.

Sensitivity analysis

An interest rate level which is higher or lower relative to the level of interest at the balance sheet date would not have any hypothetical impact on the profit/loss for the year and equity at year end as the term of the loan and the interest rate swaps match.

Derivative financial instruments

For accounting purposes the interest rate swaps are not treated as a hedging instrument and changes in fair value are therefore recognised in the income statement.

	2017				2016			
DKK'000	Notional amount	Fair value adjustment recognised in income statement	Fair value	Time to maturity (months)	Notional amount	Fair value adjustment recognised in income statement	Fair value	Time to maturity (months)
Interest rate swap	144,074	2,124	-4,297	18	234,134	-35	-6,421	30

Consolidated financial statements for the period 1 January - 31 December

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20 Financial risks and financial instruments (continued)

Liquidity risks

Related business activity	Impact	Risk management	Impact
The Group is exposed to liquidity risks due to its ongoing activities and repayment agreements for the loan financing. The Group's cash management in relation to the day-to-day operations and payment of financial liabilities is vital as insufficient liquidity may imply a breach of the terms of the loan, which may have material consequences for the Group.	*Effect:* Moderate *Threat:* Moderate	The Group ensures liquidity through loan agreements and payment terms as well as date of maturity and renegotiation dates. Flexibility in the Group's cash resources ensures appropriate room for manoeuvre in case of unforeseen fluctuation in liquidity. As in previous years, the Group's bank facilities and loans are subject to terms and conditions. The conditions relate to specific levels of EBITDA.	The Group's liquidity reserve consists of unutilised overdraft facilities and liquid funds. The cash resources totalled DKK 84,669 thousand at 31 December 2017 (2016: DKK 83,155 thousand). Management is of the opinion that the Group has sufficient cash resources to fulfil its obligations as they fall due.

Analysis of term to maturity

The Group's financial liabilities fall due as follows:

2017 (DKK'000)	Contractual cash flows	Within one year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	157,561	6,986	150,575	0	0
Contingent consideration	3,267	3,267	0	0	0
Trade payables	154,504	154,504	0	0	0
31 December 2017	315,332	164,757	150,575	0	0
Derivative financial instruments					
Interest rate swap	4,413	2,881	1,532	0	0
31 December 2017	4,413	2,881	1,532	0	0

2016 (DKK'000)	Contractual cash flows	Within one year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	164,547	6,986	157,561	0	0
Contingent consideration	3,267	0	3,267	0	0
Trade payables	140,317	140,317	0	0	0
31 December 2016	308,131	147,303	160,828	0	0
Derivative financial instruments					
Interest rate swap	6,538	2,458	4,080	0	0
31 December 2016	6,538	2,458	4,080	0	0

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20 Financial risks and financial instruments (continued)

Assumptions underlying the analysis of term to maturity

- The analysis of term to maturity is based on all non-discounted cash flows, including estimated interest payments. Interest payments are estimated based on the existing market conditions.
- Liabilities under operating leases are not included, but are reflected in note 21.

On the basis of the Group's expectations as to its future operations and current cash resources, no other critical liquidity risks have been identified.

Financing risks

Related business activity	Impact	Risk management	Effect
The Group is exposed to a financing risk as existing loan agreements terminate. All loan agreements terminate on 30 June 2019 and need to be renegotiated to still be effective. The Group's operations depend on the future financing of the Group's operations and facilities.	*Effect:* Moderate *Threat:* Moderate	The average term of gross debt is 1.5 years.	In the autumn of 2016, the Group entered into an agreement for purposes of reducing the Group's loans and a guarantee for the Group's aggregate credit facilities. The average term of the Group's loans is 1.5 years (2016: 2.5 years). In Management's opinion, the Group's cash resources and earnings expectations suffice for the realisation of the Group's long-term strategy.

Reference is made to note 16 for a specification of payables to credit institutions.

Credit risks

Risk management	Effect
The Group's credit risks are partly linked to receivables and cash at bank and in hand and partly to derivative financial instruments with positive fair value. The maximum credit risk linked to financial assets corresponds to the values recognised in the balance sheet.	The Group has no significant risks regarding one individual customer or partner. Thus there is no insurance of trade receivables from sales.

Consolidated financial statements for the period 1 January - 31 December

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20 Financial risks and financial instruments (continued)

Trade receivables

At 31 December 2017, the terms of payment were exceeded by 77% (2016: 69%) of the Group's receivables.

The maximum credit risk associated with financial assets is reflected in the carrying amounts in the balance sheet.

Credit risks associated with the individual receivables are considered high-quality with a low loss risk.

Breakdown of trade receivables:

DKK'000	2017	2016
Ageing of trade receivables		
Not due	2,343	3,589
0-30 days overdue	4,797	5,896
31-90 days overdue	1,648	2,105
> 90 days overdue	1,189	141
	9,977	11,731

At 31 December 2017 trade receivables has been written down by DKK 360 thousand (2016: DKK 367 thousand).

Movement in allowance for doubtful trade receivables		
Carrying amount at the beginning of the year	367	350
Received on impaired receivables during the year	-141	-63
Allowances for losses during the year	134	80
	360	367

Consolidated financial statements for the period 1 January - 31 December

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20 Financial risks and financial instruments (continued)

Categories of financial instruments

	2017		2016	
DKK'000	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Currency exchange contracts included in the trading portfolio	0	0	344	344
Financial assets measured at fair value over the income statement	0	0	344	344
Deposits	20,320	20,320	19,958	19,958
Trade receivables	9,977	9,977	11,731	11,731
Other receivables	15,851	15,851	15,459	15,459
Cash at bank and in hand	668	668	1,201	1,201
Receivables and cash at bank and in hand	46,816	46,816	48,349	48,349
Currency exchange contracts included in the trading portfolio	24	24	0	0
Amounts owed to former owners	3,267	3,267	3,267	3,267
Interest rate swaps included in the trading portfolio	4,297	4,297	6,421	6,421
Financial liabilities measured at fair value over the income statement	7,564	7,564	9,688	9,688
Bank loans	146,022	148,634	148,494	152,846
Financial liabilities measured at amortised cost	146,022	148,634	148,494	152,846

Reference is made to the Section "Methods and assumptions underlying the fair value determination" below.

Consolidated financial statements for the period 1 January – 31 December

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20 **Financial risks and financial instruments (continued)**

Fair value hierarchy for financial instruments which are measured at fair value in the balance sheet or whose fair value is disclosed

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non observable input (Level 3)	Total
2017				
Currency exchange contracts	0	24	0	24
Amounts owed to former owners	0	0	3,267	3,267
Interest rate swaps included in the trading portfolio	0	4,297	0	4,297
Financial liabilities measured at fair value	0	4,297	3,267	7,564
Bank loans	0	148,634	0	148,634
Financial liabilities, where fair value is presented	0	148,634	0	148,634

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non observable input (Level 3)	Total
2016				
Currency exchange contracts	0	344	0	321
Financial assets measured at fair value	0	344	0	344
Amounts owed to former owners	0	0	3,267	4,667
Interest rate swaps included in the trading portfolio	0	6,421	0	6,421
Financial liabilities measured at fair value	0	6,421	3,267	9,688
Bank loans	0	152,846	0	152,846
Financial liabilities, where fair value is presented	0	152,846	0	152,846

Methods and assumptions underlying the fair value determination

The methods and assumptions applied to determine the fair value of financial instruments are described per class of financial instruments. The methods applied are unchanged compared to 2016.

Derivative financial instruments

Derivative financial instruments are valued in accordance with generally accepted valuation principles based on relevant observable swap curves. Only externally calculated fair values are used.

Bank loans (measured at amortised cost in the balance sheet)

As the loans carry floating interest, the nominal residual liability is deemed to correspond to fair value.

Consolidated financial statements for the period 1 January – 31 December

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20 Financial risks and financial instruments (continued)

Other (measured at amortised cost in the balance sheet)
Trade receivables, deposits, cash and trade payables are measured at amortised cost in the balance sheet. The fair value of trade receivables, deposits, cash and trade payables with a short period of credit are deemed to be equal to the carrying amount.

Amounts owed to former owners is calculated based on expected results from acquired companies.

21 Operating leases

The Group leases buildings and operating equipment under operating leases. The lease period is usually a period between 1 and 5 years with a possibility of extension after the expiry of the period. The majority of the lease agreements do not contain conditional lease payments. Some of the lease agreements have variable lease payments depending on the revenue.

Interminable lease agreements are specified as follows:

DKK'000	2017	2016
0-1 year	88,564	102,550
1-5 years	74,584	140,537
> 5 years	1,351	3,575
	164,498	246,662

In the income statement DKK 124,446 thousand (2016: DKK 123,989 thousand) are recognised regarding operating leases.

22 Related party disclosures

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

Nordic Capital Fund VII, Jersey, 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 and Sport Danmark A/S.

Transactions with related parties

Remuneration of the Executive Board and the Board of Directors is disclosed in note 4.

Apart from the above, acquisition of treasury shares and settlement of warrants, no transactions with related parties has been carried out.

23 Events after the balance sheet date

In the beginning of first quarter 2018 we went live with the new logistic platform. There has been implementation issues affecting deliveries to stores and online customers, which has had a negative impact on sales and profitability. Deliveries have been normalized in second quarter 2018.

Except from the above, no significant events have occurred after 31 December 2017.

Consolidated financial statements for the period 1 January - 31 December

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24 New financial reporting regulation

At the time of publication of this annual report, IASB has issued several new and amended financial reporting standards and interpretations which had not yet become effective when the annual report for 2017 was prepared.

The following are considered relevant to Sport Nordic Holding ApS:

- IFRS 9 *Financial Instruments* and subsequent amendments to IFRS 9, IFRS 7 and IAS 39
- IFRS 15 *Revenue from Contracts with Customers*
- IFRS 16 *Leases*
- IAS 7 Disclosure Initiative – Amendments to IAS 7

IFRS 16 and IAS 7 have not been adopted by the EU.

The adopted standards and interpretations which have not yet come into effect will be implemented as they become mandatory for the Group.

IFRS 15 "Revenue from Contracts with Customers" is effective from 1 January 2018 and supersedes IAS 18 and IAS 11, covering contracts for services and work in progress, respectively. The new standard establishes a five-step model to account for revenue arising from contracts with customers. The main principle is that revenue is recognised when control of a good or services transfers to a customer, i.e. when the performance obligation is satisfied.

To evaluate the potential impact of the new standard, we have carried out an analysis with a risk-based approach. As the Groups revenue primarily derives from sale of goods in stores and on the website, based on our analysis, the implementation of the new standard does not have a significant impact on recognition and measurement in the consolidated financial statements. However, some new disclosures will be required.

IFRS 16 "Leases" will be effective for financial year beginning on 1 January 2019. The new standard implies a substantial change in the way that those leases, which today are accounted for as operating leases, will be accounted for going forward. Thus, the standard requires that all leases regardless of type - with a few exceptions - must be recognised in the balance sheet as an asset with an accompanying lease liability. At the same time, the income statement will be affected going forward, as the annual lease payment will consist of two elements - a depreciation charge and an interest expense - as opposed to today where the annual operating lease expense is recognised as one amount under expenses. Finally, the cash flow statement is expected to be affected, as the current operating lease payments, which are today presented as cash flows from operating activities, will be presented as financing activity going forward.

Our business model is based on leasing, rather than owning, property (stores), vehicles (cars) and equipment, primarily under operating leases. The majority of the lease agreements and lease obligation relates to premises (stores).

The Group has decided to early adopt IFRS 16 on 1 January 2018. The expected effect of the implementation is a recognition of right-of-use-assets and a corresponding lease liability of DKK 300-400 million.

Consolidated financial statements for the period 1 January – 31 December

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25 **The Board of Directors' executive functions**

Michael Haaning, and Jess Ørgaard Libak Tropp have been appointed by Nordic Capital Fund VII.

Michael Christiansen, Mikael Vendelin Olsen and Jakob Jønck are considered independent.

The Board of Directors have the following executive functions:

Board of directors	Executive functions in other Danish Companies
Michael August Bonde Christiansen, Independent, Chairman	CEO IDdesign A/S and related companies and Member of the Board in related companies, Member of the Board Bygma A/S and related companies, Member of the Board KFI Erhvervsdrivende Fond and related companies, Member of the Board Unisport Holding ApS and related company, Member of the Board Gina Tricot A/S, CEO CIM Invest ApS
Michael Haaning, Appointed by Nordic Capital, Vice Chairman	CEO Andromeda ApS, Member of the Board Holdingselskabet af 8. november 2016 A/S, NC Advisory A/S, Unisport Holding ApS, Cidron HoldCo Aps
Mikael Vendelin Olesen, Independent	Chairman of the Board Karmameju ApS, Fleye ApS, Nordisk Company ApS, MIE4 7 ApS, Orphism ApS, Svendsen Sport A/S, Seeland International A/S, CEO Vendelin Olesen Holding ApS and related companies, Nordisk Finance ApS. Member of the Board K. A. Invest Holding A/S, BBHS A/S, Drømmeland A/S, Hunters Video A/S.
Jess Ørgaard Libak Tropp, Appointed by Nordic Capital	Chairman Rokoko Electronics ApS. Member of the Board Unisport Holding ApS, Unifeeder A/S, Unicorn A/S, Holdingselskabet af 10. januar 2013 A/S Holdingselskabet af 10. januar 2013 II A/S.
Jakob Jønck, Independent	Member of the Board Unisport Holding ApS, Lakrids JB Holding ApS and related companies, AX IV CON I ApS and related companies. CEO Feast Kitchen ApS, JNJ Invest ApS,

Parent company financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2017	2016
	Other external costs	-134	-177
	Operating profit/loss	-134	-177
3	Share of profit/loss in subsidiaries after tax	-45,766	-40,605
	Financial income	0	3
	Financial expenses	0	-6
	Profit/loss before tax	-45,900	-40,785
2	Tax for the year	30	39
	Profit/loss for the year	-45,870	-40,746

Parent Company Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2017	2016
	ASSETS		
	Non-current assets		
	Financial assets		
3	Investments in subsidiaries	289,565	335,331
	Total non-current assets	289,565	335,331
	Current assets		
	Receivables		
	Amounts owed by subsidiaries	22,290	27,682
	Corporation tax	349	343
4	Deferred tax	24	0
	Total current assets	22,663	28,025
	TOTAL ASSETS	312,228	363,356

Note	DKK'000	2017	2016
	EQUITY AND LIABILITIES		
	Equity		
5	Share capital	16,264	16,264
	Retained earnings	295,903	342,076
	Total equity	312,167	358,340
	Current liabilities		
	Amounts owed to subsidiaries	0	4,980
	Other payables	61	36
	Total liabilities	61	5,016
	TOTAL EQUITY AND LIABILITIES	312,228	363,356

Parent company financial statements for the period 1 January – 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2016	12,739	290,669	303,408
	Capital increase	3,525	87,654	91,179
	Value adjustments of hedging instruments in subsidiaries	0	4,499	4,499
8	Transfer, see "Appropriation of profit/loss"	0	-40,746	-40,746
	Equity at 1 January 2017	16,264	342,076	358,340
	Acquisition of treasury shares and settlement of warrants	0	-303	-303
8	Transfer, see "Appropriation of profit/loss"	0	-45,870	-45,870
	Equity at 31 December 2017	16,264	295,903	312,167

Parent company financial statements for the period 1 January - 31 December

Summary of notes to the parent company financial statements

Note	
1	Accounting policies
2	Tax for the year
3	Investments in subsidiaries
4	Deferred tax
5	Share capital
6	Contractual obligations and contingencies, etc.
7	Related parties
8	Appropriation of profit/loss

Parent company financial statements for the period 1 January - 31 December

Notes

1 **Accounting policies**

The financial statements for the parent company of Sport Nordic Holding ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large class C companies.

The accounting policies are consistent with those of last year.

By reference to section 86(4) of the Danish Financial Statements Act, fees paid to auditors appointed at the annual general meeting has not been disclosed as fees are disclosed in the consolidated financial statements; see note 3 of the consolidated financial statements.

By reference to section 112 of the Danish Financial Statements Act no cash flow statement has been prepared, as the cash flows are included in the consolidated financial statements.

Investment in subsidiaries are recognised in accordance with the equity method in the parent company financial statements. The financial statements for the subsidiaries used for recognition in the parent company are prepared in accordance with the Danish financial statements Act. The consolidated financial statements are prepared in accordance with IFRS. The main difference in accounting policies relates to goodwill being amortised over 15 years in the parent company financial statements and tested for impairment according to IFRS.

Business combinations

Recently acquired or formed entities are recognised in the parent company financial statements from the date of acquisition or formation. Entities sold or otherwise disposed of are recognised in the income statement until the date of disposal. Comparative figures are not restated in respect of recently acquired or sold entities.

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

Corporate acquisitions are accounted for using the purchase method according to which the acquired entity identifiable assets and liabilities are measured at fair value at the date of acquisition. Restructuring costs recognised in the acquired entity before the date of acquisition and not agreed as part of the acquisition are part of the acquisition balance sheet and, hence, the calculation of goodwill. Costs relating to restructuring decided by the acquiring entity must be recognised in the income statement. 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) 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.

Negative differences (negative goodwill) are recognised as income in the income statement at the time of acquisition when the general revenue recognition criteria are met.

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

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 rate at the transaction date and the rate 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 closing rates. 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.

Parent company financial statements for the period 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Income statement

Other external costs

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

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 expenses, gains and losses on securities, 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 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 the relation, companies with tax loss carry forwards 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. 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

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 adjusted to be in accordance with the Danish Financial Statements Act, 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.

Parent company financial statements for the period 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Impairment of non-current assets

The carrying amount of investments in subsidiaries is assessed annually for evidence of impairment.

Impairment tests are conducted on individual assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

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.

Equity

Dividends

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

Income tax and deferred tax

Current tax payables and receivables are recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on prior-year taxable income and tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes or on office premises and other items where temporary differences arise at the date of acquisition without affecting neither the profit/loss for the year nor the taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended 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 according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Liabilities are measured at net realisable value.

Parent company financial statements for the period 1 January – 31 December

Notes

DKK'000		2017	2016
2	**Tax for the year**		
	Current tax for the year	6	39
	Deferred tax for the year	24	0
		30	39
3	**Investments in subsidiaries**		
	Cost at 1 January	515,680	425,680
	Capital increase	0	90,000
	Cost at 31 December	515,680	515,680
	Value adjustments at 1 January	-180,349	-144,243
	Profit/loss for the year	-45,766	-40,605
	Value adjustments of hedging instruments after tax	0	4,499
	Value adjustments at 31 December	-226,115	-180,349
	Carrying amount at 31 December	289,565	335,331

Goodwill in subsidiaries included in the carrying amount of investments in subsidiaries amount to DKK 280,448 thousand at 31 December 2016 (2016: DKK 309,755 thousand).

Name	Registered office	Voting rights and ownership	Equity	Profit/loss for the year
SDK Sport I ApS	Ballerup	100%	289,565	-45,766

4 **Deferred tax**

DKK'000	2017	2016
Deferred tax 1 January	0	0
Deferred tax, recognised in the profit for the year	24	0
Deferred tax 31 December	24	0
Deferred tax relates to:		
Tax losses carried forward	24	0

Parent company financial statements for the period 1 January - 31 December

Notes

5 Share capital

The share capital consists of one share class which is owned by Nordic Capital Fund VII, its co-investors and senior management.

The share capital comprises 16,264,013 shares of DKK 1 nominal value each. All shares rank equally. The share capital has remained unchanged for the last 5 years.

DKK'000	2017	2016	2015	2014	2013
1 January	16,264	12,739	10,436	10,394	10,289
Cash capital increase	0	3,525	2,303	42	105
31 December	16,264	16,264	12,739	10,436	10,394

Treasury shares

In 2017, the parent company purchased 10,042 number of treasury shares for DKK 210 thousand.

At 31 December 2017 the parent company owns 40,578 treasury shares (31 December 2015: 30,536).

Treasury shares are primarily acquired for purposes of the company's share option plans.

Warrants

Sport Nordic Holding ApS has established a share-based incentive programme in the form of a warrant programme for members of the Board of Directors, the Executive Board, executive employees and other employees. The warrants are acquired at a value which is close to the fair value at the grant date.

In 2017 Sport Nordic Holding ApS acquired and cancelled 41,710 warrants from executive employees. At 31 December 2017 a total number of outstanding warrants amount to 1,399,897. The warrants give right to acquire 1,399,897 shares of DKK 1 each.

Except from the settlement of warrants mentioned above, no warrants have been issued or utilised in 2017 (2016: 0).

The total number of outstanding warrants owned by the Board of Directors and The Executive Board at 31 December 2017 amount to 606,179 shares.

6 Contractual obligations and contingencies, etc.

Contingent 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 2017, 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 shares in SDK Sport I ApS, are provided as security for bank loans in group companies.

The Company has provided a guarantee for loans totalling DKK 144,470 thousand raised in group companies.

Parent company financial statements for the period 1 January – 31 December

Notes

7 **Related parties**

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

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

Other related parties

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

Group companies: SDK Sport I ApS, SDK Sport II ApS and Sport Danmark A/S.

Related party transactions

Besides acquisition of treasury shares and warrants from previous executive employees in 2017, no other transactions were carried through with shareholders in the year.

Remuneration to the Board of Directors are reflected in note 4 to the consolidated financial statements.

8 **Appropriation of profit/loss**

DKK'000	2017	2016
Recommended appropriation of profit/loss		
Transferred to retained earnings	-45,870	-40,746