Sport Nordic Holding ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 56 07

Annual Report 2016

Approved at the Company's annual general meeting on 29 May 2017

Chairman:

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Chris Bigler

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 2016.

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 2016 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2016 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 2016 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2016 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, 27 April 2017
Executive Board:

Jens Høgsted

Board of Directors:

Michael Christiansen
Chairman

Michael Haaning

Mikkel Vendelin Olesen

Jess Ørgaard Libak Tropp

Mette Maix

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 2016, 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 2016 and of the results of the Group's operations and cash flows for the financial year 1 January - 31 December 2016 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 2016 and of the results of the Parent Company's operations for the financial year 1 January - 31 December 2016 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. 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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, 27 April 2017
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Henrik Kronborg Iversen State Authorised Public Accountant	Søren Christiansen State Authorised Public Accountant

Management's review

Company details

Name	Sport Nordic Holding ApS
Address, zip code, city	c/o Sport Danmark ApS Baltorpbakken 5, 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 Mette Maix
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

	2016	2015	2014	2013	2012 (6 mths.)
Key figures (DKK'000)					
Revenue	1,106,120	1,073,533	1,076,233	1,041,418	595,249
Gross profit	486,651	495,351	510,083	507,024	263,085
Operating profit before depreciation and amortisation (EBITDA)	38,501	60,576	33,111	9,826	29,614
Operating profit before special items, depreciation and amortisation (Adjusted EBITDA)	39,594	68,314	38,838	17,554	40,784
Operating profit/loss before special items	16,705	38,227	-11,333	-28,045	19,500
Operating profit/loss (EBIT)	15,612	30,489	-17,060	-35,773	8,330
Profit/loss from financial income and expense	-24,799	-24,252	-28,968	-26,811	-12,781
Profit/loss for the year	**-7,682**	**2,392**	**-43,100**	**-55,251**	**-5,543**
Total assets	838,141	837,233	825,441	812,606	850,747
Investment in property, plant and equipment	25,938	19,750	38,541	11,918	13,021
Equity	**414,660**	**331,115**	**280,380**	**324,368**	**374,108**
Cash flows from operating activities	27,707	-4,431	60,741	-34,259	47,801
Cash flows from investing activities	-34,038	-44,381	-81,894	-27,097	-478,171
Cash flows from financing activities	6,346	10,778	36,309	-16,469	532,259
Total cash flows	**15**	**-38,034**	**15,156**	**-77,852**	**101,889**
Financial ratios (%)					
Gross margin	44.0	46.1	47.4	48.7	44.2
Operating margin	1.4	2.8	-1.6	-3.4	1.4
Solvency ratio	49.5	39.5	34.0	39.9	44.0
Return on equity	-2.1	0.8	-14.3	-15.8	-1.5
FTE (employees)	624	621	651	686	704

Key figures and financial ratios are for 2015 and 2016 are prepared in accordance with IFRS as adopted by EU, see note 1, Accounting policies, in the consolidated financial statements. Comparative figures for 2012-2014 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 are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015". For terms and definitions, please see the accounting policies.

Management's review

Operating review

Primary activities

The primary activity of Sport Nordic Holding ApS is to own and operate the 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 .

The online based football retailer, Unisport A/S, is not legally a part of Sport Nordic Holding Aps, and therefore their figures are not covered by this annual report. In daily operation Unisport A/S is a full member of the Sport Nordic Group.

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 an 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 2016. In 2015 SPORTMASTER was appointed best omni-channel company in Denmark.

During 2016, 5 stores were fully refurbished and 3 new stores were opened.

Total revenue of Sport Nordic Holding Group for 2016 was DKK 1,106 million implying a growth of 3%.

The number of employees has been almost unchanged at an average of 624 (FTE) during the year (2015: 621).

The profitability in 2016 was negatively impacted by a lower gross margin than the previous year. The key driver behind the lower margins has been a controlled reduction and age profile improvement of inventories. The price competition is regarded equally tough. Operating profit before depreciation and amortisation (EBITDA) was DKK 38.5 million (2015: DKK 60.6 million), whereas operating profit (EBIT) was DKK 15.6 million (2015: DKK 30.5 million).

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

The Group's financial position has improved significantly with cash capital increases in total amounting to DKK 90 million and an equal repayment of long term debt of DKK 90 million. Combined with the longer term improvement of profitability, the Group's financial position is today strong.

Outlook

Sport Nordic Holding expects that the market situation will stay competitive in 2017. We expect to continuously invest in our market and our platforms.

Events after the balance sheet date

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

Management's review

Operating review (continued)

Risk management

Sport Nordic Holding considers risk management an essential and natural element in connection with the realisation of the Group's objectives and strategy. The daily activities, the implementation of the 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 12-24 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 high 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 Group is to some extent exposed to currency risk, interest rate risk, liquidity and financing risks. Reference is made to note 23 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

The policies will in 2017 be rolled out to our employees and manufacturers of the private label products for the Group.

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.

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.

Policy concerning the underrepresented gender

The Board of Directors of the Company consists of five members, of whom one is a woman. The goal is to increase the proportion of women to a minimum of 30% by the end of 2019.

Management's review

Operating review (continued)

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 2016. The goal is, through increased use of networks, etc., to increase the proportion of women to a minimum of 30% by the end of 2019.

Consolidated financial statements for the period 1 January - 31 December

Statement of comprehensive income

Note	DKK'000	2016	2015
	Revenue	1,106,120	1,073,533
	Cost of goods sold	-619,469	-578,182
	Gross profit	486,651	495,351
	Other operating income	1,400	0
3	Other external costs	-227,784	-214,206
4	Staff costs	-220,673	-212,831
8	Amortisation	-10,061	-11,522
10	Depreciation	-12,828	-18,565
5	Special items	-1,093	-7,738
	Operating profit	15,612	30,489
	Financial income	805	840
6	Financial expenses	-25,604	-25,092
	Profit before tax	-9,187	6,237
7	Tax on the profit for the year	1,505	-3,845
	Profit for the year	-7,682	2,392
	Other comprehensive income after tax	0	0
	Total comprehensive income	-7,682	2,392

Consolidated financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2016	2015	Opening balance 1/1 2015
	ASSETS			
	Non-current assets			
8,9	**Intangible assets**			
	Goodwill	367,805	367,805	358,462
	Other intangible assets	12,958	16,238	13,829
	Other intangible assets in progress	3,731	0	0
		384,494	384,043	372,291
10	**Property, plant and equipment**			
	Plant and equipment	11,907	10,016	10,651
	Leasehold improvements	55,940	44,721	33,569
		67,847	54,737	44,220
	Other non-current assets			
	Deposits	19,958	21,631	19,684
7	Deferred tax	18,672	19,510	21,400
		38,630	41,141	41,084
	Total non-current assets	490,971	479,921	457,595
	Current assets			
11	Inventories	313,143	317,564	292,939
22	Trade receivables	11,731	21,733	17,281
12	Prepayments	5,332	4,947	3,154
	Corporation tax	304	0	92
13	Other receivables	15,459	11,882	21,651
	Cash at bank and in hand	1,201	1,186	39,220
	Total current assets	347,170	357,312	374,337
	TOTAL ASSETS	838,141	837,233	831,932

Consolidated financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2016	2015	Opening balance 1/1 2015
	EQUITY AND LIABILITIES			
14	**Equity**			
	Share capital	16,264	12,739	10,436
	Treasury shares	-837	-837	0
	Retained earnings	399,233	319,213	258,398
	Total equity	414,660	331,115	268,834
	Liabilities			
	Non-current liabilities			
15	Provisions	16,937	16,870	18,037
16	Bank loans	142,730	228,786	245,143
	Total non-current liabilities	159,667	245,656	263,180
	Current liabilities			
16	Bank loans	5,764	0	26,244
16	Amounts owed to former owners	3,267	4,667	7,991
	Prepayments from customers	25,517	29,996	35,905
	Trade payables	140,317	135,509	143,550
17	Other payables	80,558	81,061	86,228
	Deferred income	8,391	9,229	0
	Total current liabilities	263,814	260,462	299,918
	Total liabilities	423,481	506,118	563,098
	TOTAL EQUITY AND LIABILITIES	838,141	837,233	831,932

Consolidated financial statements for the period 1 January - 31 December

Cash flow statement

DKK'000	Note	2016	2015
Profit/loss for the year		-7,682	2,392
Depreciation and amortisation		22,889	30,087
Other adjustments of non-cash operating items, etc.	19	21,270	26,611
Cash generated from operations (operating activities) before changes in working capital		36,477	59,090
Changes in working capital	20	10,042	-41,552
Cash generated from operations		46,519	17,538
Interest received		166	840
Interest paid		-21,017	-22,809
Corporation tax paid		2,039	0
Cash flows from operating activities		27,707	-4,431
Acquisition of other intangible assets	8	-10,512	-13,045
Acquisition of property, plant and equipment	10	-25,199	-19,750
Disposals of property, plant and equipment		0	91
Acquisition of other non-current assets		0	-1,742
Disposals of other non-current assets		1,673	0
Acquisition of subsidiaries and activities	21	0	-9,935
Cash flows from investing activities		-34,038	-44,381
External financing:			
Repayment of long-term debt		-90,000	-45,064
Short-term bank loans		5,167	0
Payment to former owners		0	-4,023
Shareholders:			
Capital increase		91,179	59,641
Proceeds from issue of warrants		0	1,061
Acquisition of treasure shares		0	-837
Cash flows from financing activities		6,346	10,778
Net cash flows from operating, investing and financing activities		15	-38,034
Cash and cash equivalents at 1 January		1,186	39,220
Cash and cash equivalents at 31 December		1,201	1,186

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 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 amount to DKK 126 thousand and is accounted for as a deduction from equity.

DKK'000	Share Capital	Treasury share reserve	Retained earnings	Total
Equity 1 January 2015	10,436	0	258,398	268,834
Comprehensive income in 2015				
Profit for the year	0	0	2,392	2,392
Total other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	2,392	2,392
Transactions with owners				
Capital increase	2,303	0	57,338	59,641
Issue of warrants	0	0	1,061	1,061
Acquisition of treasury shares	0	-837	0	-837
Incentive program	0	0	24	24
Total transactions with owners	2,303	-837	58,423	59,889
Equity 31 December 2015	12,739	-837	319,213	331,115

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 2016 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 2016 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 27 April 2017 discussed and approved the annual report for Sport Nordic Holding ApS for 2016. The annual report will be presented to the shareholders of Sport Nordic Holding ApS for adoption at the annual general meeting on 29 May 2017.

Change in accounting policies

This annual report is the first to be presented in accordance with IFRS as adopted by EU. On transition, IFRS 1, First-time Adoption of IFRS has been applied. The annual report is prepared based on the standards applicable at 31 December 2016.

On transition to IFRS, goodwill is no longer amortised, interest rate swaps are not accounted for as hedging, whereby changes in the fair value are recognised in the income statement. Moreover, for equity-settled programmes, the share options are measured at the fair value at the grant date and recognised in the income statement under staff costs over the vesting period. Moreover, provisions for restoration of leasehold improvements regarding the Group's premises has been recognised following the transition to IFRS.

The transition to IFRS has had the below impact:

	1/1 2015	2015		31/12 2015
DKK'000	Equity	Profit/loss for the year	Equity transactions including transactions with owners	Equity
According to Danish Financial Statements Act	280,380	-24,299	58,891	314,972
Goodwill amortisation	0	27,707	0	27,707
Fair value adjustments of interest swaps	0	-974	974	0
Provisions for restoration of leasehold improvements, etc.	-11,546	-18	0	-11,564
Incentive program (share-based payment)	0	-24	24	0
Total adjustments	-11,546	26,691	998	16,143
According to IFRS	268,834	2,392	59,889	331,115

In addition certain reclassifications have been made.

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.

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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.

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.

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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.

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.

Consolidated financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

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 SPORT-MASTER 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.

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.

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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.

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

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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.

Share option programme

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

For equity-settled programmes, the share options 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 share options, an estimate is made of the number of options expected to vest. That estimate is subsequently revised for changes in the number of options expected to vest so that the total recognition is based on the actual number of vested options.

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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

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.

Consolidated financial statements 1 January – 31 December

Notes

1 **Accounting policies (continued)**

Deferred income

Deferred income is measured at cost.

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.

Consolidated financial statements 1 January - 31 December

Notes

1 **Accounting policies (continued)**

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.

Financial ratios

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

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

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

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.

Consolidated financial statements for the period 1 January - 31 December

Notes

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

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.

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.

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 2016 Management has performed such assessments regarding leases. All leases have been assessed as operational leases.

Consolidated financial statements for the period 1 January - 31 December

Notes

	DKK'000	2016	2015
3	**Fees paid to auditors appointed at the annual general meeting**		
	Fee regarding statutory audit	487	445
	Assurance engagements	38	73
	Other assistance	64	97
	Tax assistance	272	50
		861	665

		2016	2015
4	**Staff costs**		
	Wages and salaries	205,341	197,721
	Defined contribution plans	10,826	9,884
	Other social security costs	4,458	5,202
	Share-based payment	48	24
		220,673	212,831
	FTE (employees)	624	621

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

	2016		2015	
DKK'000	Board of Directors and Executive Board	Executive employees	Board of Directors and Executive Board	Executive employees
Wages and salaries	4,152	13,864	3,908	13,484
Defined contribution plans	0	835	0	840
Other social costs	2	26	2	27
Share-based payment	29	19	15	9
	4,183	14,744	3,925	14,360

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 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 about equal to the fair value at the grant date.

In 2015, proceeds from the issue of 751,453 warrants amounted to DKK 1,061 thousand.

The warrants programme comprised a total of 1,441,607 warrants at 31 December 2016.

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.

Consolidated financial statements for the period 1 January - 31 December

Notes

4 **Staff costs (continued)**

The warrants can only be settled in shares. The outstanding warrants constitute 8.1% of the share capital if all warrants are exercised.

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 2015	193,052	236,394	260,708	690,154	79.1		
Granted	0	68,056	0	68,056	61.7	1.7	0
Granted	413,127	270,270	0	683,397	63.5	1.6	217
Outstanding at the end of 2015	606,179	574,720	260,708	1,441,607	70.8		
Outstanding at the end of 2016	606,179	574,720	260,708	1,441,607	70.8		

1) Fair value is less payment from the holder.

Furthermore, the parent company holds 157,095 warrants.

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

In 2016, costs recognised in the result for the year relating to warrants amounted to DKK 48 thousand (2015: DKK 24 thousand).

DKK'000	2016	2015
5 Special items		
Restructuring costs related to close downs, including salary and severance payments, etc.	-1,093	-7,471
Other one-off items	0	-267
	-1,093	-7,738
6 Financial expenses		
Interest expense, banks	20,121	19,745
Amortisation of financing costs	4,541	2,463
Other interest expenses	931	2,884
Foreign exchange loss	11	0
	25,604	25,092
Interest on financial liabilities measured at amortised costs	15,952	14,859

Consolidated financial statements for the period 1 January - 31 December

Notes

DKK'000	2016	2015
7 Tax		
Tax in the income statement		
Tax on the profit for the year is specified as follows:		
Current tax	0	0
Deferred tax	-844	-2,002
Current tax regarding previous years	2,343	-1,638
Deferred tax regarding previous years	6	-205
	1,505	-3,845

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

	2016	2016	2015	2015
	DKK'000	%	DKK'000	%
Computed tax of result before tax	2,010	22.0	-1,466	23.5
Tax effect of:				
Non-deductible expenses	-1,009	-11.1	-672	10.8
Taxable merger In Group companies	-1,845	-20.1	0	0.0
Effect of change in tax rate	0	0.0	136	-2.2
Tax regarding previous years	2,349	25.6	-1,843	29.5
	1,505	16.4%	-3,845	61.6%

Deferred tax

DKK'000	2016	2015
Deferred tax assets 1 January	19,510	21,400
Addition on acquisition of subsidiaries	0	317
Deferred tax, recognised in the profit for the year	-838	-2,207
Deferred tax assets 31 December	18,672	19,510
Deferred tax is recognised as follows in the balance sheet:		
Deferred tax (asset)	18,672	19,510
Deferred tax (liability)	0	0
Deferred tax 31 December, net	18,672	19,510
Deferred tax assets relates to:		
Intangible assets	-4,999	-4,223
Property, plant and equipment	16,546	13,951
Inventories	2,895	3,425
Liabilities other than provisions	3,116	3,203
Tax losses carry forward, etc.	1,114	3,154
	18,672	19,510

Consolidated financial statements for the period 1 January - 31 December

Notes

7 Tax (continued)

Changes in temporary differences during the year

	2016			
DKK'000	Balance at1/1	Additions on acquisition of enterprises	Recognised in the profit for the year, net	Balance at 31/12
Intangible assets	-4,223	0	-776	-4,999
Property, plant and equipment	13,951	0	2,595	16,546
Inventories	3,425	0	-530	2,895
Liabilities other than provisions	3,203	0	-87	3,116
Tax losses carryforwards	3,154	0	-2,040	1,114
	19,510	0	-838	18,672

Changes in temporary differences during the year

	2015			
DKK'000	Balance at1/1	Additions on acquisition of enterprises	Recognised in the profit for the year, net	Balance at 31/12
Intangible assets	-2,396	-220	-1,607	-4,223
Property, plant and equipment	10,263	81	3,607	13,951
Inventories	9,779	0	-6,354	3,425
Liabilities other than provisions	976	0	2,227	3,203
Tax losses carryforwards	2,778	456	-80	3,154
	21,400	317	-2,207	19,510

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8 Intangible assets

DKK'000	Goodwill	Other intangible assets	Other intangible assets in progress	Total
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	3,731	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
Cost at 1 January 2015	358,368	21,967	0	380,335
Additions on acquisition of subsidiaries	9,229	1,000	0	10,229
Additions	208	12,837	0	13,045
Cost at 31 December 2015	367,805	35,804	0	403,609
Amortisation at 1 January 2015	0	8,044	0	8,044
Amortisation	0	11,522	0	11,522
Amortisation at 31 December 2015	0	19,566	0	19,566
Carrying amount at 31 December 2015	367,805	16,238	0	384,043

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 2016, the carrying amount of goodwill for the Group amount to DKK 367.8 million.

At 31 December 2016, 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 2017-2021 and a discount factor before tax of 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 improve through lower mark-downs in 2017-2018.

The weighted average growth rate used in connection with extrapolation of future net cash flows for the years after 2019 is 2%. The growth rate is not assessed to exceed the long term average growth within the Group's markets.

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 improvements	Total
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
Cost at 1 January 2015	32,584	73,227	105,811
Additions on acquisition of subsidiaries	0	187	187
Additions	5,636	14,540	20,176
Disposals	-216	-1,916	-2,132
Cost at 31 December 2015	38,004	86,038	124,042
Depreciation at 1 January 2015	21,933	30,765	52,698
Depreciation	6,217	12,348	18,565
Disposals	-162	-1,796	-1,958
Depreciation at 31 December 2015	27,988	41,317	69,305
Carrying amount at 31 December 2015	10,016	44,721	54,737

Additions on leasehold improvements include non-cash additions relating to provisions for restoration of leasehold improvements of DKK 739 thousand (2015: DKK 426 thousand).

DKK'000	2016	2015
11 **Inventories**		
Goods for resale	313,143	317,564
Carrying amount of inventories, recognised at net sales value	61,189	59,301

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	DKK'000	2016	2015
12	**Prepayments**		
	Prepaid rent	1,498	1,579
	Prepaid IT and telephone costs	1,503	1,282
	Prepaid insurance and guarantees	499	211
	Other prepaid expenses	1,832	1,875
		5,332	4,947
13	**Other receivables**		
	Supplier bonuses	6,318	6,189
	VAT receivables	5,746	4,374
	Other receivables	3,395	1,319
		15,459	11,882

14 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 49% at the end of 2016 (2015: 40%).

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	2016	2015	2014	2013	2012
Balance at 31 January	12,739	10,436	10,394	10,289	0
Capital injection at establishment of the Company on 1 May 2012	0	0	0	0	80
Cash capital increase	3,525	2,303	42	105	10,209
	16,264	12,739	10,436	10,394	10,289

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Treasury shares

In 2015, the parent company purchased 30,536 number of treasury shares for DKK 837 thousand.

At 31 December 2016 the parent company owns 30,536 treasury shares.

	Number of shares		Nominal value (DKK'000)		% of share capital	
DKK'000	2016	2015	2016	2015	2016	2015
1 January	30,536	0	31		0.2	0
Additions	0	30,536	0	31	0	0.2
31 December	30,536	30,536	31	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.

15 Provisions

DKK '000	2016	2015
Provisions 1 January	16,870	18,037
Provided during the year	739	426
Provisions used during the year	-667	-856
Reversal of provisions in connection with closing of stores	-5	-737
Provisions at 31 December	16,937	16,870

Provisions include liabilities for restoration upon the vacation of premises. 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.

16 Bank loans and amounts owed to former owners

DKK '000	2016	2015
Non-current liabilities	142,730	228,786
Current liabilities	9,031	4,667
Carrying amount	151,761	233,453
Nominal value	156.113	241,749
Falls due more than 5 years after the balance sheet date, nominal value	0	0

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

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 interest bearing	-	-	DKK	-	3,267
In total					151,761

Borrowing costs capitalised in 2016 amounted to DKK 597 thousand.

2015	Average nominal interest rate	Average effective interest rate	Currency	Rate fixation period	Carrying amount
Bank loans					
Variable interest rate	4.75%	4.75%	DKK	42 months	228,786
Amounts owed to former owners					
Not remunerated	-	-	DKK	-	4,667
In total					233,453

17 Other payables

DKK' 000	2016	2015
Holiday pay obligations and salary related liabilities	31,525	29,415
VAT payables	33,330	34,775
Fair value of hedging instruments	6,421	6,385
Other payables	9,282	10,486
	80,558	81,061

18 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 23.

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19 **Other adjustments of non-cash operations items, etc.**

DKK'000	2016	2015
Financial income	-805	-840
Financial expenses	25,604	25,092
Losses on disposals of property, plant and equipment	0	83
Tax on profit/loss for the year	-1,505	3,845
Share-based payment	48	24
Other provisions	-672	-1,593
Other operating income	-1,400	0
	21,270	26,611

20 **Changes in working capital**

Change in inventories	4,421	-22,933
Change in receivables	6,040	3,551
Change in trade and other payables, prepayments from customers and deferred income	-419	-22,170
	10,042	-41,552

21 **Acquisition of subsidiaries and activities**

No subsidiaries or activities have been acquired in 2016.

Acquisition in 2015

On 19 May 2015, the Group assumed control over Uniboys ApS by acquiring all of its shares. Uniboys ApS sells sneakers through the Rezet brand. The takeover is expected to secure the Group a higher share of the market for sneakers through access to Uniboys ApS' distribution channel. Also, the Group expects to realise cost savings through economies of scale.

In 2015, Uniboys ApS' share of revenue was DK 10,004 thousand, and its share of consolidated profit/loss for the year was a loss of DKK 641 thousand for the period since it was taken over on 19 May 2015.

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21 Acquisition of subsidiaries and activities (continued)

Specification of acquired assets and liabilities:

DKK'000	Recognised value at the date of acquisition
Property, plant and equipment	187
Financial assets (deposits)	205
Inventories	1,692
Receivables	27
Deferred tax assets	317
Cash	850
Trade payables	-1,463
Other payables	-1,259
Net assets acquired	556
Brand value	1,000
Goodwill	9,229
Consideration	10,785
Hereof cash	-850
Cash consideration	9,935

Management assessed at the time of acquisition that the fair value of the Rezet brand was DKK 1.0 million. Transaction costs regarding the acquisition amounted to DKK 217 thousand.

After recognition of identifiable assets and liabilities at fair value, goodwill arising on acquisition has been calculated at DKK 9,229 thousand. Goodwill represents the value of the existing staff and knowhow as well as expected synergies from the combination with the Group. The recognised goodwill is not deductible for tax purposes.

The net revenue and loss for the year for the acquired Company for 2015 since the acquisition date amounted to DKK 10,004 thousand and DKK 641 thousand.

The net revenue and profit for the year for the Group for 2015 prepared pro forma as if the acquired stores were acquired 1 January 2015, amounted to DKK 1,079,067 thousand and DKK 1,685 thousand.

22 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 2015.

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.

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22 Financial risks and financial instruments (continued)

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.

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 2015, the Group has only hedged its currency risks by means of foreign exchange contracts.

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

Exposure and sensitivity analysis

The Group's exposure and sensitiveness 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:

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

	2015					
	Nominal position			Sensitivity		
DKK'000	Cash and receivables	Financial liabilities (non-derivative)	Derivative financial instruments held to hedge future cash flows	Probable increase in the exchange rate	Impact of profit/loss	Hypothetical impact on equity
USD/DKK	5,416	-1,366	5,845	5%	378	378

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).

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22 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 rescheduled into fixed interest payments. According to the Group's finance policy, all group loans must be hedged by means of interest rate swaps.	In 2016, the Group reduced its financing via bank loans. 100% of the Group's remaining loan financing was rescheduled to fixed interest rate loans with interest rate swaps (2015: 100%). The fixed interest rate regarding interest rate swaps closed is 1.02% (2015: 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 2.5 years at 31 December 2016 (2015: 3.5 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.

	2016				2015			
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	234,134	-35	-6,421	30	234,134	1,793	-6,386	42

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22 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:* Low	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 EBITDA.	The Group's liquidity reserve consists of unutilised overdraft facilities and liquid funds. In 2016, the Group had a breach of the loan terms and they were therefore renegotiated. The cash resources totalled DKK 83,155 thousand at 31 December 2016 (2015: DKK 87,515 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:

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	136,049	136,049	0	0	0
31 December 2016	303,863	143,035	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

2015 (DKK'000)	Contractual cash flows	Within one year	1-3 years	3-5 years	After 5 years
Non-derivative financial instruments					
Credit institutions	275,425	11,261	51,810	212,354	0
Contingent consideration	4,667	0	4,667	0	0
Trade payables	135,509	135,509	0	0	0
31 December 2015	415,601	146,770	56,477	212,354	0
Derivative financial instruments					
Interest rate swap	6,511	2,458	3,455	598	0
31 December 2015	6,511	2,458	3,455	598	0

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22 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 23.

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 2.5 years. It is the Group's aim that interest-bearing debt does not exceed four times the operating profit (EBITDA).	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 2.5 years (2015: 3.5 years). The Group's interest-bearing debt at 31 December 2016 made up 3.7 times of the operating income. 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.

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22 Financial risks and financial instruments (continued)

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.

Trade receivables

At 31 December 2016, the terms of payment were exceeded by 69% (2015: 26%) of the Group's receivables. Trade receivables overdue by more than 90 days are immaterial.

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	2016	2015
Ageing of trade receivables		
Not due	3,589	16,133
0-30 days overdue	5,896	1,757
31-90 days overdue	2,105	1,189
> 90 days overdue	141	2,654
	11,731	21,733

At 31 December 2016 trade receivables has been written down by DKK 367 thousand (2015: DKK 350 thousand).

Movement in allowance for doubtful trade receivables		
Carrying amount at the beginning of the year	350	0
Received on impaired receivables during the year	-63	0
Allowances for losses during the year	80	350
	367	350

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22 Financial risks and financial instruments (continued)

Categories of financial instruments

DKK'000	2016 Carrying value	2016 Fair value	2015 Carrying value	2015 Fair value
Currency exchange contracts included in the trading portfolio	344	344	321	321
Financial assets measured at fair value over the income statement	**344**	**344**	**321**	**321**
Deposits	19,958	19,958	21,631	21,631
Trade receivables	11,731	11,731	21,733	21,733
Other receivables	15,459	15,459	11,882	11,882
Cash at bank and in hand	1,201	1,201	1,186	1,186
Receivables and cash at bank and in hand	**48,349**	**48,349**	**56,432**	**56,432**
Amounts owed to former owners	3,267	3,267	4,667	4,667
Interest rate swaps included in the trading portfolio	6,421	6,421	6,386	6,421
Financial liabilities measured at fair value over the income statement	**9,688**	**9,688**	**11,053**	**11,088**
Bank loans	148,494	152,846	228,786	237,082
Financial liabilities measured at amortised cost	**148,494**	**152,846**	**228,786**	**237,082**

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

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22 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
2016				
Currency exchange contracts	0	344	0	344
Financial assets measured at fair value	0	344	0	344
Amounts owed to former owners	0	0	3,267	3,267
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

DKK'000	Quoted prices (Level 1)	Observable input (Level 2)	Non observable input (Level 3)	Total
2015				
Currency exchange contracts	0	321	0	321
Financial assets measured at fair value	0	321	0	321
Amounts owed to former owners	0	0	4,667	4,667
Interest rate swaps included in the trading portfolio	0	6,386	0	6,386
Financial liabilities measured at fair value	0	6,386	4,667	11,053
Bank loans	0	237,082	0	237,082
Financial liabilities, where fair value is presented	0	237,082	0	237,082

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 2015.

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.

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22 **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.

23 **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	2016	2015
0-1 year	102,550	121,374
1-5 years	140,537	203,312
> 5 years	3,575	25,513
	246,662	350,199

In the income statement DKK 123,989 thousand (2015: DKK 152,264 thousand) are recognised regarding operating leases

24 **Related party disclosures**

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

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

Other related parties

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

The Group companies: SDK Sport I ApS, SDK Sport II ApS 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 and the capital increase, cf. statement of equity, no transactions with related parties has been carried out.

25 **Events after the balance sheet date**

No significant events have occurred after 31 December 2016.

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26 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 2016 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. Except IFRS 16, none of the new standards or interpretations is expected to materially affect recognition and measurement for the Group.

IFRS 16 *Leases* was issued in mid-January 2016. The standard, which applies to financial years beginning on or after 1 January 2019, implies a substantial change in the way that those leases which are today 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.

The Group has not yet assessed the financial reporting implications of IFRS 16. At 31 December 2016, the nominal residual lease obligation under the Group's operating leases totalled DKK 246,662 thousand, see note 23.

Consolidated financial statements for the period 1 January – 31 December

Notes

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

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

Michael Christiansen, Mikael Vendelin Olsen and Mette Maix are independent.

The Board of Directors have the following executive functions:

Board of directors	Executive functions in other Danish Companies
Michael Christiansen, Independent, Chairman	CEO IDdesign A/S and related companies, Member of the Board Bygma A/S and related companies, Member of the Board KFI Erhvervsdrivende Fond, Member of the Board Dagrofa ApS, Chairman of the Board Unisport Holding (SNG) ApS and related company, 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
Mikael Vendelin Olsen, Independent	Chairman of the Board Karmameju ApS, Fleye ApS, Nordisk Company ApS and related companies, MIE4 7 ApS, Orphism ApS, Svendsen Sport A/S, Sealand International A/S, CEO Vendelin Olesen Holding ApS and related companies, Hunters Video A/S, Member of the Board K. A. Invest Holding A/S, BBHS A/S, Schormand ApS, Drømmeland A/S
Jess Ørgaard Libak Tropp, Appointed by Nordic Capital	Member of the Board Unisport Holding (SNG) ApS, Holdingselskabet af 8. november 2016 A/S, Unifeeder A/S, Unicorn A/S, Holdingselskabet af 10. januar 2013 A/S, Rokoko Electronics ApS
Mette Maix, Independent	CEO Berlingske Medier A/S and related companies

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

Income statement

Note	DKK'000	2016	2015
	Other external costs	-177	-55
	Operating profit/loss	-177	-55
4	Share of profit/loss in subsidiaries after tax	-40,605	-24,337
2	Financial income	3	80
	Financial expenses	-6	0
	Profit/loss before tax	-40,785	-24,312
3	Tax for the year	39	-5
	Profit/loss for the year	-40,746	-24,317

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

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
	Financial assets		
4	Investments in subsidiaries	335,331	281,437
	Total non-current assets	335,331	281,437
	Current assets		
	Receivables		
	Amounts owed by subsidiaries	27,682	27,937
5	Deferred tax	0	0
	Corporation tax	343	0
	Total current assets	28,025	27,937
	TOTAL ASSETS	363,356	309,374

Note	DKK'000	2016	2015
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	16,264	12,739
	Retained earnings	342,076	290,669
	Total equity	358,340	303,408
	Current liabilities		
	Amounts owed to subsidiaries	4,980	5,890
	Corporation tax	0	3
	Other payables	36	73
	Total liabilities	5,016	5,966
	TOTAL EQUITY AND LIABILITIES	363,356	309,374

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 2015	10,436	258,398	268,834
	Capital increase	2,303	57,338	59,641
	Acquisition of treasure shares	0	-837	-837
	Issue of warrants	0	1,061	1,061
	Value adjustments of hedging instruments in subsidiaries	0	-974	-974
9	Transfer, see "Appropriation of profit/loss"	0	-24,317	-24,317
	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
9	Transfer, see "Appropriation of profit/loss"	0	-40,746	-40,746
	Equity at 31 December 2016	16,264	342,076	358,340

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

Summary of notes to the parent company financial statements

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 2016 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to large class C companies.

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.

Effective 1 January 2016, the Company and its subsidiaries have adopted act no. 738 of 1 June 2015. In connection with the adoption of act no. 738 of 1 June 2015 and in connection with the Group's change of accounting policies to IFRS for the consolidated financial statements, provisions for restoration of leasehold improvements, etc., have been recognised in the subsidiary SDK Sport II ApS. Comparative figures have been adjusted.

As subsidiaries are recognised in accordance with the equity method, the effect also affects Sport Nordic Holding ApS. Result for the year has been affected DKK -18 thousand in 2015 and DKK -417 thousand in 2016 respectively and Equity at 31 December 2015 and 31 December 2016 are affected with DKK -11,564 thousand and DKK -11,981 thousand respectively. The balance sheet is affected with DKK 5,306 thousand at 31 December 2015 and DKK 4,956 thousand at 31 December 2016.

Apart from the above changes as well as new and changed presentation and disclosure requirements, which follow from act no. 738 of 1 June 2015, the accounting policies are consistent with those of last year.

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 mainly 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.

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

Notes

1 **Accounting policies (continued)**

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.

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

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

Notes

1 **Accounting policies (continued)**

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.

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.

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

Notes

1 **Accounting policies (continued)**

Liabilities

Liabilities are measured at net realisable value.

DKK'000	2016	2015
2 **Financial income**		
Interests from group companies	0	80
Other financial income	3	0
	3	80
3 **Tax for the year**		
Current tax for the year	39	-2
Adjustment of deferred tax	0	-3
Adjustment to current tax regarding prior years	0	10
Adjustment to deferred tax regarding prior years	0	-10
	39	-5
4 **Investments in subsidiaries**		
Cost at 1 January	425,680	368,080
Capital increase	90,000	57,600
Cost at 31 December	515,680	425,680
Value adjustments at 1 January	-144,243	-118,932
Profit/loss for the year	-40,605	-24,337
Value adjustments of hedging instruments after tax	4,499	-974
Value adjustments at 31 December	-180,349	-144,243
Carrying amount at 31 December	335,331	281,436

Goodwill in subsidiaries included in the carrying amount of investments in subsidiaries amount to DKK 309,755 thousand at 31 December 2016 (2015: DKK 339,403 thousand).

Name	Registered office	Voting rights and ownership	Equity	Profit/loss for the year
SDK Sport I ApS	Ballerup	100%	335,331	-41,929

DKK'000	2016	2015
5 **Deferred tax**		
Deferred tax at 1 January	0	13
Adjustment to last year	0	-10
Adjustment of deferred tax	0	-3
Deferred tax at 31 December	0	0

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

Notes

6 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	2016	2015	2014	2013	2012
1 January	12,739	10,436	10,394	10,289	0
Capital injection at establishment of the Company on 1 May 2012	0	0	0	0	80
Cash capital increase	3,525	2,303	42	105	10,209
31 December	16,264	12,739	10,436	10,394	10,289

Treasury shares

In 2015, the parent company purchased 30,536 number of treasury shares for DKK 837 thousand.

At 31 December 2016 the parent company owns 30,536 treasury shares (31 December 2015: 30,536).

Warrants

Sport Nordic Holding 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 about equal to the fair value at the grant date.

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

At 31 December 2016 a total number of outstanding warrants amount to 1,598,702 of which 157,095 are hold by the parent company. The warrants give right to acquire 1,598,702 shares of DKK 1 each.

No warrants have been issued or utilised in 2016.

The total number of outstanding warrants owned by the Board of Directors and The Executive Board at 31 December 2016 amount to 606,179 shares.

7 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 2016, 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 142,730 thousand raised in group companies.

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

Notes

8 Related parties

Sport Nordic Holding ApS' related parties comprise the following:

Parties exercising control

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

Other related parties

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

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

Related party transactions

Besides capital increase in 2016, 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.

9 Appropriation of profit/loss

DKK'000	2016	2015
Recommended appropriation of profit/loss		
Transferred to retained earnings	-40,746	-24,317