

SDK Sport I ApS

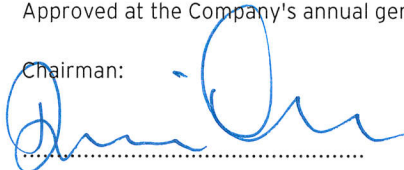
Baltorpbakken 5, 2750 Ballerup

CVR no. 34 48 59 84

Annual report 2018

Approved at the Company's annual general meeting on 31 May 2019

Chairman:

A handwritten signature in blue ink, consisting of a large 'O' followed by a series of loops and a final flourish, positioned above a dotted line.



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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 SDK Sport I ApS for the financial year 1 January - 31 December 2018.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

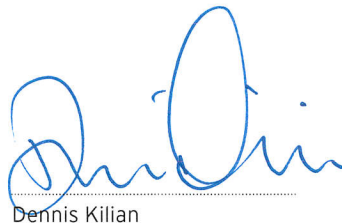
Copenhagen, 31 May 2019
Executive Board:



Dennis Kilian
CEO

Board of Directors:

.....
Michael Christiansen
Chairman


.....
Dennis Kilian



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

Copenhagen, 31 May 2019
Executive Board:

Dennis Killan
CEO

Board of Directors:

Michael Christiansen
Chairman

Dennis Killan

Independent auditor's report

To the shareholders of SDK Sport I ApS

Opinion

We have audited the financial statements of SDK Sport I ApS for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole 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 the 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 the financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the 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 Company's internal control.

Independent auditor's report

- ▶ 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 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the 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 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 the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 31 May 2019
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Henrik Kronborg Iversen
State Authorised Public Accountant
mne24687



Karsten Faurholt
State Authorised Public Accountant
mne41309



Management's review

Company details

Name	SDK Sport I ApS
Address, Postal code, City	Baltorpbakken 5, 2750 Ballerup
CVR no.	34 48 59 84
Established	1 May 2012
Registered office	Ballerup
Financial year	1 January - 31 December
Board of Directors	Michael Christiansen, Chairman Dennis Kilian
Executive Board	Dennis Kilian, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Business review

The primary activity of SDK Sport I ApS is to own subsidiaries operating the retail banners SPORTMASTER and Rezet Sneaker Store.

SPORTMASTER is a nationwide omni-channel retailer with more than 95 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.

Financial review

The income statement for 2018 shows a loss of DKK 146,209 thousand against a loss of DKK 45,766 thousand last year, and the balance sheet at 31 December 2018 shows equity of DKK 302,925 thousand.

Management considers the Company's financial performance in the year 2018 to be non-satisfactory, due to the massive impacts to the business from the twice made inventory moves in running an optimal supply chain in a competitive retail environment.

The debt was reduced by DKK 89.7 million as part of a re-financing plan of the Sport Nordic Group.

Outlook

Sport Nordic Holding expects that the continuously increasing competition in the market over time will have consequences for the distribution in Denmark. Sport Nordic Holding expects and believes in benefitting from our strong focus on continued digital development and Omni-channel perspective in our offerings and in the ways we address the market. This is also the view of our key global partners and suppliers who confirms and continues to see us as their preferred Danish partner and sales channel going into the future. In the shorter term, we - despite the above - expect profitability to be under pressure.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	<u>2018</u>	<u>2017</u>
	Other external expenses	-95	-27
	Gross margin	-95	-27
	Share of profit/loss in subsidiaries after tax	-137,918	-40,484
3	Financial expenses	-6,169	-6,403
	Profit/loss before tax	-144,182	-46,914
4	Tax for the year	-2,027	1,148
	Profit/loss for the year	<u>-146,209</u>	<u>-45,766</u>
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	<u>-146,209</u>	<u>-45,766</u>
		<u>-146,209</u>	<u>-45,766</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2018	2017
	ASSETS		
	Non-current assets		
5	Financial assets		
	Investments in subsidiaries	298,969	366,980
6	Deferred tax assets	8	2,689
		<u>298,977</u>	<u>369,669</u>
	Total non-current assets	<u>298,977</u>	<u>369,669</u>
	Current assets		
	Receivables		
	Amounts owed by group companies	1,065	7,826
	Corporation tax	4,044	3,390
		<u>5,109</u>	<u>11,216</u>
	Total current assets	<u>5,109</u>	<u>11,216</u>
	TOTAL ASSETS	<u><u>304,086</u></u>	<u><u>380,885</u></u>
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	15,275	15,275
	Retained earnings	287,650	274,290
	Total equity	<u>302,925</u>	<u>289,565</u>
	Non-current liabilities		
8	Bank loans	0	88,034
	Total non-current liabilities	<u>0</u>	<u>88,034</u>
	Current liabilities		
	Amounts owed to group companies	86	0
9	Other payables	1,075	3,286
	Total current liabilities	<u>1,161</u>	<u>3,286</u>
	Total liabilities	<u>1,161</u>	<u>91,320</u>
	TOTAL EQUITY AND LIABILITIES	<u><u>304,086</u></u>	<u><u>380,885</u></u>

- 1 Accounting policies
- 2 Events after the balance sheet date
- 10 Contractual obligations and contingencies, etc.
- 11 Collateral
- 12 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2017	15,275	320,056	335,331
Transfer through appropriation of loss	0	-45,766	-45,766
Equity at 1 January 2018	15,275	274,290	289,565
Transfer through appropriation of loss	0	-146,209	-146,209
Share of remission of debt in subsidiary	0	35,304	35,304
Remission of debt	0	89,662	89,662
Dilution effect due to minority share holder's capital increase in subsidiary	0	34,603	34,603
Equity at 31 December 2018	15,275	287,650	302,925

The Group re-negotiated the loan agreement with the bank end of 2018 resulting in a debt remission of DKK 89.7 million in the company and remission of debt in subsidiary of DKK 35.4 million.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SDK Sport I ApS for 2018 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

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

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

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

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Other external expenses

Other external costs comprise administrative expenses.

Profit from investments in subsidiaries

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

Financial expenses

Financial expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

The parent company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

Sport Nordic Holding ApS acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries 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 minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the acquisition method.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

Impairment of non-current assets

The carrying amount of investments in subsidiaries is subject to an annual test for indications of impairment.

Impairment tests are conducted of individual assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the 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.

Equity

Reserve for net revaluation according to the equity method

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

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

The reserve cannot be recognised as a negative amount.

Proposed dividends

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

Income taxes

Joint taxation contribution payable and receivable is recognised in the balance sheet as corporation tax payable and corporation tax receivable.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where different tax rules can be applied to determine the tax base, deferred tax is measured based on Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax value of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Deferred tax is measured in accordance with the tax rules and at the tax rate applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Events after the balance sheet date

No significant matters have occurred with effect on the Company's financial position.

3 Financial expenses

Interest expenses, banks	4,540	5,317
Amortisation of financing costs	1,629	1,086
	<u>6,169</u>	<u>6,403</u>

4 Tax for the year

Estimated tax charge for the year	0	-332
Deferred tax adjustments in the year	2,027	-850
Tax adjustments, prior years	0	34
	<u>2,027</u>	<u>-1,148</u>

Financial statements 1 January - 31 December

Notes to the financial statements

5 Investments

DKK'000	Investments in subsidiaries
Cost at 1 January 2018	640,292
Cost at 31 December 2018	640,292
Value adjustments at 1 January 2018	-273,312
Dilution effect due to minority share holder's capital increase	34,604
Profit/loss for the year	-137,769
Effect from remission of debt in subsidiaries	35,303
Amortisation of goodwill	-149
Value adjustments at 31 December 2018	-341,323
Carrying amount at 31 December 2018	298,969

In the carrying amount of investments in subsidiaries, goodwill amounting to DKK 1,264 (2017: 1,413) is included.

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
SDK Sport II ApS	ApS	Ballerup	99.90%	297,993	137,909

DKK'000	2018	2017
6 Deferred tax		
Deferred tax at 1 January	-2,689	-1,839
Adjustment of deferred tax regarding prior years	654	0
Adjustment of deferred tax	2,027	-850
Deferred tax at 31 December	-8	-2,689

7 Share capital

Analysis of changes in the share capital over the past 5 years:

DKK'000	2018	2017	2016	2015	2014
Opening balance	15,275	15,275	11,800	10,000	10,000
Capital increase	0	0	3,475	1,800	0
	15,275	15,275	15,275	11,800	10,000

Financial statements 1 January - 31 December

Notes to the financial statements

8 Mortgage debt and debt to other credit institutions

In connection with the re-negotiation of the loan agreement the company's received a full debt emission.

9 Other payables

Fair value of hedging instruments	1,026	3,060
Other liabilities	48	224
	<u>1,074</u>	<u>3,284</u>

10 Contractual obligations and contingencies, etc.

Other financial obligations

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 2018, 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.

11 Collateral

The Company's assets, including shares in SDK Sport II ApS, are provided as security for bank loans.

12 Related parties

SDK Sport I ApS' related parties comprise the following:

Parties exercising control

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Sport Nordic Holding ApS	Ballerup	100 % ownership

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Sport Nordic Holding ApS	Ballerup	Baltorpbakken 2750 Ballerup, Denmark