

SDK Sport I ApS

Baltorpbakken 5, DK-2750 Ballerup

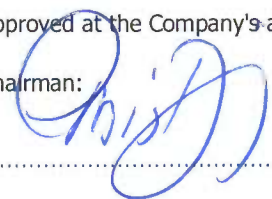
CVR no. 34 48 59 84



Annual report 2016

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

Chairman:



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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of SDK Sport I ApS for the financial year 1 January - 31 December 2016.

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

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

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, 29 May 2017
Executive Board:



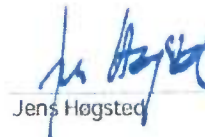
Jens Høgstved
CEO

Chris Bigler
CFO

Board of Directors:



Michael Christiansen
Chairman

Chris Bigler

Jens Høgstved

Independent auditors' report

To the shareholder 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 2016, which comprise an income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the 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 financial statements" section of our report. 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 additional requirements applicable in Denmark, 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.

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 about 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 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 additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism 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 conclusion is 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 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 our procedures, 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, 29 May 2017

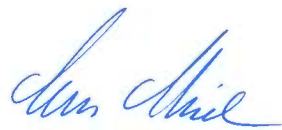
ERNST & YOUNG

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	SDK Sport I ApS
Address, zip code, city	Baltorpbakken 5, DK-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) Chris Bigler Jens Høgsted
Executive Board	Jens Høgsted, CEO Chris Bigler, CFO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, DK-2000 Frederiksberg

Management's review

Operating review

Primary activities

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 100 quality stores and the leading Danish sports online store. SPORTMASTER has an extensive and attractive range of products, including own brands and leading sports brands of shoes, clothing and equipment for sports and leisure activities.

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

Development in activities and finances

In 2016, the Company's operations resulted in a loss of DKK 40.6 million (2015: loss of DKK 24.3 million).

Equity at 31 December 2016 amounted to DKK 335.3 million (2015: DKK 281.4 million) after the capital increase of DKK 90.0 million.

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.

Financial statements for the period 1 January – 31 December

Income statement

Note	DKK'000	2016	2015
	Other external costs	-27	-25
	Operating profit/loss	-27	-25
2	Share of profit/loss in subsidiaries after tax	-25,050	-14,482
3	Financial income	0	1,602
4	Financial expenses	-19,410	-13,693
	Profit/loss before tax	-44,487	-26,598
5	Tax on profit/loss for the year	3,882	2,262
	Profit/loss for the year	-40,605	-24,336
Proposed profit appropriation/distribution of loss			
	Retained earnings	-40,605	-24,336
	Profit/loss for the year	-40,605	-24,336



Financial statements for the period 1 January – 31 December

Balance sheet

Note	DKK'000	2016	2015
	ASSETS		
	Non-current assets		
2	Investments in subsidiaries	407,464	431,170
	Total non-current assets	407,464	431,170
	Current assets		
	Receivables		
	Amounts owed by group companies	14,977	16,589
6	Deferred tax	1,839	3,425
	Corporation tax	3,090	1,750
		19,906	21,764
	Total current assets	19,906	21,764
	TOTAL ASSETS	427,370	452,934
	EQUITY AND LIABILITIES		
	Equity		
7	Share capital	15,275	11,800
	Retained earnings	320,056	269,637
	Total equity	335,331	281,437
	Liabilities		
	Non-current liabilities		
8	Bank loans	86,949	166,449
		86,949	166,449
	Current liabilities		
	Amounts owed to group companies	195	289
9	Other payables	4,895	4,759
		5,090	5,048
	Total liabilities	92,039	171,497
	TOTAL EQUITY AND LIABILITIES	427,370	452,934
10	Contractual obligations and contingencies, etc.		
11	Related party disclosures		

Financial statements for the period 1 January – 31 December

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	10,000	239,147	260,693
Capital increase	1,800	55,800	57,600
Value adjustments of hedging instruments	0	-694	-694
Tax on value adjustments of hedging instruments	0	152	152
Value adjustments of hedging instruments in subsidiary	0	-554	-554
Tax on value adjustments of hedging instruments in subsidiary	0	122	122
Transferred, see profit appropriation/distribution of loss	0	-24,336	-24,336
Equity at 1 January 2016	11,800	269,637	281,437
Capital increase	3,475	86,525	90,000
Value adjustments of hedging instruments	0	4,092	4,092
Tax on value adjustments of hedging instruments	0	-937	-937
Value adjustments of hedging instruments in subsidiary	0	1,733	1,733
Tax on value adjustments of hedging instruments in subsidiary	0	-389	-389
Transferred, see profit appropriation/distribution of loss	0	-40,605	-40,605
Equity at 31 December 2016	15,275	320,056	335,331

No costs relating to the capital increase in 2016 has been recognized.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies

The annual report of SDK Sport I ApS for 2016 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

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 SDK Sport I ApS. Result for the year has been affected with 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.

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

Foreign currency translation

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

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

Derivative financial instruments

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

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

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

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

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Other external costs

Other external costs comprise administrative expenses.

Profits/losses from investments in subsidiaries

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

Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.

Tax on profit/loss for the year

The Company is covered by the Danish rules on compulsory joint taxation of the Sport Nordic Holding Group's subsidiaries. Subsidiaries form part of the joint taxation from the date on which they are included in the consolidation of the consolidated financial statements and up to the date on which they exit the consolidation.

Sport Nordic Holding ApS is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Investments in subsidiaries

Investments in subsidiaries are measured under the equity method.

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

Net revaluation of investments in subsidiaries is recognised in the reserve for net revaluation in equity under the equity method to the extent that the carrying amount exceeds cost. Dividends from subsidiaries which are expected to be adopted before the approval of the annual report of SDK Sport 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 usually 15 years, longest for strategically acquired enterprises.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Impairment of non-current assets

The carrying amount of investments in subsidiaries is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

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

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

Equity

Reserve for net revaluation according to the equity method

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

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

The reserve cannot be recognised at a negative amount.

Dividends

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

Corporation tax and deferred tax

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

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.

Financial statements for the period 1 January – 31 December

Notes to the financial statements

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other liabilities are measured at net realisable value.

DKK'000	2016	2015
2 Investments in subsidiaries		
Cost at 1 January	640,292	629,292
Capital increase	0	11,000
Cost at 31 December	640,292	640,292
Value adjustments at 1 January	-209,122	-174,208
Profit/loss for the year	-24,901	-14,323
Dividends	0	-20,000
Value adjustments of hedging instruments after tax	1,344	-432
Amortisation of goodwill	-149	-159
Value adjustments at 31 December	-232,828	-209,122
Carrying amount at 31 December	407,464	431,170

The carrying amount of goodwill recognised as investments in subsidiaries amounts to DKK 309,755 thousand (2015: DKK 339,403 thousand).

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

DKK'000	2016	2015
3 Financial income		
Interests from group companies	0	1,602
4 Financial expenses		
Interest expense, banks	15,032	11,830
Amortisation of financing costs	3,778	1,863
Other interest expense	600	0
	19,410	13,693

Financial statements for the period 1 January – 31 December

Notes to the financial statements						
DKK'000		2016	2015			
5	Tax on the profit/loss for the year					
	Joint taxation contribution	3,431	1,750			
	Adjustment of deferred tax	-334	152			
	Adjustment of current tax regarding prior years	2,037	819			
	Adjustment of deferred tax regarding prior years	-1,252	-459			
		<u>3,882</u>	<u>2,262</u>			
6	Deferred tax assets					
	Deferred tax assets at 1 January	3,425	3,580			
	Adjustment of deferred tax regarding prior years	-1,252	-459			
	Adjustment of deferred tax	-334	152			
	Adjustment of deferred tax recognised in equity	0	152			
	Deferred tax assets at 31 December	<u>1,839</u>	<u>3,425</u>			
	Deferred tax assets relates to:					
	Liabilities other than provisions	726	727			
	Tax loss carry forwards	1,113	2,698			
		<u>1,839</u>	<u>3,425</u>			
7	Share capital					
	The share capital comprises 15,275,232 shares of DKK 1 each.					
	Changes in share capital for the past five years can be specified as follows:					
	DKK'000	2016	2015	2014	2013	2012
	Balance at 1 January	11,800	10,000	10,000	10,000	10,000
	Capital increase	3,475	1,800	0	0	0
		<u>15,275</u>	<u>11,800</u>	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
	DKK'000	2016	2015			
8	Bank loans					
	The bank loans are recognised in the balance sheet as follows:					
	Non-current liabilities	86,949	166,449			
	Current liabilities	0	0			
		<u>86,949</u>	<u>166,449</u>			
	Non-current liabilities falling due more than five years after the balance sheet date (carrying amount)	0	0			
	Financing costs offset against liabilities	<u>2,714</u>	<u>6,196</u>			

Financial statements for the period 1 January – 31 December

Notes to the financial statements

DKK'000	2016	2015
9 Other payables		
Fair value of hedging instruments	4,624	4,651
Other liabilities	271	108
	4,895	4,759

10 Contractual obligations and contingencies, etc.

Contingent assets and liabilities

The Company is jointly taxed with the parent company Sport Nordic Holding ApS. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes. At 31 December 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 II ApS, are provided as security for bank loans.

The Company has provided a guarantee for loans totalling DKK 142,730 thousand raised in group companies.

11 Related party disclosures

SDK Sport I ApS' related parties comprise the following:

Parties exercising control

Sport Nordic Holding ApS, Denmark, which controls the Company.

Other related parties

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

The Sport Nordic Holding ApS Group companies: SDK Sport II ApS and Sport Danmark A/S.

Consolidated financial statements

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