SDK Sport I ApS

Baltorpbakken 5, DK-2750 Ballerup

CVR no. 34 48 59 84

Annual report 2015

Approved at the Company's annual general meeting on ~~27~~ 31 May 2016

Chairman:

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Building a better working world

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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 2015.

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 2015 and of the results of the Company's operations for the financial year 1 January - 31 December 2015.

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, 27 May 2016
Executive Board:

Jens Høgsted CEO	Chris Bigler CFO

Board of Directors:

Michael Christiansen Chairman	Chris Bigler	Jens Høgsted

Independent auditors' report

To the shareholder of SDK Sport I ApS

Independent auditors' report on the financial statements

We have audited the financial statements of SDK Sport I ApS for the financial year 1 January - 31 December 2015. The financial statements comprise 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.

Management's responsibility 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 that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2015 and of the results of its operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the financial statements.

Copenhagen, 27 May 2016
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

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

Management's review

Company details

Name	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 in the SPORTMASTER retail chain.

SPORTMASTER is a nationwide retail chain of more than 100 quality stores - operating both on- and offline - and employing more than 1,000 people. 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.

Development in activities and finances

In 2015, the Company's operations resulted in a loss of DKK 24.3 million (2014: loss of DKK 43.1 million).

Equity at 31 December 2015 amounted to DKK 293.0 million (2014: DKK 260.7 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	2015	2014
	Other external costs	-25	-6
	Operating profit/loss	-25	-6
5	Share of profit/loss in subsidiaries after tax	-14,464	-26,650
2	Financial income	1,602	0
3	Financial expenses	-13,693	-20,562
	Profit/loss before tax	-26,580	-47,218
4	Tax on profit/loss for the year	2,262	4,126
	Profit/loss for the year	-24,318	-43,092

Proposed profit appropriation/distribution of loss			
	Retained earnings	-24,318	-43,092
	Profit/loss for the year	-24,318	-43,092

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2015	2014
	ASSETS		
	Non-current assets		
5	Investments in subsidiaries	442,734	466,630
	Total non-current assets	442,734	466,630
	Current assets		
	Receivables		
	Amounts owed by group companies	16,589	3,825
7	Deferred tax	3,425	3,580
	Corporation tax	1,750	3,660
		21,764	11,065
	Total current assets	21,764	11,065
	TOTAL ASSETS	464,498	477,695
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	11,800	10,000
	Retained earnings	281,201	250,693
	Total equity	293,001	260,693
	Liabilities		
	Non-current liabilities		
8	Bank loans	166,449	183,407
		166,449	183,407
	Current liabilities		
8	Current portion of non-current liabilities	0	26,244
	Amounts owed to group companies	289	0
	Amounts owed to former owners	0	748
9	Other payables	4,759	6,603
		5,048	33,595
	Total liabilities	171,497	217,002
	TOTAL EQUITY AND LIABILITIES	464,498	477,695

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 2014	10,000	296,294	306,294
Value adjustments of hedging instruments	0	-2,312	-2,312
Tax on value adjustments of hedging instruments	0	509	509
Value adjustments of hedging instruments in subsidiary	0	-905	-905
Tax on value adjustments of hedging instruments in subsidiary	0	199	199
Transferred, see profit appropriation/distribution of loss	0	-43,092	-43,092
Equity at 1 January 2015	10,000	250,693	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	-24,318	-24,318
Equity at 31 December 2015	11,800	281,201	293,001

Costs related to capital increases in 2015 amount to DKK 217 thousand, which has been expensed.

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 2015 has been prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act.

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

No cash flow statement has been prepared as the cash flows of SDK Sport I ApS are included in the cash flow statement of the parent company Sport Nordic Holding ApS.

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.

Business combinations

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

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

Acquisitions of enterprises are accounted for using the acquisition method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. Any excess of the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition (negative goodwill), representing an anticipated adverse development in the acquired enterprises, is recognised in the balance sheet as deferred income and recognised in the income statement as the adverse development is realised. Negative goodwill not related to any anticipated adverse development is recognised in the balance sheet at an amount corresponding to the fair value of non-monetary assets. The amount is subsequently recognised in the income statement over the average useful lives of the non-monetary assets.

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

Intra-group business combinations

In connection with business combinations such as acquisition and disposal of equity investments, mergers, demergers, addition of assets and exchange of shares, etc., the uniting-of-interests method is used. Differences between the agreed consideration and the carrying amount of the acquired enterprise are recognised in equity. Moreover, comparative figures for previous financial years are restated.

Foreign currency translation

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

Derivative financial instruments

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

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

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

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

Income statement

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 **Accounting policies (continued)**

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Corporation tax and deferred tax

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

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.

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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

DKK'000		2015	2014
2	**Financial income**		
	Interests from group companies	1,602	0
		1,602	0
3	**Financial expenses**		
	Interest expense, banks	11,830	15,311
	Amortisation of financing costs	1,863	2,939
	Other interest expense	0	2,312
		13,693	20,562
4	**Tax on the profit/loss for the year**		
	Joint taxation contribution	1,750	3,660
	Adjustment of deferred tax	152	634
	Adjustment of current tax regarding prior years	819	-916
	Adjustment of deferred tax regarding prior years	-459	748
		2,262	4,126
5	**Investments in subsidiaries**		
	Cost at 1 January	629,292	629,292
	Capital increase	11,000	0
	Cost at 31 December	640,292	629,292
	Value adjustments at 1 January	-162,662	-40,306
	Profit/loss for the year	-14,305	-26,506
	Dividends	-20,000	-95,000
	Value adjustments of hedging instruments after tax	-432	-706
	Amortisation of goodwill	-159	-144
	Value adjustments at 31 December	-197,558	-162,662
	Carrying amount at 31 December	442,734	466,630

The carrying amount of goodwill recognised as investments in subsidiaries amounts to DKK 1,711 thousand (2014: DKK 1,870 thousand).

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 **Share capital**

The share capital comprises 11,800,000 shares of DKK 1 each.

Changes in share capital for the past five years can be specified as follows:

DKK'000	2015	2014	2013	2012	2011
Balance at 1 January	10,000	10,000	10,000	10,000	10,000
Capital increase	1,800	0	0	0	0
	11,800	10,000	10,000	10,000	10,000

DKK'000	2015	2014
7 **Deferred tax assets**		
Deferred tax assets at 1 January	3,580	1,689
Adjustment of deferred tax regarding prior years	-459	0
Adjustment of deferred tax	152	1,382
Adjustment of deferred tax recognised in equity	152	509
Deferred tax assets at 31 December	3,425	3,580
Deferred tax assets relates to:		
Liabilities other than provisions	727	838
Tax loss carryforwards	2,698	2,742
	3,425	3,580

8 **Bank loans**

The bank loans are recognised in the balance sheet as follows:

	2015	2014
Non-current liabilities	166,449	183,407
Current liabilities	0	26,244
	166,449	209,651
Non-current liabilities falling due more than five years after the balance sheet date (carrying amount)	0	0
Financing costs offset against liabilities	6,196	8,059

9 **Other payables**

	2015	2014
Fair value of hedging instruments	4,651	3,414
Other liabilities	108	3,189
	4,759	6,603

Financial statements for the period 1 January - 31 December

Notes to the financial statements

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 2015, the net taxes payable to the Danish Central Tax Administration by the companies included in the joint taxation amounted to DKK 0. Any subsequent corrections of the taxable income subject to joint taxation may entail that the companies' liability will increase.

The Group's 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 64,437 thousand raised in group companies.

11 Related party disclosures

SDK Sport 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: Sport Nordic Holding ApS, SDK Sport II ApS, Sport Danmark A/S and Uniboys ApS.

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the voting rights or minimum 5% of the share capital:

Sport Nordic Holding ApS, Denmark.

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