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Sports Connection Holding ApS

Kvaglundvej 89, 6705 Esbjerg Ø

Annual report

2018

Company reg. no. 37 29 79 09

The annual report was submitted and approved by the general meeting on the 22 May 2019.

Peter Jørgensen
Chairman of the meeting

Contents

Notes:
- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The executive board has today presented the annual report of Sports Connection Holding ApS for the financial year 1 January to 31 December 2018.

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

We consider the accounting policies used appropriate, and in our opinion, the consolidated annual accounts and the annual accounts provide a true and fair view of the assets, the liabilities and the financial position, consolidated and for the company respectively at 31 December 2018, and of the results of the activities, consolidated and of the company respectively and of consolidated cash flows in the financial year 1 January to 31 December 2018.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Esbjerg Ø, 22 May 2019

Executive board

Peter Jørgensen

Johannes Adrianus de Groot

Independent auditor's report

To the shareholders of Sports Connection Holding ApS

Opinion

We have audited the consolidated annual accounts and the annual accounts of Sports Connection Holding ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes, consolidated and for the company respectively and consolidated cash flow statement. The consolidated annual accounts and the annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets, liabilities and financial position, consolidated and for the company respectively at 31 December 2018 and of the results of the company's operations, consolidated and for the company respectively and of consolidated cash flows for the financial year 1 January to 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 and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the consolidated annual accounts and the annual accounts

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

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the group's and the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the group or the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the consolidated annual accounts and the annual accounts.

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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 company's internal control.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the group's and 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 consolidated annual accounts and the annual accounts 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect 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 the business activities within the group to express an opinion on the consolidated annual accounts. 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 the internal control that we identify during our audit.

Independent auditor's report

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the consolidated annual accounts or the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the consolidated annual accounts and the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Esbjerg, 22 May 2019

Martinsen
State Authorised Public Accountants
Company reg. no. 32 28 52 01

Søren Rishøj
State Authorised Public Accountant
mne19733

Company data

The company	Sports Connection Holding ApS Kvaglundvej 89 6705 Esbjerg Ø	
	Company reg. no.	37 29 79 09
	Financial year:	1 January - 31 December 3rd financial year
Executive board	Peter Jørgensen Johannes Adrianus de Groot	
Auditors	Martinsen Statsautoriseret Revisionspartnerselskab Edison Park 4 6715 Esbjerg N	
Parent company	Jørgensen Holding ApS	
Subsidiaries	Sports Connection ApS, Esbjerg Ø, Danmark Skechers Retail Danmark ApS, Esbjerg Ø, Danmark Sports Connection Norge AS, Norge SC Retail Sverige AB, Sverige Sports Connection Finland OY, Finland Skechers Retail Norge AS, Norge Sports C Sverige AB, Sverige	

Consolidated financial highlights

DKK in thousands.	2018	2017	2016
Profit and loss account:			
Gross profit	85.584	61.817	40.564
Results from operating activities	42.872	40.047	24.634
Net financials	2.882	-6.726	2.790
Results for the year	35.863	25.467	20.419
Balance sheet:			
Balance sheet sum	145.552	90.934	66.244
Equity	60.728	41.109	42.454
Cash flow:			
Operating activities	34.614	21.978	8.105
Investment activities	-21.403	-9.277	-4.605
Financing activities	-19.000	-26.700	0
Cash flow in total	-5.789	-13.999	3.500
Employees:			
Average number of full time employees	118	42	27

The calculation of key figures and ratios follow the Danish Association of Finance Analysts' recommendations.

Management's review

The principal activities of the group

The company's main activity is to own shares in other companies.

The group's main activity is wholesale of shoes in the Nordic countries.

Development in activities and financial matters

The results from ordinary activities after tax are DKK 35.863.202 against DKK 25.466.608 last year. The management consider the results satisfactory.

Special risks

Operating risks

Management believes that the company is not affected by particular risks beyond the usual risks in the industry.

Exchange rate risks

The company trades abroad and has a risk og exchange rate fluctuations. This risk is secured by hedging future transactions.

Environmental issues

The Group is environmentally aware and continuously works to reduce the environmental impact from its operations. The company's operations already have a minimal environmental impact.

Know how resources

There are no specific issues to mention in the management's review.

Research and development activities

There are no research and development activities in the company.

The expected development

Management expects continued positive development in the company and in the Group.

Events subsequent to the financial year

No events has occourred subsequent to the balance sheet date, which would have material impact on the financial position of the company.

Branches abroad

The company has five branches in the Nordic region. The main activities of the branches are retail of shoes.
Branches abroad are:

Sports Connection Norge AS, Norway
Skechers Retail Norge AS, Norway
SC Retail Sverige AB, Sweden
Sports C Sverige AB, Sweden.
Sports Connection Finland OY, Finland.

Accounting policies used

The annual report for Sports Connection Holding ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

In case the foreign group enterprises and associated enterprises meet the criteria for being independent units, the profit and loss accounts are translated by using an average exchange rate for the period in question, and the balance sheet items are translated by using the closing rate. Differences arising in connection with the translation of the equity of foreign group enterprises at the beginning of the year to the closing rate are recognised directly in the equity. The same goes for differences arising in connection with translation of the profit and loss accounts from average exchange rate to the closing rate.

At recognition of foreign group enterprises which are integrated units, the monetary items are translated by using the closing rate. Non monetary items are translated by using the exchange rate prevailing at the time of acquisition or at the time of the following depreciation or writedown of the asset. The items of the profit and loss account are translated by using the exchange rate prevailing at the date of the transaction. However, items in the profit and loss account deriving from non monetary items are translated by using historical prices.

Currency adjustment of balances with group enterprises abroad that are considered part of the total investment in group enterprises are recognised directly in the equity. Likewise, foreign exchange gains and losses on loans and derived financial instruments for currency hedging independent group enterprises abroad are recognised in the equity.

Derived financial instruments

At the first recognition, derived financial instruments are recognised at cost in the balance sheet. Afterwards they are measured at fair value. Positive and negative fair values of derived financial instruments are recognised under other debtors and other creditors respectively.

Accounting policies used

Changes in the fair value of derived financial instruments classified as and meeting the criteria for hedging future cash flows are recognised under amounts owed or other debt in the equity.

If the future transaction results in the recognition of assets or liabilities, amounts which have been recognised in the equity previously, are transferred to the cost for the asset or the liability, respectively. If the future transaction results in income or costs, amounts which have been recognised in the equity currently, are transferred to the profit and loss account in the period in which the hedged item influenced the profit and loss account.

As regards any derived financial instruments which do not meet the criteria for being treated as hedging instruments, changes in the fair value are recognised currently in the profit and loss account.

The consolidated annual accounts

The consolidated annual accounts comprise the parent company Sports Connection Holding ApS and those group enterprises of which Sports Connection Holding ApS directly or indirectly owns more than 50 % of the voting rights or in other ways has controlling interest. As it appears from the group chart, enterprises of which the group owns between 20 and 50 % of the voting rights and exercises considerable, but not controlling interest are considered associated enterprises.

By the consolidation, elimination of intercompany income and costs, shareholding, intercompany balances and dividends and realised and unrealised gains and losses from transactions among the consolidated enterprises takes place.

Equity interests in group enterprises are settled by the proportional share of the group enterprises' trade value of net assets and liabilities at the date of acquisition.

Minority interests

The items of the group enterprises are recognised by 100 % in the consolidated annual accounts. The minority interests' proportionate share of the profit or loss and the equity of the group enterprises are adjusted annually, and they are recognised as a separate item below the profit and loss account and as a separate item in the balance sheet respectively.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Accounting policies used

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The parent company and the Danish group enterprises are subject to the Danish rules on compulsory joint taxation of the consolidated Danish enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Goodwill

Acquired goodwill is measured at cost with deduction of accumulated amortisation. As it is not possible to determine a reliable estimate of the useful life, the amortisation period is set at 1-5 years.

Accounting policies used

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Other plants, operating assets, fixtures and furniture	*3-5 years*

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from subsuppliers, payroll costs, and borrowing costs form specific and general borrowing concerning the construction of each individual asset.

Leasing contracts

Leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The group's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

Group enterprises and associated enterprises with negative equity are recognised without any value, and to the extent they are considered irrevocable, amounts owed by these companies are written down by the parent's share of the equity. If the negative equity exceeds the debtors, the residual amount is recognised under liability provisions to the extent the parent has a legal or actual liability to cover the negative equity of the subsidiary.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Accounting policies used

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

In connection with the acquisition of new group enterprises and associated enterprises, the acquisition method is applied, by which the acquirees' assets and liabilities are measured at fair value at the time of acquisition. Provisions for payment of costs for decided restructuring activities in the acquirees in relation to the acquisition are recognised. The tax effect of the revaluations carried out is taken into consideration.

Positive differences (goodwill) between cost and fair value of identifiable, acquired assets and liabilities, inclusive of liability provisions for restructuring, are recognised under equity investments in group enterprises, and they are amortised over their estimated useful life. The useful life is determined on the basis of the management's experience with the individual business areas. The amortisation period is maximum 20 years, being the longer for strategical acquirees with a strong market position and a long-range earnings potential. The book value of goodwill is evaluated currently and written down in the profit and loss account in those cases where the book value exceeds the expected future net income from the enterprise or the activity, to which the goodwill is attached.

Other securities and equity investments

Other unlisted securities (under fixed assets) are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

Deposits

Deposits are measured at nominel value.

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accounting policies used

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under the equity. Proposed dividend is recognised as a liability at the time of approval by the general meeting (the time of declaration).

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Sports Connection Holding ApS is proportionally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Accounting policies used

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Accrued expenses and deferred income

Received payments concerning income during the following years are recognised under accrued expenses and deferred income.

The cash flow statement

The cash flow statement shows the cash flow of the group for the year, divided in cash flows deriving from operating activities, investment activities, and financing activities respectively, the changes in the liabilities, and the available funds at the beginning and the end of the year respectively.

The effect of cash flow deriving from purchase and sale of enterprises appears separately under cash flow from investment activities. In the cash flow statement, cash flow deriving from purchased enterprises is recognised as of the date of acquisition, and cash flow deriving from sold enterprises is recognised until the sales date.

Cash flow from operating activities

Cash flow from operating activities are calculated as the results for the year adjusted for non-cash operating items, the change in the working capital, and corporate tax paid.

Cash flow from investment activities

Cash flow from investment activities comprises payments in connection with the acquisition and sale of enterprises and activities as well as the acquisition and sale of intangible and tangible fixed assets and fixed asset investments respectively.

Cash flow from financing activities

Cash flow from financing activities comprises changes in the size or the composition of the share capital and the costs in this connection. Furthermore, these activities comprise borrowings, instalments on interestbearing debt, and payment of dividend to the shareholders.

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		Group 2018	2017	Parent company 2018	2017
	Gross profit	**85.583.676**	**61.816.808**	**-111.500**	**-125.000**
1	Staff costs	-40.163.772	-20.465.416	0	0
	Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-2.547.783	-1.304.425	0	0
	Operating profit	**42.872.121**	**40.046.967**	**-111.500**	**-125.000**
2	Income from equity investments in group enterprises	0	0	34.119.729	25.578.936
	Other financial income	3.881.624	265.049	411	0
	Other financial costs	-999.724	-6.990.757	-276.766	-18.986
	Results before tax	**45.754.021**	**33.321.259**	**33.731.874**	**25.434.950**
3	Tax on ordinary results	-9.890.819	-7.854.652	2.131.328	31.658
	Results for the year	**35.863.202**	**25.466.607**	**35.863.202**	**25.466.608**
	The group's results are as follows:				
	Shareholders in Sports Connection Holding ApS	35.863.202	25.466.607		
		35.863.202	**25.466.607**		

Proposed distribution of the results:

	2018	2017
Extraordinary dividend adopted during the financial year	0	5.700.000
Reserves for net revaluation as per the equity method	-19.856.772	-1.117.387
Dividend for the financial year	34.000.000	19.000.000
Allocated to results brought forward	21.719.974	1.883.995
Distribution in total	**35.863.202**	**25.466.608**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		Group 2018	Group 2017	Parent company 2018	Parent company 2017
	Fixed assets				
4	Goodwill	253.421	0	0	0
	Intangible fixed assets in total	253.421	0	0	0
5	Other plants, operating assets, and fixtures and furniture	12.956.603	4.142.527	0	0
	Tangible fixed assets in total	12.956.603	4.142.527	0	0
6	Equity investments in group enterprises	0	0	72.178.181	44.998.642
7	Other stocks and equity investments	19.204	0	0	0
	Other debtors	0	0	26.517.385	0
8	Deposits	720.495	450.449	0	0
	Financial fixed assets in total	739.699	450.449	98.695.566	44.998.642
	Fixed assets in total	**13.949.723**	**4.592.976**	**98.695.566**	**44.998.642**

Balance sheet 31 December

All amounts in DKK.

Note	Assets	Group 2018	Group 2017	Parent company 2018	Parent company 2017
	Current assets				
9	Manufactured goods and trade goods	76.248.990	52.286.302	0	0
	Inventories in total	76.248.990	52.286.302	0	0
	Trade debtors	15.006.678	18.077.846	0	0
	Amounts owed by group enterprises	229.415	832.421	186.683	186.272
	Deferred tax assets	2.046.000	18.939	2.046.000	0
	Tax receivables from group enterprises	0	0	99.209	45.561
	Other debtors	6.085.693	1.838.390	0	0
	Accrued income and deferred expenses	3.287.680	1.420.563	0	0
	Debtors in total	26.655.466	22.188.159	2.331.892	231.833
	Available funds	28.697.625	11.866.546	0	618.449
	Current assets in total	**131.602.081**	**86.341.007**	**2.331.892**	**850.282**
	Assets in total	**145.551.804**	**90.933.983**	**101.027.458**	**45.848.924**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		Group 2018	Group 2017	Parent company 2018	Parent company 2017
	Equity				
10	Contributed capital	50.000	50.000	50.000	50.000
11	Reserves for net revaluation as per the equity method	0	0	0	19.856.772
12	Reservs for hedging instruments	2.953.075	0	2.953.075	0
13	Results brought forward	23.724.646	22.059.232	23.724.646	2.202.460
14	Proposed dividend for the financial year	34.000.000	19.000.000	34.000.000	19.000.000
	Equity before non-controlling interest.	60.727.721	41.109.232	60.727.721	41.109.232
	Equity in total	**60.727.721**	**41.109.232**	**60.727.721**	**41.109.232**
	Liabilities				
	Bank debts	41.087.717	18.439.419	35.560.045	0
	Trade creditors	23.513.974	14.019.064	75.000	75.000
	Debt to group enterprises	0	0	4.664.692	4.664.692
	Corporate tax	3.130.205	426.188	0	0
	Tax payables to group enterprises	7.991.796	7.255.006	0	0
	Other debts	8.269.243	9.201.231	0	0
	Accrued expenses and deferred income	831.148	483.843	0	0
	Short-term liabilities in total	84.824.083	49.824.751	40.299.737	4.739.692
	Liabilities in total	**84.824.083**	**49.824.751**	**40.299.737**	**4.739.692**
	Equity and liabilities in total	**145.551.804**	**90.933.983**	**101.027.458**	**45.848.924**

15 Mortgage and securities

16 Contingencies

17 Related parties

Cash flow statement 1 January - 31 December

All amounts in DKK.

Note		Group 2018	2017
	Results for the year	35.863.202	25.466.607
18	Adjustments	27.506.770	22.592.011
19	Change in working capital	-26.162.867	-12.250.685
	Cash flow from operating activities before net financials	37.207.105	35.807.933
	Interest received and similar amounts	7.667.617	310.165
	Interest paid and similar amounts	-1.002.031	-7.035.873
	Cash flow from ordinary activities	43.872.691	29.082.225
	Corporate tax paid	-9.258.236	-7.104.041
	Cash flow from operating activities	**34.614.455**	**21.978.184**
	Sale of intangible fixed assets	-400.000	0
	Purchase of tangible fixed assets	-11.227.328	-2.709.893
	Sale of tangible fixed assets	14.974	56.000
	Purchase of financial fixed assets	-10.626.732	-6.623.507
	Sale of financial fixed assets	835.822	0
	Cash flow from investment activities	**-21.403.264**	**-9.277.400**
	Dividend paid	-19.000.000	-26.700.000
	Cash flow from financing activities	**-19.000.000**	**-26.700.000**
	Changes in available funds	**-5.788.809**	**-13.999.216**
	Available funds 1 January 2018	-6.572.873	7.426.343
	Exchange rate adjustments (available funds)	-28.410	0
	Available funds 31 December 2018	**-12.390.092**	**-6.572.873**

	2018	2017
Available funds		
Available funds	28.697.625	11.866.546
Bank debt	-41.087.717	-18.439.419
Available funds 31 December 2018	**-12.390.092**	**-6.572.873**

Notes

All amounts in DKK.

		Group 2018	Group 2017	Parent company 2018	Parent company 2017
1.	**Staff costs**				
	Salaries and wages	33.901.011	17.420.291	0	0
	Pension costs	2.736.754	1.393.024	0	0
	Other costs for social security	2.874.035	997.566	0	0
	Other staff costs	651.972	654.535	0	0
		40.163.772	**20.465.416**	**0**	**0**
	Average number of employees	118	42	0	0
2.	**Income from equity investments in group enterprises**				
	Sports Connection ApS	0	0	31.740.868	25.322.980
	Income from Skechers Retail Danmark ApS	0	0	-46.372	731.784
	Income from Sports Connection Norge AS	0	0	4.797.300	1.213.372
	Income from SC Retail Sverige AB	0	0	-810.708	-203.722
	Income from Sports Connection Finland OY	0	0	-597.750	-47.207
	Income from Skechers Norge AS	0	0	-781.334	-423.474
	Sports C Sverige AB	0	0	6.538.725	697.203
	Internal profit	0	0	-6.721.000	-1.712.000
		0	**0**	**34.119.729**	**25.578.936**

		Group 2018	Group 2017	Parent company 2018	Parent company 2017
3.	**Tax on ordinary results**				
	Tax of the results for the year	11.936.819	7.854.652	-85.328	-31.658
	Deferred taxes of the results of the year	-2.046.000	0	-2.046.000	0
		9.890.819	**7.854.652**	**-2.131.328**	**-31.658**

Notes

All amounts in DKK.

		Group		Parent company	
		31/12 2018	31/12 2017	31/12 2018	31/12 2017
4.	**Goodwill**				
	Additions during the year	400.000	0	0	0
	Cost 31 December 2018	**400.000**	**0**	**0**	**0**
	Depreciation, amortisation and writedown for the year, assets disposed of	-146.579	0	0	0
	Amortisation and writedown 31 December 2018	**-146.579**	**0**	**0**	**0**
	Book value 31 December 2018	**253.421**	**0**	**0**	**0**

Notes

All amounts in DKK.

		Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
5.	**Other plants, operating assets, and fixtures and furniture**				
	Cost 1 January 2018	7.599.806	5.058.543	0	0
	Translation by use of the exchange rate valid on balance sheet date 31 December 2018	-83.419	0	0	0
	Additions during the year	11.227.328	2.709.893	0	0
	Disposals during the year	-2.004.347	-168.630	0	0
	Cost 31 December 2018	**16.739.368**	**7.599.806**	**0**	**0**
	Depreciation and writedown 1 January 2018	-3.457.279	-2.314.269	0	0
	Translation by use of the exchange rate valid on balance sheet date 31 December 2018	22.688	0	0	0
	Depreciation for the year	-2.337.547	-1.250.361	0	0
	Depreciation, amortisation and writedown for the year, assets disposed of	1.989.373	107.351	0	0
	Depreciation and writedown 31 December 2018	**-3.782.765**	**-3.457.279**	**0**	**0**
	Book value 31 December 2018	**12.956.603**	**4.142.527**	**0**	**0**

Notes

All amounts in DKK.

		Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
6.	**Equity investments in group enterprises**				
	Acquisition sum, opening balance 1 January 2018	0	0	24.483.819	18.300.462
	Additions during the year	0	0	10.082.482	6.183.357
	Disposals during the year	0	0	-777.959	0
	Cost 31 December 2018	**0**	**0**	**33.788.342**	**24.483.819**
	Revaluations, opening balance 1 January 2018	0	0	32.563.657	32.095.701
	Results for the year before goodwill amortisation	0	0	40.840.729	27.290.936
	Dividend	0	0	-19.000.000	-25.000.000
	Currency adjustment, 1. January 2017	0	0	-204.499	-110.980
	Internal profit	0	0	-6.721.000	-1.712.000
	Other movements in capital	0	0	2.953.075	0
	Other adjustment, primo	0	0	6.711	0
	Revaluation 31 December 2018	**0**	**0**	**50.438.673**	**32.563.657**
	Amortisation of goodwill, opening balance 1 January 2018	0	0	-12.048.834	-12.048.834
	Depreciation on goodwill 31 December 2018	**0**	**0**	**-12.048.834**	**-12.048.834**
	Book value 31 December 2018	**0**	**0**	**72.178.181**	**44.998.642**

Group enterprises:

	Domicile	**Share of ownership**
Sports Connection ApS	Esbjerg Ø, Danmark	100 %
Skechers Retail Danmark ApS	Esbjerg Ø, Danmark	100 %
Sports Connection Norge AS	Norge	100 %
SC Retail Sverige AB	Sverige	100 %
Sports Connection Finland OY	Finland	100 %
Skechers Retail Norge AS	Norge	100 %
Sports C Sverige AB	Sverige	100 %

Notes

All amounts in DKK.

		Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
7.	**Other stocks and equity investments**				
	Additions during the year	19.204	0	0	0
	Cost 31 December 2018	**19.204**	**0**	**0**	**0**
	Book value 31 December 2018	**19.204**	**0**	**0**	**0**
8.	**Deposits**				
	Cost 1 January 2018	450.449	123.781	0	0
	Additions during the year	270.046	356.840	0	0
	Disposals during the year	0	-30.172	0	0
	Cost 31 December 2018	**720.495**	**450.449**	**0**	**0**
	Book value 31 December 2018	**720.495**	**450.449**	**0**	**0**
9.	**Manufactured goods and trade goods**				
	Manufactured goods, trade goods	76.248.990	52.286.302	0	0
		76.248.990	**52.286.302**	**0**	**0**
	Group and parent company				
10.	**Contributed capital**				
	Contributed capital 1 January 2018	50.000	50.000	50.000	50.000
		50.000	**50.000**	**50.000**	**50.000**

Notes

All amounts in DKK.

	Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
11. Reserves for net revaluation as per the equity method				
Reserves for net revaluation 1 January 2018	0	0	19.856.772	20.974.159
Share of results	0	0	-19.856.772	-1.117.387
	0	**0**	**0**	**19.856.772**

Dividends from group enterprises 40.322 TDKK that is decided before the approval of this annual report are not subject to a limitation of the revaluation reserves.

	Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
12. Reservs for hedging instruments				
Change in value, hedging instruments	3.785.993	0	3.785.993	0
Tax of change in value, hedging instruments	-832.918	0	-832.918	0
	2.953.075	**0**	**2.953.075**	**0**

Hedging instruments 31/12 2018:

Currency: USD

Purchase ('000) in USD: 18.700

Fair value ('000) in DKK: 121.926

Maturity year: 2019

Notes

All amounts in DKK.

		Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
13.	**Results brought forward**				
	Results brought forward 1 January 2018	22.059.232	21.403.604	2.202.460	429.445
	Profit or loss for the year brought forward	1.863.202	766.608	21.719.974	1.883.995
	Extraordinary dividend adopted during the financial year	0	0	0	5.700.000
	Distributed extraordinary dividend adopted during the financial year.	0	0	0	-5.700.000
	Currecy adjustment, equity investments 1 January 2017	-204.499	-110.980	-204.499	-110.980
	Adjustment to primo	6.711	0	6.711	0
		23.724.646	**22.059.232**	**23.724.646**	**2.202.460**

		Group 31/12 2018	Group 31/12 2017	Parent company 31/12 2018	Parent company 31/12 2017
14.	**Proposed dividend for the financial year**				
	Dividend 1 January 2018	19.000.000	21.000.000	19.000.000	21.000.000
	Distributed dividend	-19.000.000	-21.000.000	-19.000.000	-21.000.000
	Dividend for the financial year	34.000.000	19.000.000	34.000.000	19.000.000
		34.000.000	**19.000.000**	**34.000.000**	**19.000.000**

15. Mortgage and securities

For bank debts, DKK ('000) 5.252, the Group provided security in company assets representing a nominal value of DKK ('000) 13.000. This security comprises the below assets, stating the book values:

Inventories	('000) DKK 56.573
Receivable from sales and services	('000) DKK 7.885
Fixtures, opetaring assets and furniture	('000) DKK 3.909
Intellectual property rights	('000) DKK 253

Notes

All amounts in DKK.

15. Mortgage and securities (continued)

The Groups bank has made total payment guarantee of DKK ('000) 2.687 for the security of the Group's liability to rent contracts.

Parent Company:
For the security of debt of the subsidiaries to Sydbank, the parent company has provided a surety (credit quarantee). At the balance sheet day the total debt of subsidiaries to Sydbank amounts to DKK (´000) 276.

16. Contingencies

Contingent liabilities

Leasing liabilities
The Group has entered operational leasing contracts with an average annual leasing payment of DKK ('000) 1.276. The leasing contracts have between 0 and 46 months left to run, and the total outstanding leasing payment is DKK ('000) 1.972.

Other liabilities
The Group has entered rental agreements with an annual rent of approx DKK ('000) 16.052.
The total rent obligation amounts to DKK ('000) 51.802.

Warranty commitments and other contingent liabilities.

Total letter of credit guarantees amounts to DKK ('000) 8.938.

Joint taxation

Jørgensen Holding ApS, company reg. no 21250090 being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme.

The company is proportionally liable for any obligation to withhold tax on interest, royalties and dividends of the jointly taxed companies.

The liabilities amount to a maximum corresponding to that share of the company capital, which is owned directly or indirectly by the ultimate parent company.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.

Notes

All amounts in DKK.

17. Related parties

Controlling interest

Jørgensen Holding ApS Kvaglundvej 89 6705 Esbjerg Ø Danmark	Majority shareholder

	Group 2018	2017
18. Adjustments		
Depreciation and amortisation	2.426.335	1.255.643
Group contribution	9.304.523	5.043.997
Other financial income	-3.881.624	-310.165
Other financial costs	1.002.024	7.035.873
Internal profit	6.721.000	1.712.000
Tax on ordinary results	11.936.820	7.854.663
Other adjustments	-2.308	0
	27.506.770	**22.592.011**

19. Change in working capital		
Change in inventories	-31.794.847	-20.551.472
Change in debtors	-19.273.169	-16.524.845
Change in trade creditors and other liabilities	24.905.149	24.825.632
	-26.162.867	**-12.250.685**