

United Cycling ApS

Vassingerødvej 147, 3540 Lynge


CVR no. 38 67 74 70

Annual report 2017

(As of the establishment of the Company 31 May - 31 December 2017)

Approved at the Company's annual general meeting on 30 May 2018

Chairman:



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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of United Cycling ApS for the financial year as of the establishment of the Company 31 May - 31 December 2017.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year as of the establishment of the Company 31 May - 31 December 2017.

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

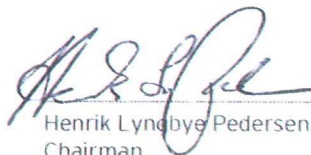
We recommend that the annual report be approved at the annual general meeting.

Lynge, 30 May 2018
Executive Board:



Peter Stefan Bengt Bixe
CEO

Board of Directors:



Henrik Lyndbye Pedersen
Chairman



Jan Sørensen



Independent auditor's report

To the shareholder of United Cycling ApS

Opinion

We have audited the financial statements of United Cycling ApS for the financial year as of the establishment of the Company 31 May - 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2017 and of the results of the Company's operations for the financial year as of the establishment of the company 31 May - 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

Independent auditor's report

- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 30 May 2018
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Peter Gath
State Authorised Public Accountant
MNE no.: mre19718



Morten Weinreich Larsen
State Authorised Public Accountant
MNE no.: mne42791



Management's review

Company details

Name	United Cycling ApS
Address, Postal code, City	Vassingerødvej 147, 3540 Lynge
CVR no.	38 67 74 70
Established	31 May 2017
Financial year	31 May - 31 December 2017
Board of Directors	Henrik Lyngbye Pedersen, Chairman Jan Sørensen
Executive Board	Peter Stefan Bengt Bixe, CEO
Auditors	Ernst & Young Godkendt Revisionspartnerselskab Osvald Helmuths Vej 4, P.O. Box 250, 2000 Frederiksberg, Denmark

Management commentary

Business review

The principal activity of the Company is wholesale of leisure and sportswear as well as sports equipment and related activities.

The Company was established on 31 May 2017 and in June 2017 the Company received assets and liabilities due to a dermerger with the Company's group entity.

Financial review

In 2017, the Company's revenue amounted to DKK 4,293. The income statement for 2017 shows a loss of DKK 3,450 thousand, and the balance sheet at 31 December 2017 shows equity of DKK 1,550 thousand.

The Company has completed its discussions with Bregnerød Investeringsselskab ApS and has obtained a commitment for the necessary financing of the operations up to and including 31 December 2018. In 2018, the financing and equity base will be sufficient for the Company to meet its liabilities for a period of at least 12 months after the presentation of the annual report.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

Management expects that the Company will also realise a loss in 2018, but that growth in activity will enable the achievement of positive earnings over the next few years.



Financial statements for the period 31 May - 31 December 2017

Income statement

Note	2017 7 months DKK'000
Revenue	4,293
Cost of sales	-4,286
Other external expenses	-1,447
Gross margin	-1,440
3 Staff costs	-1,890
Depreciation of property, plant and equipment	-2
Profit/loss before net financials	-3,332
4 Financial expenses	-118
Profit/loss for the year	-3,450
Recommended appropriation of profit/loss	-3,450
Retained earnings/accumulated loss	-3,450



Financial statements for the period 31 May - 31 December 2017

Balance sheet

Note	2017 DKK'000
ASSETS	
Fixed assets	
5 Property, plant and equipment	
Fixtures and fittings, other plant and equipment	18
	<u>18</u>
Total fixed assets	<u>18</u>
Non-fixed assets	
Inventories	
Finished goods and goods for resale	7,465
	<u>7,465</u>
Receivables	
Trade receivables	1,458
Receivables from group enterprises	25
Other receivables	91
	<u>1,574</u>
Cash	<u>814</u>
Total non-fixed assets	<u>9,853</u>
TOTAL ASSETS	<u>9,871</u>



Financial statements for the period 31 May - 31 December 2017

Balance sheet

Note	2017 DKK'000
EQUITY AND LIABILITIES	
Equity	
Share capital	500
Retained earnings	1,050
Total equity	1,550
Liabilities other than provisions	
Current liabilities other than provisions	
Trade payables	1,708
Payables to group enterprises	5,673
Other payables	940
	8,321
Total liabilities other than provisions	8,321
TOTAL EQUITY AND LIABILITIES	9,871

- 1 Accounting policies
- 2 Capital resources
- 6 Contractual obligations and contingencies, etc.
- 7 Collateral
- 8 Related parties



Financial statements for the period 31 May - 31 December 2017

Statement of changes in equity

DKK'000	<u>Share capital</u>	<u>Retained earnings</u>	<u>Total</u>
Cash payments concerning formation of enterprise	500	0	500
Transfer through appropriation of loss	0	-3,450	-3,450
Contribution from group	0	4,500	4,500
Equity at 31 December 2017	<u>500</u>	<u>1,050</u>	<u>1,550</u>

Financial statements for the period 31 May - 31 December 2017

Notes to the financial statements

1 Accounting policies

The annual report of United Cycling ApS for 2017 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Foreign currency translation

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

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

Income statement

Revenue

Income from the sale of goods for resale and finished goods is recognised in revenue when the most significant rewards and risks have been transferred to the buyer and provided the income can be measured reliably and payment is expected to be received. The date of the transfer of the most significant rewards and risks is based on standardised terms of delivery based on Incoterms® 2010.

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation

The item comprises depreciation of property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	5 years
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Financial expenses

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

Financial statements for the period 31 May - 31 December 2017

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Impairment of fixed assets

The carrying amount of property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

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

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value. The net realisable value of inventories is calculated as the sales amount less costs of completion and expenses required to effect the sale and is determined taking into account marketability, obsolescence and development in the expected selling price.

Goods for resale are measured at cost, which comprises the cost of acquisition plus delivery costs as well as other expenses directly attributable to the acquisition.

Receivables

Receivables are measured at amortised cost.



Financial statements for the period 31 May - 31 December 2017

Notes to the financial statements

1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

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

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets 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. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Other payables

Other payables are measured at net realisable value.

Financial statements for the period 31 May - 31 December 2017

Notes to the financial statements

2 Capital resources

The company has completed its discussions with Bregnerød Investeringsselskab ApS and has obtained a commitment for the necessary financing of operations up to and including 31 December 2018. On this basis the financial statements has been prepared under the going concern assumption.

	2017 7 months DKK'000
3 Staff costs	
Wages/salaries	1,816
Pensions	46
Other social security costs	10
Other staff costs	18
	<u>1,890</u>
	<u>2017</u>
Average number of full-time employees	<u>4</u>
4 Financial expenses	
Interest expenses, group entities	98
Other financial expenses	20
	<u>118</u>
5 Property, plant and equipment	
	Fixtures and fittings, other plant and equipment
DKK'000	
Additions	<u>20</u>
Cost at 31 December 2017	<u>20</u>
Depreciation	<u>2</u>
Impairment losses and depreciation at 31 December 2017	<u>2</u>
Carrying amount at 31 December 2017	<u>18</u>

Financial statements for the period 31 May - 31 December 2017

Notes to the financial statements

6 Contractual obligations and contingencies, etc.

Other contingent liabilities

The Company is jointly taxed with its parent, Bregnerød Investeringsselskab ApS, which acts as management company, and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2017 onwards as well as withholding taxes on interest, royalties and dividends.

Other financial obligations

Other rent and lease liabilities:

	2017 DKK'000
Rent and lease liabilities	<u>138</u>

7 Collateral

The Company has not provided any security or other collateral in assets at 31 December 2017.

8 Related parties

Ownership

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

Name	Domicile
Bregnerød Investeringsselskab ApS	Copenhagen, Denmark
JSE Consulting & Management Holding ApS	Charlottenlund, Denmark
Peter Stefan Bengt Bixe	Malmö, Sweden