

# Casino Copenhagen K/S

Amager Boulevard 70, 2300 København S,

CVR no. 15 75 12 74

## Annual report 2018

Approved at the Company's annual general meeting on 29 April 2019

Chairman:

A handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal stroke, positioned over a dotted line.

## Contents

|  |          |
|--|----------|
| <b>Statement by Management on the annual report</b>  | <b>2</b> |
| <b>Independent auditor's report</b>  | <b>3</b> |
| <b>Management's review</b>   | <b>6</b> |
| Company details  | 6        |
| <b>Management's review</b>   | <b>7</b> |
| Management commentary  | 8        |
| <b>Consolidated financial statements and parent company financial statements 1 January - 31 December</b> | <b>9</b> |
| Income statement   | 9        |
| Balance sheet  | 10       |
| Statement of changes in equity   | 12       |
| Cash flow statement  | 13       |
| Notes to the financial statements  | 14       |



### Statement by Management on the annual report

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Casino Copenhagen K/S for the financial year 1 January - 31 December 2018.

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

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

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's operations and financial matters and the results of the Group's and the Parent Company's operations and financial position.

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

Copenhagen, 29 April 2019  
Executive Board:

Thomas Kellner

Board of Directors:

Bahram Sadr-Hashemi  
Chairman

Lars Wenaas

Christoph Zurucker-Burda

## Independent auditor's report

To the shareholders of Casino Copenhagen K/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Casino Copenhagen K/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

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

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 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.

## Independent auditor's report

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. 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 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.

### Independent auditor's report

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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 29 April 2019  
ERNST & YOUNG  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28



Peter Gath  
State Authorised  
Public Accountant  
mne19718



Morten Weinreich Larsen  
State Authorised  
Public Accountant  
mne42791

## Management's review

### Company details

|                         |  |
|-------------------------|--|
| Name                    | Casino Copenhagen K/S  |
| Address, zip code, city | Amager Boulevard 70, 2300 Copenhagen S, Denmark  |
| CVR no.                 | 15 75 12 74  |
| Established             | 1 June 1989  |
| Registered office       | Copenhagen   |
| Financial year          | 1 January - 31 December  |
| Website                 | <a href="http://www.casinos.dk">www.casinos.dk</a>   |
| Telephone               | +45 33 96 59 65  |
| Board of Directors      | Bahram Sadr-Hashemi, Chairman<br>Lars Wenaas<br>Christoph Zurucker-Burda                             |
| Executive Board         | Thomas Kellner, CEO  |
| Auditors                | Ernst & Young Godkendt Revisionspartnerselskab<br>Osvald Helmuths Vej 4, 2000 Frederiksberg, Denmark |

## Management's review

### Financial highlights for the Group

| In % and DKK thousands                      | 2018  | 2017  | 2016  | 2015  | 2014  |
|---|-------|-------|-------|-------|-------|
| <b>Key figures</b>                          |       |       |       |       |       |
| Net profit ratio (%)                        | 6.4   | 9.8   | 12.5  | 11.7  | 8.7   |
| Return on investment (%)                    | 126.7 | 181.3 | 156.5 | 121.6 | 82.8  |
| Gross margin ratio (%)                      | 53,6  | 53,4  | 43,9  | 48,1  | 47,5  |
| Solvency ratio (%)                          | 46    | 39,5  | 37,3  | 34,5  | 36,1  |
| Return on equity (%)                        | 67.7  | 122.4 | 138.8 | 136.2 | 98.1  |
| Investment in property, plant and equipment | 8,285 | 2,858 | 4,676 | 4,898 | 2,565 |
| Average number of full-time employees       | 163   | 154   | 156   | 153   | 165   |

Financial ratios are calculated in accordance with the recommendations of the Danish Finance Society.



## Management's review

### Management commentary

#### Principal activities of the Group

The main activity of the Group is to operate casinos. The basis for the operations is licenses granted for 10 years. The present licenses expire on 31 December 2028 and 31 December 2027, respectively, for Casino Copenhagen K/S and Casino Marienlyst A/S.

Nothing has occurred, which materially changes our assessment of the Group's and the Company's position since the end of the financial year.

The Group consists of Casino Copenhagen K/S (Parent Company), Casino Marienlyst A/S and CDO 09.2015 ApS ("CDO").

#### Profit for the year

The income statement shows a profit of DKK 15,8 million for the Group and DKK 20,4 million for the Parent Company, which is regarded as unsatisfying but in line with expectations. The Group's equity at 31 December 2018 amounts to DKK 26,3 million whilst the balance sheet amounts to DKK 57,1 million. The parent company has paid a total of DKK 10,0 million in dividends during the year.

#### Outlook

The profit for 2019 is expected to increase compared to 2018. In order to remain competitive, the level of investments in equipment will remain unchanged. Furthermore, efforts in order to increase the efficiency will be continued. Besides efforts in order to increase the general business level will be pursued. This includes the planned liquidation of CDO in order to facilitate other opportunities.

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Income statement

| Note   | DKK'000                               | Group          |                | Parent         |                |
|--|---------------------------------------|----------------|----------------|----------------|----------------|
|  |                                       | 2018           | 2017           | 2018           | 2017           |
|  | <b>Gross gaming revenue</b>           | 252,281        | 274,479        | 222,228        | 238,337        |
|  | Gaming tax                            | -130,242       | -142,698       | -119,427       | -129,098       |
|  | Entrance and cloakroom, service, etc. | 13,101         | 14,714         | 12,269         | 13,859         |
|  | <b>Gross margin</b>                   | <b>135,140</b> | <b>146,495</b> | <b>115,070</b> | <b>123,098</b> |
| 2  | Staff cost                            | -85,657        | -85,463        | -73,593        | -72,956        |
| 3  | Other external costs                  | -25,965        | -26,634        | -18,890        | -19,041        |
| 4  | Depreciation/amortisation             | -7,452         | -7,635         | -4,073         | -3,814         |
|  | <b>Operating profit</b>               | <b>16,066</b>  | <b>26,763</b>  | <b>18,514</b>  | <b>27,287</b>  |
| 5  | Financial income                      | 11             | 0              | 2,008          | 0              |
| 6  | Financial expenses                    | -95            | -176           | -76            | -75            |
|  | <b>Profit before tax</b>              | <b>15,982</b>  | <b>26,587</b>  | <b>20,446</b>  | <b>27,212</b>  |
| 7  | Tax on profit for the year            | -153           | -429           | 0              | 0              |
|  | <b>Profit for the year</b>            | <b>15,829</b>  | <b>26,158</b>  | <b>20,446</b>  | <b>27,212</b>  |
| Breakdown of the consolidated results of operations: |                                       |                |                |                |                |
|  | Shareholders, Casino Copenhagen K/S   | 15,813         | 26,113         |                |                |
|  | Non-controlling interests             | 16             | 45             |                |                |
|  |                                       | <b>15,829</b>  | <b>26,158</b>  |                |                |

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Balance sheet

| Note | DKK'000                                      | Group         |               | Parent        |               |
|------|--|---------------|---------------|---------------|---------------|
|      |  | 2018          | 2017          | 2018          | 2017          |
|      | <b>ASSETS</b>                                |               |               |               |               |
|      | <b>Non-current assets</b>                    |               |               |               |               |
| 8    | <b>Intangible assets</b>                     |               |               |               |               |
|      | Software                                     | 0             | 28            | 0             | 0             |
|      | Goodwill                                     | 0             | 2,600         | 0             | 0             |
|      |  | <u>0</u>      | <u>2,628</u>  | <u>0</u>      | <u>0</u>      |
| 9    | <b>Property, plant and equipment</b>         |               |               |               |               |
|      | Leasehold improvements                       | 1,968         | 1,227         | 9             | 1,049         |
|      | Tools and equipment                          | 11,124        | 8,405         | 9,385         | 7,065         |
|      |  | <u>13,092</u> | <u>9,632</u>  | <u>9,394</u>  | <u>8,114</u>  |
|      | <b>Investments</b>                           |               |               |               |               |
| 10   | Investments in subsidiaries                  | 0             | 0             | 14,310        | 14,310        |
|      |  | <u>0</u>      | <u>0</u>      | <u>14,310</u> | <u>14,310</u> |
|      | <b>Total non-current assets</b>              | <u>13,092</u> | <u>12,260</u> | <u>23,704</u> | <u>22,424</u> |
|      | <b>Current assets</b>                        |               |               |               |               |
|      | <b>Inventories</b>                           |               |               |               |               |
|      | Receivables, affiliated and associated comp. | 2,685         | 90            | 4,633         | 158           |
|      | Receivables, external                        | 4,786         | 3,913         | 3,479         | 2,970         |
|      | Other receivables                            | 450           | 136           | 425           | 107           |
|      | Prepayments                                  | 725           | 852           | 586           | 792           |
|      | Tax receivable                               | 142           | 0             | 0             | 0             |
| 11   | Deferred tax asset                           | 276           | 429           | 0             | 0             |
|      | Cash at bank and in hand                     | 34,957        | 34,047        | 28,598        | 23,561        |
|      | <b>Total current assets</b>                  | <u>44,021</u> | <u>39,467</u> | <u>37,221</u> | <u>27,588</u> |
|      | <b>TOTAL ASSETS</b>                          | <u>57,113</u> | <u>51,727</u> | <u>61,425</u> | <u>50,012</u> |

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Balance sheet

| Note | DKK'000 | Group  |               | Parent        |               |
|------|---------|--|---------------|---------------|---------------|
|      |         | 2018   | 2017          | 2018          | 2017          |
|      |         | <b>EQUITY AND LIABILITIES</b>                  |               |               |               |
|      |         | <b>Equity</b>                                  |               |               |               |
|      |         | 1,000  | 1,000         | 1,000         | 1,000         |
|      |         | 25,280   | 19,050        | 32,719        | 22,273        |
|      |         | <b>Equity holders' share of equity,</b>        |               |               |               |
|      |         | 25,863   | 20,050        | 33,719        | 23,273        |
|      |         | 417  | 401           | 0             | 0             |
|      |         | <b>Total equity</b>                            | <b>26,280</b> | <b>20,451</b> | <b>23,273</b> |
|      |         | <b>Liabilities other than provisions</b>       |               |               |               |
|      |         | 0  | 249           | 0             | 0             |
|      |         | 933  | 1,073         | 709           | 830           |
|      |         | 0  | 395           | 0             | 0             |
| 12   |         | 29,900   | 29,559        | 26,997        | 25,909        |
|      |         | <b>Total liabilities other than provisions</b> | <b>30,833</b> | <b>27,706</b> | <b>26,739</b> |
|      |         | <b>TOTAL EQUITY AND LIABILITIES</b>            | <b>57,113</b> | <b>61,425</b> | <b>50,012</b> |

- 1 Accounting policies
- 13 Contractual obligations and contingencies, etc.
- 14 Related party disclosures
- 15 Appropriation of profit/loss



Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

|      |  | Group         |                   |               |                           |               |
|------|--|---------------|-------------------|---------------|---------------------------|---------------|
| Note | DKK'000                                      | Share capital | Retained earnings | Total         | Non-controlling interests | Total equity  |
|      | Equity at 1 January 2017                     | 1,000         | 20,937            | 21,937        | 356                       | 22,293        |
|      | Dividend distribution                        | 0             | -28,000           | -28,000       | 0                         | -28,000       |
|      | Transfer, see "Appropriation of profit/loss" | 0             | 26,113            | 26,113        | 45                        | 26,158        |
|      | Equity at 1 January 2018                     | 1,000         | 19,050            | 20,050        | 401                       | 20,451        |
|      | Dividend distribution                        | 0             | -10,000           | -10,000       | 0                         | -10,000       |
| 15   | Transfer, see "Appropriation of profit/loss" | 0             | 15,813            | 15,813        | 16                        | 15,829        |
|      | <b>Equity at 31 December 2018</b>            | <b>1,000</b>  | <b>24,863</b>     | <b>25,863</b> | <b>417</b>                | <b>26,280</b> |

## Consolidated financial statements and parent company financial statements 1 January - 31 December

### Cash flow statement

| Note | DKK'000  | 2018           | 2017           |
|------|--|----------------|----------------|
|      | Profit for the year  | 15,829         | 26,158         |
| 16   | Adjustments  | 7,694          | 8,240          |
| 17   | Changes in working capital   | -2,833         | -7,509         |
|      | Cash generated from operations before financial items                    | 20,690         | 26,889         |
|      | Interest received  | 11             | 0              |
|      | Interest paid  | -95            | -176           |
|      | <b>Cash flows from operating activities</b>                              | <b>20,606</b>  | <b>26,713</b>  |
|      | Acquisition of property, plant and equipment, and software               | -8,285         | -2,890         |
|      | Disposals of property, plant and equipment                               | 0              | 252            |
|      | <b>Cash flows from investing activities</b>                              | <b>-8,285</b>  | <b>-2,638</b>  |
|      | Dividends paid   | -10,000        | -28,000        |
|      | <b>Cash flows from financing activities</b>                              | <b>-10,000</b> | <b>-28,000</b> |
|      | <b>Net cash flows from operating, investing and financing activities</b> | <b>2,321</b>   | <b>-3,925</b>  |
|      | Cash and cash equivalents at 1 January                                   | 32,636         | 37,972         |
|      | <b>Cash and cash equivalents at 31 December</b>                          | <b>34,957</b>  | <b>34,047</b>  |

The cash flow statement cannot be directly derived from the other components of the consolidated financial statements and the parent company financial statements.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies

The annual report of Casino Copenhagen K/S for 2018 has been prepared in accordance with the provisions applying to reporting class C medium enterprises under the Danish Financial Statements Act.

The accounting policies regarding classification of received tronc has been changed in the financial statements for 2018. In previous financial statements was received tronc deducted in staff costs which was shown as a net amount. In order to increase the transparency of the staff costs incurred by the Group and the Parent Company, Management has decided to present received tronc as gross gaming revenue in the 2018 financial statements. Comparison figures has been restated to reflect the change in accounting principles and the change has no effect on the result, deferred tax nor equity for 2018 and 2017.

In addition hereto has Management decided to classify the liability towards received deposits from gaming activities as other payables instead of net of cash. Comparison figures has been updated accordingly and the change has no effect on the result, deferred tax nor equity for 2018 and 2017. The balance sheet of 2017 has increased by DKK 1.411 thousands in the Group financial statements and Parent financial statements.

Pursuant to section 101(3) of the Danish Financial Statements Act, the Company has omitted to restate comparative figures in the financial highlights for the 3rd-5th previous financial years in connection with the change of accounting policies.

Apart from the above, the accounting policies used in the preparation of the consolidated financial statements and the parent company financial statements are consistent with those of last year.

#### Consolidated financial statements

The consolidated financial statements comprise the Parent Company, Casino Copenhagen K/S, and subsidiaries in which Casino Copenhagen K/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

#### Business combinations

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

Gains or 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 over 5 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.

#### **Non-controlling interests**

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.



## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Foreign currency translation

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

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

##### Income statement

###### Revenue and expenses

Gross gaming revenue consists of gains from various gaming activity and received tronc. Gaming tax is calculated from gains of gaming activity. Significant revenue and gaming tax are accrued to match the financial statement period.

Revenue from entrance and cloakroom includes income from non-gaming activities.

###### Staff costs

Staff costs comprise salaries and wages, pension and other expenses related to social security.

###### Other external costs

Other external costs include expenses related to marketing, administration, premises, etc.

###### Financial income and expenses

Financial income and expenses comprise interest income and expenses, gains and losses on transactions denominated in foreign currencies and dividend from investments in affiliated companies.

###### Tax on profit for the year

The Parent Company is a tax transparent entity, and therefore, the limited partners are liable to pay tax. Tax on profit for the year included in the income statement is related to subsidiaries liable to pay tax.

Tax for the year comprises current tax and changes in deferred tax for the year in subsidiaries.

##### Balance sheet

###### Intangible assets

###### *Goodwill*

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is 5 years.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### *Software*

On initial recognition, intangible assets are measured at cost.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

|          |           |
|----------|-----------|
| Software | 1-3 years |
|----------|-----------|

If the remaining licence period is shorter than the depreciation period according to the estimated useful lives, the non-current assets will be depreciated over the remaining licence period.

Gains and losses on the disposal of software are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other external costs.

##### **Property, plant and equipment**

Leasehold improvement and tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

|                       |           |
|-----------------------|-----------|
| Leasehold improvement | 10 years  |
| Tools and equipment   | 3-5 years |

If the remaining licence period is shorter than the depreciation period according to the estimated useful lives, the non-current assets will be depreciated over the remaining licence period.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other external costs.

##### **Investments in subsidiaries**

Investments in subsidiaries are measured at acquisition cost in the parent company financial statements. The acquisition costs consist of the purchasing price plus costs directly related to the acquisition. If the acquisition price is higher than the reinvestment value, the asset is depreciated to this lower value.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

On acquisition of subsidiaries, the acquisition method is applied; see the consolidated financial statements above.

#### Impairment of assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates is tested annually for impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the 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 net 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.

#### Receivables

Receivables are measured at amortised cost. Write-down for anticipated losses is made to net realisable value.

#### Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

#### Corporation tax and deferred tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

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.

Deferred tax assets, including the tax value of tax loss carry-forwards, 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 rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

#### Liabilities other than provisions

Financial liabilities are measured at net realisable value.

Other liabilities are measured at net realisable value.

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

##### Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

##### Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

##### Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's capital from limited partners and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to the limited partners.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash in bank and in hand.

##### Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

|                      |  |
|----------------------|--|
| Net profit ratio     | $\frac{\text{Operating profit} \times 100}{\text{Gross gaming revenue}}$                       |
| Return on investment | $\frac{\text{Operating profit} \times 100}{\text{Average operating assets}}$                   |
| Gross margin ratio   | $\frac{\text{Gross margin} \times 100}{\text{Gross gaming revenue}}$                           |
| Solvency ratio       | $\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$ |
| Return on equity     | $\frac{\text{Profit for the year after tax} \times 100}{\text{Average equity}}$                |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

| DKK'000   | Group         |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2018          | 2017          | 2018          | 2017          |
| <b>2 Staff costs</b>  |               |               |               |               |
| Salaries and wages  | 72,138        | 72,155        | 62,172        | 61,791        |
| Costs for social security   | 1,676         | 1,699         | 1,274         | 1,125         |
| Pensions  | 5,624         | 5,447         | 4,853         | 4,727         |
| Payroll tax   | 4,793         | 4,897         | 4,151         | 4,198         |
| Other staff costs   | 1,426         | 1,265         | 1,143         | 1,115         |
|   | <u>85,657</u> | <u>85,463</u> | <u>73,593</u> | <u>72,956</u> |
| Average number of full-time employees   | <u>163</u>    | <u>154</u>    | <u>140</u>    | <u>132</u>    |
| <p>Remuneration of the Parent Company's Executive Board and Board of Directors amounted to DKK 2,485 thousand in 2018 (2017: DKK 2,489 thousand).</p> |               |               |               |               |
| <b>3 Fees paid to auditors appointed at the annual general meeting</b>  |               |               |               |               |
| DKK'000   | Group         |               | Parent        |               |
|   | 2018          | 2017          | 2018          | 2017          |
| Audit services  | 315           | 305           | 235           | 229           |
| Other assistance  | 46            | 43            | 29            | 28            |
|   | <u>361</u>    | <u>348</u>    | <u>264</u>    | <u>257</u>    |
| <b>4 Amortisation/depreciation and impairment losses</b>  |               |               |               |               |
| Intangible assets   | 2,628         | 2,604         | 0             | 0             |
| Property, plant and equipment   | 4,824         | 5,031         | 4,073         | 3,814         |
|   | <u>7,452</u>  | <u>7,635</u>  | <u>4,073</u>  | <u>3,814</u>  |
| <b>5 Financial income</b>   |               |               |               |               |
| Received dividends from subsidiaries  | 0             | 0             | 2,000         | 0             |
| Other interest income   | 11            | 0             | 8             | 0             |
|   | <u>11</u>     | <u>0</u>      | <u>2,008</u>  | <u>0</u>      |
| <b>6 Financial expenses</b>   |               |               |               |               |
| Interest expense to associates  | 0             | 0             | 0             | 0             |
| Other interest expense  | 95            | 176           | 76            | 75            |
|   | <u>95</u>     | <u>176</u>    | <u>76</u>     | <u>75</u>     |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

| DKK'000                             | Group       |             | Parent   |          |
|-------------------------------------|-------------|-------------|----------|----------|
|                                     | 2018        | 2017        | 2018     | 2017     |
| <b>7 Tax on profit for the year</b> |             |             |          |          |
| Current tax charge for the year     | 0           | -395        | 0        | 0        |
| Change in deferred tax              | -153        | -34         | 0        | 0        |
|                                     | <u>-153</u> | <u>-429</u> | <u>0</u> | <u>0</u> |

The parent company is a tax transparent entity and thus not subject to income tax. Reference is made to accounting policies.

### 8 Intangible assets

| DKK'000  | Group          | Group          |
|--|----------------|----------------|
|  | Software       | Goodwill       |
| Cost at 1 January 2018                                 | 32             | 13,000         |
| Additions  | 0              | 0              |
| Cost at 31 December 2018                               | <u>32</u>      | <u>13,000</u>  |
| Impairment losses and amortisation at 1 January 2018   | 4              | 10,400         |
| Amortisation   | 28             | 2,600          |
| Impairment losses and amortisation at 31 December 2018 | <u>32</u>      | <u>13,000</u>  |
| Carrying amount at 31 December 2018                    | <u>0</u>       | <u>0</u>       |
| Amortised over   | <u>3 years</u> | <u>5 years</u> |

### 9 Property, plant and equipment

| DKK'000  | Group                  |                     |                |
|--|------------------------|---------------------|----------------|
|  | Leasehold improvements | Tools and equipment | Total          |
| Cost at 1 January 2018                                 | 23,792                 | 100,229             | 124,021        |
| Additions during the year                              | 1,942                  | 6,343               | 8,285          |
| Disposals during the year                              | 0                      | -2,258              | -2,258         |
| Cost at 31 December 2018                               | <u>25,734</u>          | <u>104,341</u>      | <u>130,048</u> |
| Depreciation at 1 January 2018                         | 22,565                 | 91,824              | 114,389        |
| Depreciation for the year                              | 1,200                  | 3,624               | 4,824          |
| Depreciation on disposals for the year                 | 0                      | -2,258              | -2,258         |
| Impairment losses and depreciation at 31 December 2018 | <u>23,765</u>          | <u>93,190</u>       | <u>116,955</u> |
| Carrying amount at 31 December 2018                    | <u>1,969</u>           | <u>11,124</u>       | <u>13,093</u>  |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 9 Property, plant and equipment (continued)

| DKK'000  | Parent                 |                     |         |
|--|------------------------|---------------------|---------|
|  | Leasehold improvements | Tools and equipment | Total   |
| Cost at 1 January 2018                                 | 23,525                 | 83,358              | 106,883 |
| Additions during the year                              | 0                      | 5,353               | 5,353   |
| Disposals during the year                              | 0                      | -2,258              | -2,258  |
| Cost at 31 December 2018                               | 23,525                 | 86,453              | 109,978 |
| Depreciation at 1 January 2018                         | 22,476                 | 76,293              | 98,769  |
| Depreciation for the year                              | 1,040                  | 3,033               | 4,073   |
| Depreciation on disposals for the year                 | 0                      | -2,258              | -2,258  |
| Impairment losses and depreciation at 31 December 2018 | 23,516                 | 77,068              | 100,584 |
| Carrying amount at 31 December 2018                    | 9                      | 9,385               | 9,394   |

| DKK'000                               | Parent |        |
|---------------------------------------|--------|--------|
|                                       | 2018   | 2017   |
| <b>10 Investments in subsidiaries</b> |        |        |
| Cost at 1 January                     | 14,585 | 14,585 |
| Additions                             | 0      | 0      |
| Cost at 31 December                   | 14,585 | 14,585 |
| Value adjustments at 1 January        | 275    | 275    |
| Impairment for the year               | 0      | 0      |
| Value adjustments at 31 December      | 275    | 275    |
| Carrying amount at 31 December        | 14,310 | 14,310 |

| Name and registered office | Voting rights and ownership | Profit/loss DKK'000 | Equity DKK'000 |
|----------------------------|-----------------------------|---------------------|----------------|
| Casino Marienlyst A/S      | 100%                        | -60                 | 5,878          |
| CDO 09.2015 ApS            | 50%                         | 43                  | 1,113          |

All subsidiaries are considered as separate entities.

| DKK'000                     | Group |      | Parent |      |
|-----------------------------|-------|------|--------|------|
|                             | 2018  | 2017 | 2018   | 2017 |
| <b>11 Deferred tax</b>      |       |      |        |      |
| Deferred tax at 1 January   | 429   | 464  | 0      | 0    |
| Adjustment of deferred tax  | -153  | -35  | 0      | 0    |
| Deferred tax at 31 December | 276   | 429  | 0      | 0    |

## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

| DKK'000                                | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2018          | 2017          | 2018          | 2017          |
| <b>12 Other payables</b>               |               |               |               |               |
| Gaming tax payable                     | 11,801        | 11,743        | 11,207        | 10,500        |
| Payroll tax payable                    | 1,080         | 1,110         | 958           | 949           |
| Salaries and holiday pay               | 11,124        | 10,546        | 9,810         | 9,136         |
| VAT payable                            | 1,447         | 1,843         | 1,299         | 1,843         |
| ATP payable                            | 759           | 655           | 671           | 655           |
| Costs for social security and pensions | 106           | 0             | 101           | 0             |
| Other payables                         | 3,583         | 3,457         | 2,951         | 2,826         |
|  | <u>29,900</u> | <u>29,559</u> | <u>26,997</u> | <u>25,909</u> |

### 13 Contractual obligations and contingencies, etc.

#### Contingent liabilities

The Group has issued guarantees totalling DKK 5,500 thousand to the Danish Gambling Authority. Of this amount, the Parent Company is liable for DKK 4,000 thousand.

#### Operating lease obligations

The group companies have entered into operating lease contracts with annual lease payments of DKK 6,890 thousand. Of this amount, the Parent Company is liable for DKK 4,790 thousand. The contracts apply until the end of the operating license.

The present licenses expire on 31 December 2028 and 31 December 2027, respectively.

### 14 Related party disclosures

Casino Copenhagen K/S' related parties comprises the Board of Directors, Management and related entities.

Related party trading includes the following:

#### Related party transactions

| DKK'000  | 2018  | 2017  |
|--|-------|-------|
| <b>Group</b>                                     |       |       |
| Receivables from related parties                 | 2,686 | 90    |
| Payables to related parties                      | 0     | 249   |
| <b>Parent</b>                                    |       |       |
| Purchase from shareholders (rent/administration) | 4,983 | 4,907 |
| Received dividends from subsidiaries             | 2,000 | 0     |
| Receivables from related parties                 | 4,633 | 158   |

Besides distribution of dividend and the information provided in accordance with the above table, no other transactions were carried through with shareholders in the year.

Remuneration/fees to members of the Executive Board and the Board of Directors of the Parent Company are reflected in note 2.

Casino Copenhagen K/S has no related parties exercising control.

CIH Scandinavia Hotel A/S, Denmark, and Casinos Austria International GmbH, Austria, each hold 50% of the shares in Casino Denmark A/S, which is the general partner of Casino Copenhagen K/S.



## Consolidated financial statements and parent company financial statements for the period 1 January - 31 December 2018

### Notes to the financial statements

#### 14 Related party disclosures (continued)

CIH Scandinavia Hotel A/S and Casinos Austria International Gesmbh are the limited partners of Casino Copenhagen K/S and each own 50% of the total capital as both parties have provided DKK 500 thousand in capital.

The annual reports for these companies can be acquired at the following addresses:

Casino Austria AG  
Rennweg 44  
A-1038  
Austria

Wenaasgruppen AS  
Wenaashuset  
N-6386 Måndalen  
Norway

| DKK'000                                  | Parent        |               |
|--|---------------|---------------|
|  | 2018          | 2017          |
| <b>15 Appropriation of profit/loss</b>   |               |               |
| Recommended appropriation of profit/loss | 20,446        | 27,212        |
|  | <u>20,446</u> | <u>27,212</u> |

The parent company has paid DKK 10,000 thousand (2017: DKK 28,000 thousand) as dividend during the year.

| DKK'000   | Group         |               |
|---|---------------|---------------|
|   | 2018          | 2017          |
| <b>16 Cash flow statements - adjustments</b>                |               |               |
| Interest income and similar items                           | -11           | 0             |
| Interest expense and similar items                          | 95            | 176           |
| Amortisation and depreciation                               | 7,456         | 7,635         |
| Tax on profit for the year                                  | 154           | 429           |
|   | <u>7,694</u>  | <u>8,240</u>  |
| <b>17 Cash flow statements - changes in working capital</b> |               |               |
| Change in current assets                                    | -6,395        | -887          |
| Change in short-term liabilities                            | 3,562         | -8,033        |
|   | <u>-2,833</u> | <u>-8,920</u> |