Food Folk Danmark Holdings ApS

Falkoner Alle 20
2000 Frederiksberg

CVR no. 38 43 38 49

Annual report 2017

The annual report was presented and adopted at the Company's annual general meeting

on 23/5 20 18

chairman of the annual general meeting

Contents

Statement by the Executive Board

The Executive Board have today discussed and approved the annual report of Food Folk Danmark Holdings ApS for the financial year 1 January – 31 December 2017.

The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in 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 Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2017.

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

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

Copenhagen, 14 May 2018

Executive board:

Joachim Bernhard Knudsen

Independents auditor's report

To the shareholders of Food Folk Danmark Holdings ApS

Opinion

In our opinion, the consolidated financial statements and the Parent Company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 22 February – 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Audited financial statements
Food folk Danmark Holdings ApS' consolidated financial statements and separate financial statements for the financial year 22 February – 31 December 2017 comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements). The financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in 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 Group 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.

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.

Management's responsibility for the financial statements

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

Independents auditor's report (continued)

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 may 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 these 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.

— 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 ofaccounting 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 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.

Copenhagen, 14 May 2018

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Niels Vendelbo
State Authorised
Public Accountant
MNE no. 34532

Company details

Food Folk Danmark Holdings ApS
Falkoner Alle 20
2000 Frederiksberg

Telephone:	+45 33 26 60 00
Website:	www.mcdonalds.dk
E-mail:	reception@dk.mcd.com
CVR no.	38 43 38 49
Established:	22 February 2017
Registered office:	Falkoner Alle 20, DK-2000 Frederiksberg
Financial year:	From 22 February to 31 December

Executive Board

Joachim Bernhard Knudsen

Auditor

KPMG
Statsautooriseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Bank

Danske Bank, Corporate banking

Annual general meeting

The annual general meeting will be held on 23 May 2018.

Financial highlights for the group

DKK'000	2017
Key figures	
Revenue	206.960
Operating profit	106.144
Net financials	-40.290
Profit for the year	202.564
Balance sheet total	1.632.913
Investments in property, plant and equipment	4.144
Equity	323.081
Financial ratios	
Return on assets	12,1
Equity ratio	19,8
Return on equity	91,3
Average number of full-time employees	51

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Ratios". The financial ratios have been calculated as follows:

Return on assets
$$\frac{Profit/loss\ from\ ordinary\ activities\ x\ 100}{Average\ assets}$$

Equity ratio
$$\frac{Closing\ equityx\ 100}{Equity\ \&\ liabilities\ at\ year-end}$$

Return on equity
$$\frac{profit/loss\ for\ the\ year\ x\ 100}{Average\ equity}$$

Operating review

Principals activities

The main activity of the Group is to acquire real estate by renting or buying it, renovating and fitting it for the purpose of operating a McDonald's restaurant under a master franchise agreement made with McDonald's Corporation, the holder of the McDonald's global trademark. The group was established in 2017 after the acquisition of Food Folk Danmark ApS (former name McDonald's Danmark ApS).

By the end of 2017, Food Folk had 88 licensed McDonald's restaurants in Denmark, all operated by 21 independent franchisees on contract for the operation of the individual restaurants for a period of up to 20 years.

Unusual circumstances

To the management's knowledge, no unusual circumstances has occurred during 2017.

Events after the balance sheet date

No events have occurred after the balance sheet date that could significantly affect the Company's financial position.

Development in activities and financial position

Profit/loss for the year (including comparison with forecasts previously announced)

The Group's profit presented in the income statement is attributable to the 9 months period from acquisition of Food Folk Danmark ApS on 31. March 2017 to 31. December 2017.

Revenues for the period amounted to 206.9 mDKK and resulted in an Operating Profit of 106.3 mDKK, net finance expenses of 40.3 mDKK and a Profit for the year of 202.6 mDKK.

Included in Profit for the year management has recorded a onetime gain on barging purchase of 154.2 mDKK. The gain on barging purchase is the result of applying IFRS accounting guidance to the consolidated Group accounts. Please refer to note 1. for further details and background.

The financial result of the 9 months period ending on 31. March 2017 is in line with management's expectations.

Outlook

For 2018 (12 months) management are expecting an operating profit for the Group in the level of 125 mDKK.

Particular risks

The Company does not have any significant risk apart from what is common from the industry since the majority of transactions is denominated in Danish Kroner, long term financing is secured with fixed interests and outstanding receivables are of short term nature. For further details on the company's risk profile we refer to note 19.

Research and development activities

The company has no research and development activities.

Food Folk Group Corporate Social Responsibility

It is important to the Food Folk Group that it is a socially responsible company. The company believes in being actively involved in the communities in which it operates. It strives to engage in frank, transparent and honest dialogue about business performance and objectives with customers franchisee sand employees, as well as its local communities . The group's commitment to society is best summed up by four values:

Responsible Leadership: The Company and McDonald's are committed to using its scale for good: good for people, for the industry, and for the planet. From simplifying ingredients to being nutritionally mindful; from reducing waste impact to advancing the industry on sustainable and humane sourcing; from being a good employer to giving help to those most in need via Ronald McDonald House Charities.

Inclusiveness: McDonald's is one of the world's most universal, democratic brands. It welcome customers of every culture, age and background, and proudly invests in all the people the company needs to succeed – specifically the crew, suppliers , franchisees and community.

Progressiveness: Food Folk is a restless company: always innovating, always moving forward. From the core business to the invention of the drive thru and the Happy Meal, the aim is always to do things better tomorrow than are done today.

Local Integration: Food Folk is organized across the Nordic region but stays in sync with society in each of its markets, responding to local needs and integrating with local culture. The restaurants are typically locally-owned, staffed by crew who live nearby, and who proudly give back to their community via hundreds of thousands of local programs.

Food Folk Denmark, Norway, Sweden and Finland are involved in numerous projects and initiatives that support the Food Folk Group's CSR ambitions. With the new ownership and the mandatory non-financial reporting requirements in Denmark (under section 99a and 99b of the Danish Financial Statements Act), Norway (under section 3-3c of the Accounting act) and Sweden (under chapter 6 of the Annual Accounts Act) taken into consideration, Food Folk Group has decided to disclose each country's specific policies, actions and results as appropriate.

Currently, Finland has not implemented any local regulation in regards to non-financial reporting, therefore the below information does not include Finland. Even though Finland does not have any local regulation, it has several good initiatives that support the overall CSR purpose of the Food Folk Group.

Food Folk Sweden, Norway and Denmark are working to identify potential risks that may be relevant to report in the future, including creating risk management strategies for each of the topics for non-financial reporting. In addition, since last year's acquisition of the McDonald's restaurants in the Nordic countries by Food Folk Group, it is not possible to disclose detailed KPIs for all mandatory CSR reporting areas, as the data for FY17 is to be collected in May 2018. For the upcoming reporting year, we will look at possibilities towards aligning the data collection with the financial reporting year, in order to adequately present data and progress of our CSR initiatives.

For all Denmark, Norway and Sweden, the following chapters cover both the Food Folk offices and the respective franchisees in each country. Strategies are typically developed in the Food Folk offices and implemented there and in the restaurants with support of the Food Folk offices.

Environment & Climate

Carbon footprint

In Food Folk Group, the aim is to lessen its climate impact and care for the environment. All waste has an impact on the climate and Food Folk Group is working consciously with this.

In Food Folk Denmark, grease (from the grease separator) was reduced by 18% compared to 2016. In order not to waste, the valuable resources contained in food waste, grease and cooking oil, these products are used in the production of biogas. By utilizing food waste for biogas production, less CO2 is emitted because the biogas can be utilized for energy purposes, hence resolving in a smaller carbon footprint for the Danish society by displacing fossil fuels. In 2017, the total amount of all waste collected by the main waste handler dropped by 7.3% or 314 tonnes total compared to 2016.

In 2017, Food Folk Denmark became the main sponsor of a new project under development called 'Clean Nature' organized by the NGO Keep Denmark Clean. In 2018, pilot projects will be rolled out involving McDonald's restaurants, in three cities. Food Folk Denmark also holds a seat in the steering board of the project. It continue our 'one block policy' alongside this project, entailing employees to collect litter in the immediate area surrounding each restaurant.

Management's review (continued)
Food Folk Group Corporate Social Responsibility (continued)

Carbon footprint (continued)

Used cooking oil and cardboard are collected and recycled from all Food Folk restaurants in Sweden and Norway. In collaboration with our logistics partner, HAVI, a number of waste fractions are collected from the restaurants to be recycled: Aluminum, PET plastics, PE foils and refund cans. This results in increased material recycling and less transports as these fractions are collected by existing transports.

Emissions (tonnes CO2e)	Base year 2010	2015	2016	Share of total 2016	Change 2010-2016
Waste disposal	6,078	5,679	5,189	65%	-15%

Waste disposal, Food Folk Sweden

In addition, Food Folk Sweden joined the Haga initiative in 2012. The Haga initiative is a business network that strives to reduce the business sector's carbon emissions and highlight climate issues by showing the connection between ambitious climate strategies and increased profitability. The purpose of the network is to show that it is profitable for companies to conduct good business while simultaneously take an active climate responsibility. The companies that are members have pledged to reduce their CO2 by 40% in 2020, base year 2010.

In 2017, the Haga initiative members approved a new goal, stretching to 2030:

- **Scope 1**: The target is net zero emission by 2030. This is translated into at least an 85% reduction in emissions from the company's own operations, in scope 1, compared with a post-1990 base year of their choice. To reach net zero emissions, the remaining emissions can be reduced through carbon offsets. The aim is a fossil fuel free company,
- **Scope 2**: Purchased energy in scope 2 should be renewable or recycled,
- **Scope 3**: Emissions in scope 3 (upstream and downstream) are to be mapped out and identified. The companies need to develop a strategy to reduce the emissions based on relevance and feasibility.

To reduce carbon emission 100% of the electricity purchased by Food Folk Sweden's franchisees comes from renewable sources. In addition, 90% is Bra Miljöval certified by Swedish Society for Nature Conservation (SSNC). In 2017, Food Folk Sweden and Fortum Charge & Drive began building the first High Power Charging Stations in Sweden. These stations will be operational in 2018 - in Kristinehamn and in Västerås. High Power Charging is the next generation fast charging.

Development

	2013	2014	2014	2016	2017
Number of installed fast chargers	4	12	12	14	29
Number of installed other chargers	4	9	8	14	22
Charging occasions - fast	496	4,961	4,260	4,875	12,531
Charging occasions - other	138	236	369	499	789
Charging occasions - total	634	5,197	4,629	5,374	13,320
Charging volume fast [kWh]	2,811	21,472	37,070	54,201	148,235
Charging volume other [kWh]	143	328	1,624	2,014	6,512
Charging volume total [kWh]	2,955	21,800	38,694	56,215	154,747

E-mobility data, Food Folk Group Sverige

Food Folk Norway is actively working to decrease their environmental impact. The company aims to reduce the use of conventional energy and increase the use of renewable energy. In 2017, 60 out of 70 restaurants purchased certified green energy. Since 2016, the energy usage was reduced by approximately 10%, water use by 50% in 23 of the restaurants and refill of cooling agents was reduced by app. 30%. In 2012, it started implementation of charging stations and in 2017 it has 58 high power charging stations in 25 restaurants. Another ambitious initiative is directly to work with the beef industry, by taking part on a national project called Klimasmart Landbruk, where Food Folk supports the industry to reduce their CO2 emissions. For Food Folk Norway approximately 80% of its total spend comes for local suppliers, which supports the overall decrease of the CO2 emissions from sourcing the products from other countries.

Like the Danish "one block policy" Food Folk Norway engaged in similar project called "Rusken", where the employees join clean-up activities, in order to tackle the problem with littering. In 2018, Food Folk Norway will focus on finding new packaging not containing plastic.

Management's review (continued)
Food Folk Group Corporate Social Responsibility (continued)

Food waste

Reducing the food waste is an important part of achieving the goal of minimising impact on climate and taking care of the environment. In Denmark, total collected food waste in 2017 was reduced by 8%, compared to 2016, with sales rising in the same period with only 2% waste in our kitchens. Generally, food waste in the Food Folk restaurants and in kitchens is low. The Food Folk Group is in the midst of a major development in which several restaurants are rebuilt to serve even better burgers and to better meet guests' expectations, both today and in the future. For example rebuilding restaurants in Sweden would be a 15/20% reduction in food waste, much due to a reduced risk of having to throw away hamburgers that are not sold.

The group continues to work closely with suppliers regarding packaging quality and sizes to reduce breakage and short use-thru dates. It has come a long way for example in developing systems for calculating volumes, which reduces the risk of misplacement.

Food Folk Group is currently implementing a new made-to-order system to be rolled out across the entire region Early results from Denmark show, that cost of wastefood is reduced by as much as 25% under this system, when measured as proportion of the total turnover. Norway and Finland are still in the early implementation phase and thus have not yet an estimate of the possible impact on wasted food. This new system will be rolled out to more restaurants in 2018.

Animal welfare

Food Folk Group is continuing to work for animal welfare by focusing on cage eggs. In 2017, cage eggs in the Big Mac sauce have been phased out removing the largest remaining product containing cage eggs. Also will no new products with cage eggs will be launched. All our breakfast menu items are served using free range, organic eggs.

In addition, Food Folk Norway's underlying policy is to introduce new products with no palm oil, egg from free-range hens and natural ingredients. Food Folk Norway has also focus on animal welfare for their broilers, where a policy not to use antibiotics and narasin was implemented. Food Folk Norway has also attention on sustainable feed and for all used soy to be certified and not sourced from deforestation areas.

Human rights, Social and Employee matters

Food Folk and its franchisee employees form the core of the business. Therefore, measuring the employee satisfaction every year is key as is an aim to improve scores every time.

To ensure employees' continued development and satisfaction, a range of mandatory and optional educations are offered. All employees also complete the mandatory McDonald's-learning courses.

In Denmark, optional education programs have been established in collaboration with external academies. Thus, Denmark can offer its employees a unique opportunity to combine work and further education.

The goal is to have a minimum an equal amount of students for the Akademiuddannelsen (AU) course in 2018, as in 2017, which was 52. For the Handelsøkonom (HØ) course, the aim is a minimum of 22 students (equal to 2017). Lastly, there is a goal of having a minimum of 20 student for the CEC (Customer Experience Coordinator) course compared to 17 in 2017. If more employees are interested in starting an education in 2018, these opportunities will be extended. This is exactly why the 2017 figure of the HØ course is higher than in 2018

In Sweden, the Company has a work environment policy, a gender equality policy, a diversity policy, and a policy against discrimination. A payroll and gender survey are carried out at the headquarters each year. Any unreasonable pay gaps between our female and male employees are investigated and where necessary corrections are made In 2017, 3 salary adjustments were made, none of which were related to gender equality.

Moreover, in 2017, work on gender equality and discrimination was in focus for Food Folk Sweden. In order to promote equality and counter discrimination, the company has policies, guidelines, and communication channels for all employees in the form of email and telephone to HR at the headquarters. These issues are also discussed in the internal leadership training programs that all managers in the restaurants are undergoing at our education center. In 2017, over 1,100 managers attended the training.

In Food Folk Group, human and labour rights are governed by the employees' handbook and the Global HR policies for diversity and harassment. In addition to the satisfaction surveys by McDonald's Global, Food Folk Norway performs as well culture audits with support by Great Place to work, with focus on reports and developing of action plans.

Human rights, Social and Employee matters (continued)

For Food Folk Group suppliers are an important part of the business and all markets follow the global code of conduct for suppliers. The McDonald's Supplier Code of Conduct where human rights, a safe working environment, labour law principles and business integrity are important elements of the content. Thus, all relevant suppliers are audited through an independent auditor to ensure, that all partners comply with Food Folk code of conduct.

Anti-corruption

The company's anti-corruption policy, is aligned with McDonald's Global policy. Head office' employees conduct annually an anti-corruption e-learning program aimed at preventing the risk of corruption and bribery at the company. There is a whistle-blower system set-up for each of our countries and there were no recorded incidents for 2016 and 2017. All current and new employees at the headquarters must read, sign the code of conduct and attend e-learning system training annually.

Gender diversity

Section 99b of the Danish Financial Statement Act specifically requires disclosure on board member gender representation and gender representation on other management levels. Since last year, the board has changed due to new ownership. Currently, the Food Folk Denmark's Board of Directors consists of one male member. Since the board comprises of one person, we have not set a target, as it is not a requirementpursuant to section 99b of the Danish Financial Statements Act.

The other management level in Food Folk Denmark consist of 1 female and 2 males. Therefore, we have not defined a policy for gender representation on this level. For the future an equal split of gender is expected to be continued.

Consolidated Income Statement & statement of Comprehensive Income

Parent company 22 February to 31 December 2017	DKK'000	Note	Group 31 March to 31 December 2017
0	**Revenue**	2	**206.960**
0	Raw materials and consumables		-18
-67	Other external expenses	4	-39.885
0	Depreciation and amortisation	9,10	-34.568
0	Staff cost	5	-26.079
0	Other operating activities, net	3	-266
-67	**Total expenses**		**-100.816**
-67	**Operating profit**		**106.144**
0	Financial income	6	111
-22.498	Financial expense	7	-40.401
-22.498	**Net finance expenses**		**-40.290**
70.055	Share of profit of subsidiaries, net of tax	11	0
154.269	Gain on bargain purchase	1	154.269
0	Share of profit of equity accounted investees, net of tax	12	-94
201.759	**Proft before tax**		**220.029**
908	Tax for the year	8	-17.465
202.667	**Profit for the year**		**202.564**
	Attributable to		
202.667	Reserves		202.564
202.667	**Profit for the year**		**202.564**
	Statement of comprehensive income		
202.667	Profit for the year		202.564
0	**Other comprehensive income for the year, net of income tax**		**0**
202.667	**Comprehensive income for the year**		**202.564**

Consolidated Statement of financial position

Parent company 31 December 2017	DKK'000	Note	Group 31 December 2017
	Assets		
	Non current assets		
0	Property, plant and equipment	9	1.262.266
0	Intangible assets	10	196.906
704.458	Investments in subsidiaries	11	0
0	Investments in subsidiaries and equity-accounted investees	12	202
704.458			**1.459.374**
	Current assets		
908	Tax receivables		2.358
0	Trade and other receivables	14	71.688
1.361	Receivables from related parties		1.361
0	Restricted cash	15	52.192
394	Cash and cash equivalents	15	45.940
2.663			**173.539**
707.121	**Total Assets**		**1.632.913**
	Equity and liabilities		
	Equity atrributable to equity holders of the parent		
30.000	Share capital	16	30.000
90.517	Share premium		90.517
202.667	Retained earnings		202.564
323.184	**Total equity**		**323.081**
	Non current liabilities		
361.750	Other interest-bearing loans and borrowings	17	930.359
0	Provisions	18	32.103
0	Deferred tax liabilities	13	201.330
361.750			**1.163.792**
	Current liabilities		
0	Other interest-bearing loans and borrowings	17	25.365
65	Trade and other payables	19	94.402
22.122	Payables to group entities		26.109
0	Provisions	18	164
22.187			**146.040**
383.937	**Total liabilities**		**1.309.832**
707.121	**Total equity and liabilities**		**1.632.913**

Statement of changes in equity (parent)

2017

DKK'000	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
Balance at 22 February 2017	0	0	0	0
Profit or loss	0	0	202.667	202.667
Total comprehensive income for the period	**0**	**0**	**202.667**	**202.667**
Transactions with owners, recorded directly in equity:				
Issue share capital	30.000	90.517	0	120.517
Total contributions by and distributions to owners	**30.000**	**90.517**	**0**	**120.517**
Balance at 31 December 2017	**30.000**	**90.517**	**202.667**	**323.184**

Statement of changes in equity (group)

2017

DKK'000	**Share capital**	**Share premium**	**Retained earnings**	**Total equity**
Balance at 31 March 2017	30.000	90.517	0	120.517
Profit or loss	0	0	202.564	202.564
Total comprehensive income for the period	**0**	**0**	**202.564**	**202.564**
Total contributions by and distributions to owners	**0**	**0**	**0**	**0**
Balance at 31 December 2017	**30.000**	**90.517**	**202.564**	**323.081**

Consolidated Statement of Cash Flows

Parent company 2017	DKK'000	Note	Group 2017
	Cash flow from operating activities		
202.667	Profit for the year		202.564
	Adjustments for:		
0	Depreciation, amortisation and impairment		34.568
0	Financial income		-111
22.498	Financial expense		40.401
-70.055	Share of profit in subsidiaries		0
-154.269	Gain on bargain purchase		-154.269
0	Share of profit of equity-accounted investees		94
0	Gain on sale of property, plant and equipment		-17
-908	Taxation		17.465
-202.734			**-61.869**
0	Decrease/increase in trade and other receivables		7.011
0	Decrease/increase in inventories		0
65	Decrease/increase in trade and other payables		7.937
-1.367	Decrease/increase in intercompany balances		2.620
0	Decrease/increase in provisions		-168
-1.302			**17.400**
0	Tax paid		-21.340
0			**-21.340**
-1.369	**Net cash from operating activities**		**136.755**
	Cash flows from investing in activities		
0	Proceeds from sale of property, plant and equipment		5.493
610.660	Dividends received		0
-1.090.794	Acquisition of a subsidiary/business, net of cash		-1.094.600
0	Acquisition of property, plant and equipment		-4.144
0	Acquisition of other intangible assets		-3.800
-480.134	**Net cash from investing activities**		**-1.097.051**
	Cash flow from financing activities		
120.517	Proceeds from the issue of share capital	16	0
361.750	Proceeds from new loan	17	994.039
0	Change in restricted cash	15	-52.192
0	Interest paid		-16.299
0	Financing transaction cost		-19.611
0	Repayment of borrowings		-19.965
482.267	**Net cash from financing activities**		**885.972**

Statement of cash flow (continued)

Parent company 2017	DKK'000	Note	Group 2017
764	Net increase/decrease in cash and cash equivalents		-74.324
0	Cash and cash equivalents at 1 January		120.517
-370	Effect of exchange fluctuatons on cash held		-253
394	**Cash and cash equivalents at 31 December**	15	**45.940**

Notes

1 Acquisition of subsidiaries

On 31 March 2017, the Group acquired all of the ordinary shares in McDonald's Denmark ApS at DKK 1,091 million, satisfied in cash. The company operates the developmental license for McDonald's in Denmark. The company was acquired along with the other Developmental License holders in the Nordics to combine and run the Nordics as one group. In the 9 months to 31 December 2017 the subsidiary contributed net profit of DKK 75.9 million to the consolidated net profit for the year. If the acquisition had occurred on the first day of the accounting period, Group revenue would have been DKK 266 million and net profit would have been DKK 82 million. In determining these amounts, Management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on the first day of the accounting period.

Effect of acquisition

DKK'000	**Recognised values on acquisition**
Acquirees net assets at the acquisition date:	
Property, plant and equipment	1.289.679
Intangible assets	201.584
Financial assets	11.498
Net working capital, including cash and cash equivalents	-22.774
Deferred tax assets/liabilities	-202.847
Provisions	-32.077
Total identifiable net assets acquired	**1.245.063**
Consideration paid:	
Cash	1.090.794
Total consideration	**1.090.794**
Gain on bargain purchase	**154.269**

The acquisition of Food Folk Danmark ApS (formerly known as McDonald's Danmark ApS) resulted in a gain on bargain purchase in which the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed exceeded the consideration transferred when measured in accordance with IFRS 3. The Group has recognised a gain of DKK 154 million in the income statement on the acquisition date, taking into account the fair value adjustments noted below. The main reasons for the bargain purchase are due to improvement in the performance of the business from the date of closing negotiations to the date of acquisition and that McDonald's Corporation will continue to earn royalties from Food Folk Danmark ApS after the transaction.

The valuation techniques used for measuring the fair value of material assets were as follows:

Property, plant and equipment - Market comparison technique and replacement cost technique: For freehold land and buildings, the valuation model considers the market prices for similar land and buildings. For buildings on leased land, depreciated replacement cost has been used as the valuation model. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Intangible assets - Multi-earnings excess method: The multi excess earnings method considers the present value of net cash flows expected to be generated by the Multi-Unit Franchise Agreement ("MUFA") issued by McDonald's Corporation (hereafter referred to as McDonald's), by excluding any cash flows related to contributory assets.

The trade receivables comprise gross contractual amounts due of DKK 58 million, of which none was expected to be uncollectable at the date of acquisition.

Acquisition related costs

The Group incurred no acquisition related costs as these were incurred ouitside of Food Folk Danmark Holdings ApS.

Notes *(continued)*

2 Revenue

DKK'000	Parent company 2017	Group 2017
Sub-franchisee income	0	205.498
Rendering of services	0	1.462
Total revenues	**0**	**206.960**

The land and buildings are rent out under operating leases as part of the sub-franchise agreement. The future minimum lease payments under non-cancellable leases are as follows:

DKK'000	2017
Less than one year	45.155
Between one and five years	137.602
More than five years	329.453
Total leases as lessor	**512.210**

Sub-franchisee agreements have been granted for a period of up 20 years from the date of issue.

The minimum lease income from sub-franchises for the year ended 31 December 2017 is included as part of the sub-franchise income specified above.

3 Other operating activities, net

DKK'000	Parent company 2017	Group 2017
Net gain on disposal of property, plant and equipment	0	17
Other income/expense	0	-283
Total other operating income	**0**	**-266**

4 Fees to auditors

Pursuant to section 96(3) of the Danish Financial Statements Act, fee paid to the Company's auditor appointed at the general meeting has not been disclosed.

5 Staff cost

DKK'000	Parent company 2017	Group 2017
Wages and salaries	0	23.527
Social security costs	0	464
Contributions to defined contribution plans	0	2.088
Total staff cost	**0**	**26.079**
Average number of full-time employees	0	51
Average number of key management personnel	0	1

Notes (continued)

5 Staff cost (continued)

Remuneration paid to Management in 2017 has been excluded from the financial statements with reference to section 98b(3) of the Danish Financial Statements Act.

6 Financial income

DKK'000	Parent company 2017	Group 2017
Net foreign exchange gain	0	111
Total finance income	**0**	**111**

7 Financial expense

DKK'000	Parent company 2017	Group 2017
Interest on financial liabilities	0	16.583
Net foreign exchange loss	370	356
Interest to intercompany	22.128	22.128
Unwinding of discounts	0	358
Other interest expense	0	976
Total financial expense	**22.498**	**40.401**

8 Tax for the year

DKK'000	Parent company 2017	Group 2017
Recognised in the income statement		
Current tax expense		
Current year	-908	19.504
Total current tax expense	**-908**	**19.504**
Deferred tax expense		
Origination and reversal of temporary differences	0	-2.039
Total deferred tax expense	**0**	**-2.039**
Tax expense in income statement (excluding share of tax of equity accounted investees)	-908	17.465
Share of tax of equity accounted investees	0	0
Total tax expense	**-908**	**17.465**
Reconciliation of effective tax rate		
Profit before tax	**201.759**	**220.029**
Tax using the corporation tax rate in Denmark of 22%	44.387	48.406
Non-deductible expenses	4.056	4.140
Tax exempt revenues	-49.351	-33.939
Other	0	-1.142
Total tax expense	**-908**	**17.465**

9 Property, plant and equipment

Group

DKK'000	Land and buildings	Leasehold improvements	Fixtures, fittings and equipment	Under construction	Total
Cost					
Acquisitions through business combinations	1.227.609	51.243	9.078	1.749	1.289.679
Other acquisitions	96	85	3.963	0	4.144
Disposals	0	0	-3.165	-1.749	-4.914
Balance at 31 December 2017	**1.227.705**	**51.328**	**9.876**	**0**	**1.288.909**
Depreciation and impairment					
Balance at 31 March 2017	0	0	0	0	0
Depreciation charge for the year	23.285	2.397	1.157	0	26.839
Impairment losses	0	0	0	0	0
Reversal of impairment losses	0	0	0	0	0
Transfer	0	0	0	0	0
Disposals	0	0	-196	0	-196
Balance at 31 December 2017	**23.285**	**2.397**	**961**	**0**	**26.643**
Net book value					
At 31 December 2017	**1.204.420**	**48.932**	**8.915**	**0**	**1.262.266**

Security

At 31 December 2017, properties with a carrying amount of DKK 1,189 million (2016: DKK 1,161 million) were subject to a registered debenture that forms security for bank loans. As security for mortgage loans, the Company has registered mortgage security on the Company's properties of DKK 632.4 million.

Notes *(continued)*

10 Intangible assets

Group

DKK'000	Contractual rights	Total
Cost		
Acquisitions through business combinations	201.593	201.593
Other acquisitions – externally purchased	3.800	3.800
Disposals	-789	-789
Balance at 31 December 2017	**204.604**	**204.604**
Amortisation and impairment		
Balance at 31 March 2017	0	0
Amortisation for the year	7.729	7.729
Impairment charge	0	0
Reversal of impairment losses	0	0
Disposals	-31	-31
Balance at 31 December 2017	**7.698**	**7.698**
Net book value		
At 31 December 2017	**196.906**	**196.906**

Notes (continued)

11 Investments in subsidiaries

Parent company

DKK'000	Profit after tax	Other comprehen-sive income	Total comprehen-sive income	Investment in subsidiaries
	Food Folk Danmark Holdings ApS share			
Subsidiaries	70.055	0	70.055	704.458

	Legal form	Domicile	Interest %
Food Folk Danmark ApS	ApS	Denmark	100%

The subsidiary is the owner of the master franchisee agreement with McDonald's Corporation and operates McDonald's restaurants in the Danish territory.

All rights, titles, interests and benefits in shares in subsidiaries have been pledged as security for punctual payment and discharge of obligations to McDonald's Corporation.

As secondary ranking security, all rights, titles and interests in shares in subsidiaries have been pledged as security for the fulfilment of the Food Folk Group Holdings AS group obligations towards the parties that have provided the Group's credit facilities.

12 Investments in subsidiaries and equity-accounted investees

Group

DKK'000	Profit after tax	Other comprehen-sive income	Total comprehen-sive income	Investment in associates and joint ventures
	Food Folk Danmark Holdings ApS share			
Associates	-226	0	-226	202
	-226	**0**	**-226**	**202**

	Legal form	Domicile	Interest %
I/S Fællesskiltning	I/S	Denmark	41,5%

The Company operates signage in proximity to one of the Company's real estate investments.

All rights, titles, interests and benefits in shares in associates have been pledged as security for punctual payment and discharge of obligations to McDonald's Corporation.

As secondary ranking security, all rights, titles and interests in shares in associates have been pledged as security for the fulfilment of the Food Folk Group Holdings AS group obligations towards the parties that have provided the Group's credit facilities.

Notes (continued)

13 Deferred tax liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group DKK'000	**Assets** **2017**	**Liabilities** **2017**
Property, plant and equipment	0	173.594
Intangible assets	0	42.540
Provisions	-14.689	0
Other	-115	0
Tax (assets) / liabilities	-14.804	216.134
Net of tax liabilities/(assets)	0	0
Net tax (assets) / liabilities	**-14.804**	**216.134**

Movement in deferred tax during the year

Group DKK'000	**2017**
Acquired in acquisition	203.369
Recognised in income	-2.039
Recognised in equity	0
31 December	201.330
Total movement	**-2.039**

14 Trade and other receivables

Balance sheet'000	**Parent company** **2017**	**Group** **2017**
Trade receivables	0	58.233
Deposits	0	7.419
Prepayments	0	6.036
Total trade and other receivables	**0**	**71.688**

15 Cash and cash equivalents

Cash and cash equivalents	394	45.940
Total cash and cash equivalents	**394**	**45.940**
Restricted cash	0	52.192
Total Restricted cash	**0**	**52.192**

Cash with a carrying amount of DKK 52,192 thousand has been provided as security for the EUR 15 million revolving credit facility provided to the Food Folk Group Holdings AS group.

Notes (continued)

16 Share capital

Parent company and Group DKK'000	Ordinary shares 2017
In thousands of shares	30.000
On issue at 31 March	0
Issued for cash	30.000
On issue at 31 December 2017 - fully paid	**30.000**
Allotted, called up and fully paid	
Ordinary shares of DKK 1 each	30.000
Total	**30.000**
Shares classified as liabilities	0
Shares classified in shareholders' funds	30.000
Total	**30.000**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

During the year the Company issued 30,000 thousand shares at DKK 30,000 thousand, settled in cash.

Cash flow hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Dividends

No dividend was recognised during the period.

Notes *(continued)*

17 Other interest-bearing loans and borrowings

Group

The Group has taken out mortgage loans against security in the companies' owned land and properties

DKK'000	2017
Non-current other interest-bearing loans and borrowings	
Secured mortage loans	568.608
Loan from Food Folk Group Holdings AS	361.751
Total non-current other interest-bearing loans and borrowings	**930.359**
Current other interest-bearing loans and borrowings	
Secured mortage loans	25.365
Total current other interest-bearing loans and borrowings	**25.365**

Terms and debt repayment schedule

DKK'000	Currency	Nominal interest rate	Year of maturity	Face value 2017	Carrying amount 2017
Realkredit Danmark	DKK	1,78%	2037	628.194	593.973
Loan from Food Folk Group Holdings AS	EUR	Variable	2042	361.751	361.751
Total				**989.945**	**955.724**

Other interest-bearing loans and borrowings are measured at amortised cost price. Mortgage loans are secured against the Group's portfolio of owned land and buildings.

18 Provisions

Group DKK'000	Dilapidation	Onerous contract	Total
Acquired through business combinations	14.519	17.596	32.115
Provisions used during the year	0	-206	-206
Unwinding of discounted amount	0	358	358
Balance at 31 December 2017	**14.519**	**17.748**	**32.267**
Non-current	14.519	17.584	32.103
Current	0	164	164
Balance at 31 December 2017	**14.519**	**17.748**	**32.267**

The dilapidation provision relates to the expected cost of restoring leased premises to the condition specified in the lease documents on termination of these leases. These costs will be incurred on exit from the properties, and the amount that will be payable is primarily dependent on negotiations with the individual landlords on exit.

The onerous contract provision relates to the expected cash losses on sub-franchise agreements where the expected direct costs are greater than the expected income from the balance sheet date to the earliest date the contract can be terminated.

Notes (continued)

19 Trade and other payables

DKK'000	Parent company 2017	Group 2017
Trade payables	0	19.431
Deposits received	0	9.748
Other payables and accrued expenses	65	65.223
Total trade and other payables	**65**	**94.402**

20 Financial instruments

The Group uses various financial instruments. These include loans, cash and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below. In order to manage the Group's exposure to those risks, in particular the Group's exposure to interest rate risk, the Group enters into a number of derivative transactions including, but not limited to, variable to fixed rate interest rate swaps. All derivatives are entered into to manage the risks arising from underlying business activities and no transactions of a speculative nature are undertaken.

The main risks arising from the Group's financial instruments are liquidity risk and interest rate risk. The policies for managing each of these risks are summarised below.

20 (a) Fair values of financial instruments

The fair value of all financial assets and liabilities by class together with their carrying amounts shown in the balance are as follows:

DKK'000	Parent company 2017	Group 2017
Cash and cash equivalents	394	45.940
Restricted cash	0	52.192
Receivables from related parties	1.361	1.361
Trade and other receivables	0	71.688
Total loans and receivables	**1.755**	**171.181**
Total financial assets	**1.755**	**171.181**
Other interest-bearing loans and borrowings	361.750	955.724
Trade and other payables	65	94.402
Payables to group companies	22.122	26.109
Provisions	0	32.267
Total other financial liabilities	**383.937**	**1.108.502**
Total financial liabilities	**383.937**	**1.108.502**
Total net financial instruments	**-382.182**	**-937.321**

20 Financial instruments (continued)

20 (a) Fair values of financial instruments (continued)

The fair value of financial instruments is deemed to be materially equivalent to the carryng value, except for other interest-bearing loans and borrowings. The fair value of other interest-bearing loans and borrowings for the Group is DKK 989,944 thousand.

Fair value hierarchy
All financial instruments measured at fair value use quoted prices (unadjusted) in active markets for identical assets or liabilities. As a result, no fair value hierarchy table is presented. If a table was presented, all financial instruments measured at fair value would be classed as Level 2 of the fair value hierarchy.

20 (b) Credit risk

Financial risk management
Credit risk is the risk of financial loss to the Group if a franchiser or counterparty to a financial instrument fails to meet its contractual obligations. The Group's principal financial assets are bank balances and trade receivables and the maximum exposure to credit risk at the balance sheet date is represented by the carrying value of these assets.

The credit risk associated with bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

The Group also has a limited credit risk arising from trade receivables, which represent outstanding fees receivable. The risk is limited due to short payment terms and no receivables being past due. The Group has not realised any credit losses in 2017.

20 Financial instruments (Continued)

20 (c) Liquidity risk

Financial risk management

This Liquidity risk is managed, for both the Group and the Company, by maintaining sufficient cash balances to meet working capital needs. Cash flow requirements are monitored by short-term and long-term rolling forecasts. In addition, the Company regularly reviews its position in relation to all financial covenants in place in relation to its external borrowings.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Parent company

31 December 2017

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
Non-derivative financial liabilities						
Loan from Food Folk Group Holdings AS	361.751	940.553	28.940	28.940	86.820	795.852
Payables to group entities	22.122	22.122	22.122	0	0	0
Trade and other payables	65	65	65	0	0	0
Total	**383.938**	**962.740**	**51.127**	**28.940**	**86.820**	**795.852**

Group

31 December 2017

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to < 5 years	5 years and over
Non-derivative financial liabilities						
Secured mortage loans	593.973	819.009	46.673	46.267	125.076	600.993
Loan from Food Folk Group Holdings AS	361.751	940.553	28.940	28.940	86.820	795.852
Payables to group entities	26.109	26.109	26.109	0	0	0
Trade and other payables	94.402	94.402	94.402	0	0	0
Total	**1.076.235**	**1.880.073**	**196.124**	**75.207**	**211.896**	**1.396.845**

20 Financial instruments (continued)

20 (d) Market risk

The Company's operations has no significant exposure to foreign currency risk at either year end. As a result, a sensitivity analysis have not been presented for the Company.

Group – Market risk – Interest rate risk

At the balance sheet date, the interest rate profile of the Company's interest-bearing financial instruments was:

DKK'000	**2017**
Fixed rate instruments	
Financial assets	0
Financial liabilities	-593.973
Total fixed rate instruments	**-593.973**
Variable rate instruments	
Financial assets	98.132
Financial liabilities	-361.751
Total variable rate instruments	**-263.619**

All financial liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument.

Sensitivity analysis
A change of 100 basis point in interest over the year would have increased/decreased the result for the year by DKK 2,626 thousand. The analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of all financial instruments with variable interest rates.

20 (e) Capital management

The Group manages its capital to safeguard its ability to operate as a going concern and to optimise returns to shareholders. Overdraft facilities will be used to finance the working capital cycle if required.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 17 after deducting cash and cash equivalents, and equity comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The debt and equity balances are subject to externally imposed capital requirements, such as those imposed by third party loan providers and McDonald's. The Group has been in compliance with these capital requirements during the year.

Notes *(continued)*

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group DKK'000	**2017**
Less than one year	31.421
Between one and five years	47.933
More than five years	29.514
Total non-cancellable operating lease rentals	**108.868**

During the year ended 31 December 2017, DKK 32,414 thousand was recognised as an expense in the income statement in respect of operating leases (2016: DKK 37,133 thousand). The total future lease sub-lease rent at the year ended 31 December 2017 is DKK 512,210 thousand (2016: DKK 501,489 thousand).

22 Commitments

Capital commitments
During the year ended 31 December 2017, the Group entered into a contract to purchase property, plant and equipment for DKK 6,220 thousand.

Off-balance sheet arrangements (group)
The company Is jointly and severally liable with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total statement of financial position in I/S Fællesskiltning amounts to DKK 540 thousand at 31 December 2017.

23 Contingencies

The Company a guarantor for Food Folk Group Holdings AS, Food Folk Norge AS, Food Folk Suomi Oy and Food Folk Sverige AB perform their obligations under credit agreement that the Food Folk Group Holdings AS group has entered into with a financial institution. The guarantee includes customary limitation that ensure that payments cannot exceed what would normally be permitted to be distributed as dividends from the companies. The Food Folk Group Holdings AS group's total obligation amounts to DKK 1,506 million as of 31 December 2017.

The Company is jointly and severally liabile with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total statement of financial position amounts to DKK 540 thousand at year end (2016: DKK 817 thousand).

Other guarantees amounts to DKK 5,774 thousand.

The company is jointly taxed with Danish entities in Food Folk Group. The Company is unlimited jointly and severally liabile for Danish corporation taxes and withholding taxes on dividends and interest under the joint taxation scheme. The jointly taxed companies' total net liability to the Danish tax authorities is recognised in the financial statements of Food Folk Danmark Holdings ApS. Any subsequent corrections of the taxable jointly taxed income or withholdings taxes, etc., may entail an increase in the Company's liability.

24 Related parties

Parent and ultimate controlling party
The Company was established in 2017 by its Parent, Food Folk Group Holdings AS (Norway). The Company's ultimate controling party of the Company is Guy Hands.

Key management personnel compensation
Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to post-employment defined contribution plans (see Note 5).

Group related party transactions
Group companies within the Food Folk Group are rendering/receiveing services for the use in the ordinary business operation. The Company's Parent is providing long-term financing for the benefit of the Company and to finance the acquisition of Food Folk Danmark ApS in 2017.

24 Related parties (continued)

Other related party transactions

Parent company DKK'000	*Dividends* **2017**	*Interest* **2017**
Food Folk Group Holdings AS	0	-22.122
Food Folk Danmark Holdings A/S	0	0
Total	**0**	**-22.122**

DKK'000	*Loans payable outstanding* **2017**	*Receivables outstanding* **2017**	*Payables outstanding* **2017**
Food Folk Group Holdings AS	-361.751	0	-22.122
Food Folk Nordic sister companies	0	1.361	0
Total	**-361.751**	**1.361**	**-22.122**

Group	*Sale of services* **2017**	*Purchase of services* **2017**
Food Folk Group Holdings A/S	551	-4.042
Food Folk Nordic sister companies	145	-232
Total	**696**	**-4.274**

DKK'000	*Dividends* **2017**	*Interest* **2017**
Food Folk Group Holdings AS	0	-22.122
Food Folk Nordic sister companies	0	0
Total	**0**	**-22.122**

DKK'000	*Loans payable outstanding* **2017**	*Receivables outstanding* **2017**	*Payables outstanding* **2017**
Food Folk Group Holdings AS	-361.751	0	-26.105
Food Folk Nordic sister companies	0	1.361	0
Total	**-361.751**	**1.361**	**-26.105**

All outstanding balances with these related parties are priced on an arm's length principle and are to be settled in cash at the request of the related party. None of the balances are secured.

25 Subsequent events

No events have occurred after the balance sheet date that materially affect the financial position of the Group or the Company at 31 December 2017.

Notes *(continued)*

26 Changes in liabilities from financing activities

Parent company

DKK'000	Opening balance	Net Cash flows	Non-cash transactions	Closing balance
Debt to Parent company	0	361.750	0	361.750
Long-term liabilities	**0**	**361.750**	**0**	**361.750**
Debt to Parent company	0	0	0	0
Short-term liabilities	**0**	**0**	**0**	**0**
Liability from financing activities for 2017	**0**	**361.750**	**0**	**361.750**

Group

DKK'000	Opening balance	Net Cash flows	Non-cash transactions	Closing balance
Debt to credit institutions	0	567.347	1.261	568.608
Debt to Parent company	0	361.751	0	361.751
Long-term liabilities	**0**	**929.098**	**1.261**	**930.359**
Debt to credit institutions	0	25.365	0	25.365
Debt to Parent company	0	0	0	0
Short-term liabilities	**0**	**25.365**	**0**	**25.365**
Liability from financing activities for 2017	**0**	**954.463**	**1.261**	**955.724**

27 Significant accounting policies

General information

Food Folk Danmark Holdings ApS is a limited liability company domiciled in Denmark.

The financial section of the annual report for the period 1 January 2017 to 31 December 2017 comprises the consolidated financial statements for Food Folk Danmark Holdings ApS and its subsidiaries (the Group) and separate parent company financial statements.

The Group's main activity consist of acquiring real estate by renting or buying it, renovating and fitting it for the purpose of operating a McDonald's restaurant under a master franchise agreement made with McDonald's Corporation, the holder of the McDonald's global trademark.

Accounting policies

The Group has consistently applied the following accounting policies to all periods presented in these consolidated and parent Company financial statements.

The consolidated financial statements and the parent Company financial statements are presented in DKK rounded to the nearest DKK 1,000.

Basis of preparation

The consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act.

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value.

Adoption of IFRS 9 – Financial Instruments

The Group has early adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2017. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Group adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the income statement and OCI. Previously, the Company's approach was to include the impairment of trade receivables in other expenses.

Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures.

The adoption of IFRS 9 has not had a significant effect on the Group's classification of financial assets and liabilities and impairment of financial assets.

The Group has elected to adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

When a derivative is designated as a cash flow hedging instrument, the effective proportion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in the fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss.
The Group designates only the change in fair value of the spot element of interest rate swaps as the hedging instrument in cash flow hedging relationships.

The amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

27 Significant accounting policies (continued)

Adoption of IFRS 9 – Financial Instruments (continued)

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

New accounting standards not yet adopted

The IASB has issued a number of new or amended accounting standards and interpretations, effective after 31 December 2017. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Group.

The following new or amended accounting standards and interpretations that will come into effect later are expected to have an impact on recognition, measurement and disclosures for the Group:

IFRS 16 - Leases

The IASB has issued a new standard on accounting for leases. As a Lessee, the Group is required to recognise all lease contracts on the balance sheet.

The Group will not be required to recognise lease contracts with a term of less than 12 months on the balance sheet. The Group is assessing the impact of IFRS 16. The lease obligation at 1 January 2019 will be calculated as the present value of remaining lease payments at this date and the impact is expected to increase the balance sheet and therefore to impact the debt to equity ratio. The effect on net income will be limited but will have a significant impact in the classification of expenses in the income statements, as other external expenses will be reduced by the lease expenses that in 2017 amounted to DKK 32,414 thousand. The Group expects to implement IFRS 16 when it becomes mandatory in 2019.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard on revenue recognition.

The standard will be effective for financial years beginning on or after 1 January 2018. The Group has assessed the effect of the new standard, and it will only have insignificant effect on recognition and measurement of revenue.

Foreign currency translation

The functional currency of the parent Company is DKK, and the financial statements are presented in DKK. Transactions in currencies other than the functional currency are foreign currency transactions.

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Foreign currency translation adjustments made when such transactions are settled or as a result of translation of monetary items denominated in foreign currencies at year-end exchange rates are recognised in profit or loss under financial income or financial expenses.

Income statement

Revenue

Revenue consist of franchise fees from franchised restaurants and only to a limied extend sales by the Group's own restaurantsas the remaining restaurants was disposed of in Q2, 2018.

Sales by the Group's owned restaurants are recognised on a cash basis. Franchise fees from franchised restaurants are based on a percent of sales realised by the franchised restaurant if they exceed a minimum monthly amount and are recognised in the period they are earned.

Incentives granted to franchisees are accrued in the period they are given to the franchise.
Revenue is presented net of discounts, rebates and incentives granted. Also, revenue is also presented net of VAT and other indirect taxes charged on behalf of third parties.

27 Significant accounting policies (continued)

Other operating activities, net

Other operating activities are secondary to the principal activities of the Company and include gains and losses on disposal of intangible assets and property, plant and equipment.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in restaurant.

Other external expenses

Other external expenses include expenses relating to the entity's core activities, including expenses relating to advertising, administration, premises, bad debts, payments under operating leases, royalties paid to McDonald's, etc.

Royalties paid to McDonald's are recognised net of royalty payments received from franchisees, as the Group acts as an agent rather than as a principal.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc., made to the Group's employees. Staff costs are net of refunds made by public authorities.

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled fully within 12 months of the reporting date, then they are discounted.

Financial income and expenses

Financial income comprises interest, dividends, gains on transactions denominated in foreign currencies, amortisation of financial assets, and allowances under the Danish tax prepayment scheme, etc.

Positive changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Financial expenses comprise interest, losses on transactions denominated in foreign currencies, amortisation of financial liabilities, including finance lease commitments, and surcharges under the Danish tax prepayment scheme, etc.

Negative changes in the fair value of derivative financial instruments not designated as hedging arrangements are also included.

Share of profit of equity accounted investees

The item includes the Company's proportionate share of the profit/loss for the year in equity accounted investees after elimination of intra group income or losses, impairment of goodwill and amortisation/depreciation of other excess values at the time of acquisition.

Notes (continued)

27 Significant accounting policies (continued)

Tax for the year

Income tax expense comprises current and deferred tax. It is recognised in profit except to the extent that it relates to a business combination or items recognised directly in equity or in OCI.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Balance sheet

Property, plant and equipment

Items of property, plant and equipment are measured at cost which includes capitalised borrowing costs, 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. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers, and wages and salaries. The present value of estimated liabilities related to restoring leaseholds is added to the cost of leasehold improvements or buildings if the liabilities are provided for.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Buildings	40 years
Leasehold improvements	length of lease + options but maximized to 30 years
Fixtures and fittings and equipment	3-10 years

Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

The depreciation period and the residual value are determined at the time of acquisition and are reassessed every year.

In case of changes in the amortisation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of items of property, plant and equipment are calculated as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as other operating activities, net.

Intangible assets

Goodwill arising of acquisition of subsidiary or restaurant from franchisee is measured at cost less accumulated impairment losses. Other intangible assets, including rights (key money), software licences that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit as incurred.

Notes (continued)

27 Significant accounting policies (continued)

Intangible assets (continued)

Since the period of amortisation is based on the assets expected useful life, no salvage value has been taken into account. Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Goodwill is not amortised. The estimated useful lives for current and comparative periods are as follows:

Contractual rights	2-20 years
Software licenses	3-5 years

Useful lives are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price less costs to sell and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as other operating activities, net.

Investments in subsidiaries and associates

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Interests in subsidiaries and associates are accounted for using the equity method. The investments are initially recognised at cost, which includes transaction costs. The equity value consists of the parent company's proportionate share of the entities' equity, adjusted for distributions plus goodwill and intra-group losses and less intra group gains and gain on bargain purchase, if any.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or control ceases.

Investments in entities whose net asset value is negative are measured at DKK 0. The entity's proportionate share of a deficit on equity, if any, is set off against receivables from the investment in so far as the deficit is irrecoverable. Amounts in excess thereof are recognised under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. The cost of raw materials and consumables comprises the cost of acquisition plus delivery costs as well as other costs directly attributable to the acquisition.

27 Significant accounting policies (continued)

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash comprises cash balances and bank balances. Due to the nature of the scheme, balances in the Group's cash pool scheme are not considered cash but are recognised under 'Receivables from group entities'.

Income tax and deferred tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.
Based on the liability method, provisions for deferred tax are calculated of all temporary differences between carrying amounts and tax values, with the exception of temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets are recognised at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set off against deferred tax liabilities within the same jurisdiction.

Liabilities

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. Borrowing costs, including capital losses, are recognised as financing costs in the income statement over the term of the loan.
Other liabilities are measured at net realisable value.

Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Group has a legal obligation to restore a leasehold/leased land, a provision is recognised corresponding to the present value of expected future costs.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

27 Significant accounting policies (continued)

Classification of leases

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

Presentation of cash flow statement

The consolidated cash flow statement shows the Group's cash flows from operating, investment and financing activities.

Cash flows from operating activities are determined using the indirect method and stated as the consolidated profit for the year adjusted for non-cash operating items, including depreciations and amortisations, gain on sale of property plant and equipment, provisions and changes in working capital, interest received and paid and income tax paid.

Cash flows from investing activities comprises payments connected with the purchase and sale of non-current assets, including property, plant and equipment.

Cash flows from financing activities include proceeds from loans and repayments on borrowings, interest and financing cost payments, capital reductions and dividends.

Cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less and an insignificant risk of changing value.

Segment information

Segment information is disclosed for revenue broken down by revenue source. The segmentation is in accordance with the Group's internal financial management.

Use of judgements and estimates

In preparing the consolidated and separate financial statement, Management has made judgements, estimates and assumptions that affect how the Group's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.

Judgements

The following provides information about judgements made in applying those accounting policies that most significantly impact the amounts recognised in the consolidated and separate financial statements:

Gross vs. net recognition of royalty income

Food Folk both receives royalty income from the sub-franchisees and pays royalty income to McDonald's. These amounts represent the fees for using the McDonald's brand and intellectual property.

McDonald's has stipulated that Food Folk is required to charge its sub-franchisee a fixed percentage of systemwide sales as a royalty expense, consequently Food Folk has no control over how much the sub-franchisees are charged.

Based on the indicators in IAS 18, management has assessed that Food Folk is not acting as a principal (requiring royalty payments to be recognised gross). This is substantiated by the fact that McDonald's is responsible for providing the services (the brand, standards, concepts and the other IPs) and setting prices (royalty percentages of systemwide sales) and there is very little credit risk exposure.

27 Significant accounting policies (continued)

Investment incentives

Food Folk grants investment incentive to franchisees, by reducing the franchise fee for a certain period after investment. The incentive is recognised against revenue as the discount is provide to the franchisee. Historical data shows that the incentives offered are generally around 1% of system wide sales.

Management has assessed that there is no consistent and reliable basis for spreading the investment incentives over a different period, and recognising the incentives over a different period would not impact the income statement materially.

Minimum lease term

The lease term has an impact on the accounting for:
— Loss making contracts
— Restoration provisions
— Straight-lining of lease expenses.

According to IAS 17 the lease term includes the non-cancellable period of the contract and any further periods for which the lessee has an option to continue to lease the asset and for which, at the time of inception of the lease, it is judged reasonable certain that the lessee will exercise that option.

Due to that, Food Folk has a 20-year agreement with McDonald's requiring Food Folk to ensure that there is a certain number of restaurants in Denmark, and restaurants can only be closed if permission is granted by McDonald's. Management has assessed that leases will generally be extended up tol 20 years. Consequently, the minimum lease term used for accounting for the above listed items has been set to 20 years unless otherwise agreed with McDonald's.

Assumptions and estimation uncertainties

When preparing the consolidated financial statements of the Group, Management makes a number of accounting estimates and assumptions on which the recognition and measurement of the Group's assets and liabilities are based.

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2017:

Impairment test intangible assets and property, plant and equipment

In performing the annual impairment test of goodwill, or when there is an indication of impairment, an estimate is made of how the Company's individual cash-generating units, to which the goodwill relates, will be able to generate sufficient positive net cash flows to support the value of net assets of the unit. Estimates of future cash flows many years in the future will be subject to some degree of uncertainty. The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future systemwide sales in restaurants.

Provisions

Provision for onerous contracts and restoration provisions are determined based on the net present value of expected future cash flows. Estimates of future cash flows will be subject to uncertainty. The key assumptions supporting the provisions are expectations regarding future systemwide sales in restaurants, cost per square meter for restoring leaseholds and the discount rate used to calculated the present value of the future cash flows. Please refer to note 18 for more details related to the provisions.