Food Folk Danmark Holdings ApS

Falkoner Alle 20
2000 Frederiksberg

CVR no. 38 43 38 49

Annual report 2020

The financial statements were presented and adopted at the Company's annual general meeting

on 15 April 2021

____
chairman of the annual general meeting

Contents

Statement by the Executive Board

The Board of Directors and 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 2020.

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 2020 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 2020.

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 the annual report to be approved at the annual general meeting.

Copenhagen, 15 April 2021

Mads Friis Managing Director and Chairman of the Board	Anders Torbjörn Hägg Board member

Independent 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 2020 and of the results of the Group's and Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 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 ApS' consolidated financial statements and parent company financial statements for the financial year 1 January – 31 December 2020 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.

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.

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.

Independent auditor's report (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

— conclude on the appropriateness of Management's use of the going concern basis of accounting 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.

Statement on the Management's review

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.
Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.
Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 15 April 2021

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Niels Vendelbo State Authorised Public Accountant MNE no. 34532	Christian Granhøj State Authorised Public Accountant MNE no. 46615

Company details

General

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 1 January to 31 December

Board of Directors

Mads Friis
Anders Torbjörn Hägg

Managing Director

Mads Friis

Auditor

KPMG
Statsautororiseret revisionspartnerselskab
Dampfærgevej 28
2100 Copenhagen

Bank

Danske Bank, Corporate Banking

Annual general meeting

The annual general meeting will be held on 15 April 2021.

Financial highlights for the Group

DKK'000	2020	2019	2018 *	2017 *
Key figures				
Revenue	482 417	457 068	414 321	297 332
Operating profit	176 521	166 764	146 273	106 144
Net financials	(47 862)	(31 767)	(51 957)	(40 290)
Profit for the year	98 761	92 689	66 375	202 564
Balance sheet total	2 111 213	2 054 040	1 641 704	1 632 913
Investments in property, plant and equipment	85 819	23 983	13 851	364
Equity	608 119	509 358	389 456	323 081
Financial ratios				
Return on assets	8,5	9,0	8,9	12,1
Equity ratio	28,8	24,8	23,7	19,8
Return on equity	17,7	20,6	18,6	91,3
Average number of full-time employees	62	56	57	51

** The amounts are not adjusted for IFRS 16 Leases, being introduced in 2019 (not retrospectively)*

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 $$\frac{Closing\ equity\ x\ 100}{Equity\ \&\ liabilities\ at\ year-end}$$

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

Operating review

Principal activities

The main activity of the Group is to acquire real estate by leasing 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. Food Folk Danmark ApS (former name McDonald's Danmark ApS) was previously 100% owned by McD Europe Ltd, a wholly owned subsidy of McDonald's Corporation, but was acquired by Food Folk Danmark Holdings ApS on 31/3-2017.
By the end of 2020, Food Folk had 90 licensed McDonald's restaurants in Denmark, all operated by 22 independent franchisees on contract for the operation of the individual restaurants for a period of up to 20 years. That is an increase of 2 restaurants compared to 2019.

Unusual circumstances

COVID-19 restrictions have made it difficult to navigate through 2020 and the outbreak of COVID-19 has impacted the Group's revenue and EBITDA negatively. However, despite COVID-19 the Group has generated positive free cash flow (EBITDA increased by 4.4%) and it has continued to invest in new store openings and will continue to do so in the future. Total system wide sales * have been 2.2% higher than last year, with sales record broken each month from July to December compared to prior year. The Drive Thru has been crucial for performance during this period, and offsetting some of the negative impact hitting instore restaurants (malls, town). The Group has strengthened the market share in 2020.
To the management's knowledge, no unusual circumstances have occurred during 2020 except for COVID-19.
**= system wide sales reflect the accumulated turnover in all McDonald's restaurants in Denmark.*

Events after the balance sheet date

Market risk caused by Covid-19 outbreak continues in 2021. The Group is following the developments and the authorities' recommendations closely, and taking the measures deemed necessary to reduce the impact in the short and long term.
In spite of this, the beginning of 2021 has been strong in terms of sales and profits. Q1 2021 sales increased by 12.5% compared to last year and full year comparable sales growth of almost 9% is expected. From an EBITDA perspective Q1 was 11% higher than last year and 18% ahead of plan.
Where identified due to uncertainties or implications, adjustments have been considered in the consolidated financial statements. However, in conclusion, the Covid-19 outbreak does not materially affect the Group consolidated financial position at 31 December 2020.

Development in activities and financial position

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

During 2020, the McDonald's restaurants in Denmark increased system wide sales* by 2.2% (2019: +9.6%)

The Group realized a revenue increase of 5.5% compared to the previous year (2019: +10.3%), mainly driven by a combination of increased System Wide Sales and franchised income from refranchised restaurants.

Operating profit for the year increased by DKK 9,757 thousand to DKK 176,521 thousand (2019: DKK 166,764 thousand) which corresponds to an increase of 5.9%. The increase in operating income is primarily driven by higher sales whereas operating expenses are in line with last year.

The result of the year increased by DKK 6,072 thousand to a total of DKK 98,761 thousand (2019: DKK 92,689 thousand), which corresponds to a increase of 6.6%.

The management of the Group finds the result of the year satisfying.

Outlook

2021 will be another year with Covid-19 which means continued uncertainty and negative impact on sales and number of guests. However, based on 2020 experience with Covid-19, the Group has found that that there is still a big demand for McDonald's despite Covid-19 and government restrictions. Food Folk is following developments and the authorities' recommendations closely.

Particular risks

The Group does not have any significant risk apart from what is common from the industry since the majority of transactions are 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 Group's risk profile we refer to note 18.

Food Folk Corporate Social Responsibility

Food Folk Denmark's CSR strategy and initiatives

It is essential to Food Folk Denmark (McDonald’s in Denmark) to be a socially responsible company. We believe in being involved in the community in which we operate. We strive to engage in frank and honest dialogue with our guests and our employees, as well as our local community about who we are and how our business is run. In addition, we always act in accordance with our seven values:

1. We place the customer experience at the core of all we do
2. We are committed to our people
3. We believe in the McDonald's system
4. We operate our business ethically
5. We give back to our communities
6. We grow our business profitably
7. We strive to continually improve

McDonald’s in Denmark is involved in several initiatives regarding climate, human rights, environmental issues, anti-corruption and bribery, social and staff matters, and gender diversity. The CSR achievements are aggregated from McDonald’s in Denmark’s 90 restaurants and the head office.

Initiatives are decided in each area based on an overall cost/benefit evaluation. Thus, no area has a due diligence process or KPI’s. However, projects are continuously evaluated and scaled up/down based on their effectiveness.

Risk

On the environment, we are aware that all companies are responsible for helping the green transition, which is why we have completed research into new packaging in 2020 and contributed to counter littering in Denmark in several years including 2020.

On climate, we risk a higher carbon footprint due to growth in sales and the number of restaurants. However, all new restaurants are built to be climate efficient, and we continuously aim to reduce food waste by using fewer resources and transform our food waste into minerals and energy.

On human rights, we could encounter issues with our code of conduct due to the large supply chain, which is why we conduct thorough auditing via a third-party auditor.

On anti-corruption and bribery, we consider the risks in Denmark as very low, due to the country’s rank as one of the world’s least corrupt countries. However, to comply with the high McDonald’s standards, McDonald’s in the Nordics has developed specific internal policies within anti-fraud, anti-corruption, and Code of Conduct. Furthermore, McDonald’s in Denmark follows the McDonald’s Global’s anti-corruption policy (read more on corporate.mcdonalds.com/corpmcd/investors-relations/codes-of-conduct.html).

On social and staff matters, high turnover will always be a risk, even though McDonald’s brand is strong and valued on the Danish labour market. We thus attempt to strengthen and support our employees by providing extra benefits such as external educational programs and continuous feedback to the employees from the restaurants’ management teams.

On gender diversity, McDonald’s in Denmark has developed a specific gender equality policy. As McDonald’s staff composition on manager level has been close to 50/50 for years, no new actions have been deemed necessary.

Environment

We continuously evaluate our packaging and look for greener alternatives – to save on plastics, harmful waste, and CO2. In 2020 we finished research into plastic trays made from sea plastic. This invention will reduce McDonald’s in Denmark’s use of plastic by 3-5 tons per year.

In 2021 however, our plastic savings from new trays will be part of an even bigger story. From our commitment to the Single-Use Plastic initiative, we expect to save around 61 tons of plastic per year, from a range of single-use plastic products, which will now be produced in paper and wood from sustainable sources.

McDonald’s in Denmark wish to make a difference on littering. We support the project ‘Clean Nature’ which organized 391 routes of litter collection in 2020. A total of 35 municipalities participated along with 6241 volunteers. We are proud of their success and monitor the project closely.

In 2020 we continued our ‘one-block policy’, entailing employees to collect litter in each restaurant's immediate area. The one-block policy results in McDonald’s staff continuously helping the local area keep the streets clean not only from McDonald’s own litter but also from society’s general littering.

Food Folk Corporate Social Responsibility (continued)

Impact on climate
We continuously aim to lessen our carbon footprint. Two initiatives in 2020 deserve particular emphasis.

Food production has a significant impact on climate change. In 2020, we continued reducing our food waste whilst growing the business. All our collected food waste, grease, and cooking oil are used in the production of biogas, biodiesel, and as sludge for agriculture. Ultimately, this recycling leads to a smaller carbon footprint for the Danish society by displacing fossil fuels and recycling important nutrients.

McDonald's in Denmark has completed the transition of nearly all restaurants to 'Experience of the Future'. The new restaurants are meeting high sustainability standards and have thus put McDonald's physical environment on a clear green path. A green path implies that all resources (i.e., water, electricity, heating, lighting) have been completely optimized.

Human rights
We cherish human rights, and we believe we have one of the most diverse groups of employees in Denmark.

Our suppliers are an essential part of our business too. We audit all our relevant suppliers through an independent auditor to ensure that our partners comply with our code of conduct. Human rights are one of four core values that we audit, read more at the link below under "Supplier code of conduct":
https://corporate.mcdonalds.com/corpmcd/scale-for-good/our-people-and-communities/respecting-human-rights.html

All suppliers that Food Folk Nordic carries responsibility for passed their audits in 2020.

We expect to continue a strong focus on internal compliance in 2021 to ensure that all parts of the Food Folk supply chain live up to our high standards on human rights.

Anti-corruption and bribery
All employees at the headquarter of McDonald's in Denmark have previously conducted a yearly e-learning course on how to avoid corruption and bribery. In 2019 and 2020, McDonald's in the Nordics have developed specific Nordic policies on fraud, anti-corruption, and Code of Conduct. A Speak Up Policy has also been added, which ensures the protection of any employee who wishes to bring any suspicious case forward.

In 2021 our focus will be on the implementation of our new policies and on ensuring that our many staffers are becoming familiar with them and know how to activate them if they encounter anything suspicious.

Social and staff matters
Our employees form the core of our business. Thus, we measure employee satisfaction every year, and we aim to improve our scores every time.

To ensure our employees' continued development and satisfaction, we offer a range of mandatory and optional educations. Furthermore, all our employees complete the compulsory McD-learning courses.

Our optional educations are created in collaboration with external academies in Denmark. Thus, we offer our employees a unique opportunity to combine work and education. In 2020, 185 employees were enrolled in one of our external education programs.

Furthermore, McDonald's is collaborating closely with 'KLAPjob', which is part of LEV, an organization for people with cognitive disabilities. In 2021, McDonald's and KLAPjob celebrate 10 years of cooperation. Through the years, McDonald's has hired 114 people with cognitive disabilities – 10 of these in 2020.

We expect to continue developing our internal and external education programs in the coming year – to ensure that even more of our staff find the courses exciting and relevant.

Gender diversity
McDonald's in Denmark has formed a gender equality policy. The policy ratifies McDonald's position on gender equality by emphasizing that McDonald's will strive for a balance between the genders in the management teams. McDonald's has had an almost even split between men and women for years on the management level. In McDonald's in Denmark's headquarter the split is about 50/50, and in the restaurants' managements the women have a slight overrepresentation with 55/45. With an almost even split between the genders, no new actions are deemed necessary.

The Board of Food Folk in Denmark consists of two males.

Statement of profit or loss and other comprehensive income

Parent company 2020	Parent company 2019	DKK'000	Note	Group 2020	Group 2019
0	**0**	**Revenue**	1	**482 417**	**457 068**
(466)	(198)	Other external expenses	3	(193 421)	(175 462)
0	0	Depreciation, amortisation and impairment	8, 9	(88 688)	(79 337)
0	0	Staff cost	4	(47 036)	(47 305)
0	0	Other operating income, net	2	23 249	11 800
(466)	**(198)**	**Total expenses**		**(305 896)**	**(290 304)**
(466)	**(198)**	**Operating profit or loss**		**176 521**	**166 764**
421	987	Financial income	5	421	60 323
(8 050)	(24 739)	Financial expense	6	(48 283)	(92 090)
(7 629)	**(23 752)**	**Net finance expenses**		**(47 862)**	**(31 767)**
106 550	116 800	Share of profit of equity accounted investees, net of tax	10	1	(32)
98 455	**92 850**	**Profit or loss before tax**		**128 660**	**134 965**
306	(161)	Tax for the year	7	(29 899)	(42 276)
98 761	**92 689**	**Profit or loss**		**98 761**	**92 689**
		Attributable to			
106 550	(80 987)	Reserve for net revaluation according to the equity method		0	0
(7 789)	173 676	Retained earnings		98 761	92 689
98 761	**92 689**	**Profit or loss**		**98 761**	**92 689**
		Statement of comprehensive income			
98 761	92 689	Profit or loss		98 761	92 689
0	**0**	**Other comprehensive income for the year, net of income tax**		**0**	**0**
98 761	**92 689**	**Comprehensive income for the year**		**98 761**	**92 689**

The notes form an integral part of these consolidated financial statements

Statement of financial position at 31 December

Parent company 2020	Parent company 2019	DKK'000	Note	Group 2020	Group 2019
		Assets			
		Non current assets			
0	0	Property, plant and equipment	8	1 679 069	1 669 053
0	0	Intangible assets	9	171 158	181 830
697 644	591 093	Investments in subsidiaries and associates	10	110	109
697 644	**591 093**			**1 850 337**	**1 850 992**
		Current assets			
0	0	Trade and other receivables	12	91 605	70 206
2 079	20 128	Receivables from related parties	21	166 235	129 998
147	44	Tax receivable		3 036	2 844
0	0	Cash and cash equivalents	13	0	0
2 226	**20 172**			**260 876**	**203 048**
699 870	**611 265**	**Total Assets**		**2 111 213**	**2 054 040**
		Equity and liabilities			
		Equity attributable to equity holders of the parent			
30 000	30 000	Share capital	14	30 000	30 000
90 517	90 517	Share premium	14	90 517	90 517
217 509	110 959	Reserve for net revaluation according to the equity method		0	0
270 093	277 882	Retained earnings		487 602	388 841
608 119	**509 358**	**Total equity**		**608 119**	**509 358**
		Non current liabilities			
89 963	101 540	Other interest-bearing loans and borrowings	15	1 135 547	1 177 335
0	0	Provisions	16	13 849	13 677
0	0	Deferred tax liabilities	11	201 389	212 029
89 963	**101 540**			**1 350 785**	**1 403 041**
		Current liabilities			
0	0	Other interest-bearing loans and borrowings	15	64 755	64 483
373	197	Trade and other payables	17	75 083	75 195
1 415	0	Payables to group entities	21	4 214	1 169
0	170	Tax payable		7 542	170
0	0	Provisions	16	715	624
1 788	**367**			**152 309**	**141 641**
91 751	**101 907**	**Total liabilities**		**1 503 094**	**1 544 682**
699 870	**611 265**	**Total equity and liabilities**		**2 111 213**	**2 054 040**

Statement of changes in equity

(See Note 14)

Parent company

DKK'000	Share capital	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Balance at 1 January 2019	30 000	90 517	191 946	76 993	389 456
Profit or loss	0	0	(80 987)	173 676	92 689
Total comprehensive income for the period	**0**	**0**	**(80 987)**	**173 676**	**92 689**
Other changes in equity of subsidiaries	0	0	0	27 213	27 213
Balance at 31 December 2019	**30 000**	**90 517**	**110 959**	**277 882**	**509 358**

DKK'000	Share capital	Share premium	Reserve for net revaluation according to the equity method	Retained earnings	Total equity
Balance at 1 January 2020	30 000	90 517	110 959	277 882	509 358
Profit or loss	0	0	106 550	(7 789)	98 761
Total comprehensive income for the period	**0**	**0**	**106 550**	**(7 789)**	**98 761**
Balance at 31 December 2020	**30 000**	**90 517**	**217 509**	**270 093**	**608 119**

Group

DKK'000	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance at 1 January 2019	30 000	90 517	0	268 939	389 456
Adjustment on initial application of IFRS 16 (net of tax)	0	0	0	27 213	27 213
Profit or loss	0	0	0	92 689	92 689
Total comprehensive income for the period	**0**	**0**	**0**	**92 689**	**92 689**
Balance at 31 December 2019	**30 000**	**90 517**	**0**	**388 841**	**509 358**

DKK'000	Share capital	Share premium	Reserves	Retained earnings	Total equity
Balance at 1 January 2020	30 000	90 517	0	388 841	509 358
Profit or loss	0	0	0	98 761	98 761
Total comprehensive income for the period	**0**	**0**	**0**	**98 761**	**98 761**
Balance at 31 December 2020	**30 000**	**90 517**	**0**	**487 602**	**608 119**

Statement of cash flows

Parent company				Group	
2020	**2019**	DKK'000	Note	**2020**	**2019**
		Cash flow from operating activities			
98 761	92 689	Profit for the year		98 761	92 689
		Adjustments for:			
0	0	Depreciation, amortisation and impairment	8/9	88 688	79 337
(421)	(987)	Financial income	5	(421)	(60 323)
8 050	24 739	Financial expense	6	48 283	92 090
(106 550)	(116 800)	Share of profit of subsidiaries, net of tax	10	(1)	32
0	0	Other income/expense non-monetary		(3)	1 819
0	0	(Gain)/loss on sale of property, plant and equipment	8	144	73
(306)	161	Taxation		29 899	42 276
(99 227)	**(92 887)**			**166 589**	**155 304**
0	0	Decrease/increase in trade and other receivables	12	(21 919)	6 273
193	(24)	Decrease/increase in trade and other payables	17	(95)	7 165
5 551	3	Decrease/increase in related parties balances	21	457	5 600
0	0	Decrease/increase in provisions	16	(630)	(800)
5 744	**(21)**			**(22 187)**	**18 238**
(1 924)	(5 434)	Tax (including witholding taxes) paid		(35 116)	(43 934)
(1 924)	**(5 434)**			**(35 116)**	**(43 934)**
3 354	**(5 653)**	**Net cash from operating activities**		**208 047**	**222 297**
		Cash flows from investing activities			
0	0	Proceeds from sale of property, plant and equipment	8	0	0
0	225 000	Dividends received		0	0
0	0	Acquisition of property, plant and equipment	8	(50 468)	(22 397)
0	0	Acquisition of intangible assets	9	(2 360)	(4 789)
0	**225 000**	**Net cash from investing activities**		**(52 828)**	**(27 186)**
		Cash flows from financing activities			
0	0	Proceeds from new loan	23	0	750 033
12 700	59 699	Change in cash-pooling balances	21	(35 065)	13 721
(4 885)	(17 988)	Interest paid		(23 785)	(39 225)
0	0	Financing transaction cost		0	(10 420)
(11 169)	(261 058)	Repayment of borrowings	23	(59 668)	(872 855)
0	0	Payment of lease liabilities (interest portion)	23	(12 820)	(13 373)
0	0	Payment of lease liabilities (principal portion)	23	(23 881)	(22 992)
(3 354)	**(219 347)**	**Net cash from financing activities**		**(155 219)**	**(195 111)**
0	0	Net increase/decrease in cash and cash equivalents		0	0
0	0	Cash and cash equivalents at opening balance		0	0
0	0	Effect of exchange fluctuations on cash held		0	0
0	**0**	**Cash and cash equivalents at 31 December**	13	**0**	**0**

Basis of preparation

Reporting entity

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

The financial statements for the years ended 31 December 2019 and 31 December 2020 comprise 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 consists 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 (hereafter referred to as McDonald's), 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.

From 2020 recharges to Food Folk Group companies are presented "gross" within the line "Other operating income, net" instead of being off-set within staff and other costs. This is due to the fact that the Company providing a "distinct" service has a performance obligation and acts as a principal. For comparability reasons, previous year amounts have been amended as following:

Amounts in DKK/000	**2019 audited**	**Reclassification**	**2019 restated**
Other external expenses	(168 155)	(7 307)	(175 462)
Staff cost	(40 920)	(6 385)	(47 305)
Other operating income, net	(1 892)	13 692	11 800
		0	

Functional and presentation currency

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

Basis of accounting

The consolidated financial statements for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in the Danish Financial Statements Act, includiding those provisions which apply to reporting class C large entities.
Changes and details of the accounting policies are included further.

Changes in significant accounting policies

The Group adopted "COVID-19-Related Rent Concessions – Amendment to IFRS 16" issued on 28 May 2020. The amendment introduced an optional practical expedient for leases in which the Group is a lessee. For leases to which the Group applies the practical expedient, the Group is not required to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications.

A number of other new standards and interpretations are also effective from 1 January 2020 but they do not have a material effect on the Group's consolidated financial statements.

Newly effective EU-endorsed standards for 01 Jan 2020 to 31 Dec 2020

Amendments to References to Conceptual Framework in IFRS Standards	01 Jan 2020
Definition of Material (Amendments to IAS 1 and IAS 8)	01 Jan 2020
Interest Rate Benchmark Reform - Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	01 Jan 2020
Definition of a Business (Amendments to IFRS 3)	01 Jan 2020

Standards issued but not yet effective

The IASB has issued a number of new or amended accounting standards and interpretations, effective for annual periods beginning after 1 January 2021. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Group.

Standards not / not yet endorsed by the EU

IFRS 17 Insurance Contracts	01 Jan 2023
Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	01 Jan 2023
Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	01 Jan 2022
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract	01 Jan 2022
Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework	01 Jan 2022
Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9	01 Jan 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	01 Jan 2021
Annual Improvements to IFRS Standards 2018–2020	01 Jan 2022

The Group has assessed that these new standards will not have a material effect on the Group's consolidated financial statements.

Basis of preparation (continued)

Use of judgements and estimates
In preparing the consolidated 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.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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 and out-of-pocket expenses
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.

Based on the indicators in IFRS 15 management has assessed that Food Folk is acting as a principal (requiring royalty payments to be recognised gross). This is substantiated by the fact that Food Folk is responsible and bears the risk that the sub-franchisees do not perform in accordance with the license granted by McDonald's, being also primarily responsible for providing the services to the franchisees.

Costs and fees (out-of-pocket expenses) related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees.

Based on the indicators in IFRS 15 management has assessed that Food Folk is acting as an agent (requiring out-of-pocket costs to be recognised net). This is substantiated by the fact that other parties are primarily responsible for providing the services related to the out-of-pocket costs and that the prices for the services related to the out-of-pocket costs are not determined by Food Folk.

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

Minimum lease term
The lease term has an impact on the accounting for:
— right-of-use assets
— Restoration provisions

According to IFRS 16 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 reasonably certain that the lessee will exercise that option.

Food Folk has a 20-year agreement with McDonald's (expiring in 2037) requiring Food Folk to ensure that there is a certain number of restaurants in the market, and restaurants can only be closed if permission is granted by McDonald's. Management has assessed that renewable leases expiring before 2037 will be in general extended, 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 2020:

Impairment test intangible assets and property, plant and equipment
When there is an indication of impairment, an estimate is made of how the Company's individual cash-generating units will be able to generate sufficient positive net cash flows to support the value of other 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
The restoration provision is 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 calculate the present value of the future cash flows. Please refer to note 16 for more details related to the provisions.

Significant accounting policies

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

Basis of consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Food Folk Danmark Holdings ApS and entities under its control. Control is achieved when the Group has the power to direct the relevant activities of an entity, is exposed to or has rights to variable returns from its involvement with the entity and is able to affect those returns through its power over the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

When necessary, the financial statements of subsidiaries are adjusted to bring their accounting policies in line with the Group's accounting policies.

Transactions eliminated on consolidation

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group members are fully eliminated on consolidation.

Foreign currency

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.

Foreign currency differences arising from the translation of certain items are recognised in OCI.

Statement of profit or loss

Revenues

Revenues consists of fees from franchised restaurants recognized over time, as the customer simultaneously consumes and receives benefit from the service as the service is performed.

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 calculated and recognized as part of the variable revenue for the period.

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.

Other external expenses

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

Costs and fees related to leaseholds that are used by sub-franchisees are invoiced with no mark-up to the sub-franchisee, and recognised net of payments received from franchisees. According to the Franchise agreements the franchisees are required to cover all costs related to the premises used as restaurants, such as common costs, marketing contributions, municipality fees and property taxes. As Food Folk does not obtain control of the goods or the right to the services, more than momentarily, in advance of transferring those goods or services to the franchisee, Food Folk acts as an agent rather than as a principal in rendering the services.

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 Group can no longer withdraw the offer of those benefits and when the Group 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.

Significant accounting policies (continued)

Other operating income, net
Other operating income, net are secondary to the principal activities of the Group and includes intercompany recharge of services provided, gains and losses on disposal of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses comprise interest income and expense, financial costs regarding finance leases, gains and losses on securities, payables and transactions denominated in foreign currencies, amortisation of financial assets and liabilities as well as surcharges and refunds under the on-account tax scheme, etc.
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, net of tax
The item includes the Company's proportionate share of the profit/loss for the year in equity accounted investees after elimination of intra group gains or losses, impairment of goodwill and amortisation/depreciation of other excess values at the time of acquisition.

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.

Statement of financial position

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.

The cost of certain items of property, plant and equipment at 31 March 2017, the Group's date of transition to IFRS, was determined with reference to its fair value at that date.

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 statement of profit or loss as other operating income net.

Intangible assets

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 or loss as incurred.

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. 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.

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 recognized under 'Provisions' in so far as the parent has a legal or constructive obligation to cover the deficit.

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

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 under 'Depreciation and amortisation'. 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.

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.

Significant accounting policies (continued)

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/Payables to related parties'.

Income tax

Income tax expense comprises current 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.

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.

Deferred income

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

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Significant accounting policies (continued)

Leases *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:
– fixed payments, including in-substance fixed payments;
– variable lease payments that depend on an index/rate, initially measured using the index or rate as at the commencement
– amounts expected to be payable under a residual value guarantee; and
– the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'Other interest-bearing loans and borrowings' in the statement of financial position.

The Group has applied COVID-19-Related Rent Concessions – Amendment to IFRS 16. The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the COVID-19 pandemic are lease modifications. The Group applies the practical expedient consistently to all contracts with similar characteristics and in similar circumstances.

Presentation of cash flow statement

The consolidated cash flow statement shows the Group's cash flows from operating, investment 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 of the year.

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 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.

Notes

1 Revenue

In the following table, revenue from contracts with customers is disaggregated by nature:

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Sub-franchisee income (fixed)	0	0	145 202	143 050
Sub-franchisee income (variable)	0	0	337 215	314 018
Total revenues	**0**	**0**	**482 417**	**457 068**

Independent sub franchisees have under franchise agreements the right to use McDonald's restaurants. The Franchise agreements have been granted for a period of up to 20 years from the date of issue. The franchise agreements include the following future minimum payments:

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Less than one year	0	0	142 890	136 927
Between one and five years	0	0	536 121	488 596
More than five years	0	0	1 240 116	1 151 330
Total leases as lessor	**0**	**0**	**1 919 127**	**1 776 853**

2 Other operating income, net

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Net gain/(loss) on disposal of property, plant and equipment	0	0	(144)	(73)
Income from intercompany recharges/mark-up	0	0	23 445	13 417
Other income/(expense)	0	0	(52)	(1 544)
Total other operating income, net	**0**	**0**	**23 249**	**11 800**

3 Other external expenses

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Royalties and other fees to McDonald's Corporation	0	0	148 176	133 837
Lease expense	0	0	4 269	3 786
Other expenses	466	198	40 976	37 839
Total other external expenses	**466**	**198**	**193 421**	**175 462**

Fees to auditors and other operating expenses

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.

4 Staff cost

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Wages and salaries	0	0	42 598	43 288
Social security costs	0	0	535	699
Contributions to defined contribution plans	0	0	3 903	3 318
Total staff cost	**0**	**0**	**47 036**	**47 305**
Average number of full-time employees	0	0	62	56

4 Staff cost (continued)

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Wages and salaries	0	0	3 265	4 965
Social security costs	0	0	182	139
Contributions to defined contribution plans	0	0	351	268
Total remuneration of key management personnel	**0**	**0**	**3 798**	**5 372**
Average number of key management personnel	0	0	1,4	1,4

No employees have been working in equity accounted investees.

5 Financial income

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Net foreign exchange gain	421	982	421	982
Other interest income	0	5	0	59 341
Total finance income	**421**	**987**	**421**	**60 323**

6 Financial expense

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Net foreign exchange loss	29	829	306	909
Interest on financial liabilities	0	0	24 819	52 482
Interest on lease liabilities	0	0	12 830	13 096
Interests on related parties liabilities	8 021	23 910	9 689	25 299
Unwinding of discounts	0	0	302	298
Other interest expense	0	0	337	6
Total	**8 050**	**24 739**	**48 283**	**92 090**

Notes (continued)

7 Tax for the year

Recognised in the income statement

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Current year	(103)	(44)	40 742	35 412
Adjustments for prior years	(203)	205	(203)	205
Total current tax expense	**(306)**	**161**	**40 539**	**35 617**
Deferred tax expense				
Origination and reversal of temporary differences	0	0	(10 640)	6 659
Total deferred tax expense	**0**	**0**	**(10 640)**	**6 659**
Tax expense in income statement (excluding share of tax of equity accounted investees)	(306)	161	29 899	42 276
Total tax expense	**(306)**	**161**	**29 899**	**42 276**
Total income tax from other comprehensive income	**0**	**0**	**0**	**0**

Reconciliation of effective tax rate

	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Profit or loss before tax	**98 455**	**92 850**	**128 660**	**134 965**
Tax using the corporation tax rate in Denmark of 22%	21 660	20 427	28 305	29 693
Non-deductible expenses	1 678	5 225	1 790	12 378
Tax exempt revenues	(23 441)	(25 696)	0	0
Under / (over) provided in prior years	(203)	205	(196)	205
Total tax expense	**(306)**	**161**	**29 899**	**42 276**

8 Property, plant and equipment

Group

DKK'000	Land and buildings	Leasehold improvements	Right-of-use asset	Fixtures, fittings and equipment	Under construction	Total
Cost						
Balance at 1 January 2019	1 224 691	62 422	0	6 570	1 376	1 295 059
Adjustment on initial application of IFRS 16	0	(688)	491 438	0	0	490 750
Other acquisitions	0	844	1 586	316	21 237	23 983
Transfer	0	265	0	190	(455)	0
Disposals	0	0	0	(157)	(93)	(250)
Balance at 31 December 2019	**1 224 691**	**62 843**	**493 024**	**6 919**	**22 065**	**1 809 542**
Balance at 1 January 2020	1 224 691	62 843	493 024	6 919	22 065	1 809 542
Other acquisitions	29 644	7 038	35 904	0	13 233	85 819
Transfer	22 062	0	0	0	(22 062)	0
Disposals	0	(135)	(2 774)	(234)	(3)	(3 146)
Balance at 31 December 2020	**1 276 397**	**69 746**	**526 154**	**6 685**	**13 233**	**1 892 215**

DKK'000	Land and buildings	Leasehold improvements	Right-of-use asset	Fixtures, fittings and equipment	Under construction	Total
Depreciation and impairment						
Balance at 1 January 2019	56 221	8 298	0	3 318	0	67 837
Adjustment on initial application of IFRS 16	0	(13)	6 561	0	0	6 548
Depreciation charge for the year	32 064	5 752	33 805	1 115	0	72 736
Impairment losses/(reversal)	0	0	(6 548)	0	0	(6 548)
Disposals	0	0	0	(84)	0	(84)
Balance at 31 December 2019	**88 285**	**14 037**	**33 818**	**4 349**	**0**	**140 489**
Balance at 1 January 2020	88 285	14 037	33 818	4 349	0	140 489
Depreciation charge for the year	32 774	3 295	33 545	534	0	70 148
Impairment losses/(reversal)	5 508	0	0	0	0	5 508
Disposals	0	(62)	(2 774)	(163)	0	(2 999)
Balance at 31 December 2020	**126 567**	**17 270**	**64 589**	**4 720**	**0**	**213 146**
Net book value						
At 31 December 2019	**1 136 406**	**48 806**	**459 206**	**2 570**	**22 065**	**1 669 053**
At 31 December 2020	**1 149 830**	**52 476**	**461 565**	**1 965**	**13 233**	**1 679 069**

8 **Property, plant and equipment** (continued)

Impairment loss and subsequent reversal
In 2020, the Group has identified that there are impairment indicators related to a number of CGUs (restaurants). Management has estimated the recoverable amount of the restaurants with impairment triggers based on its value in use. Based on the calculated value in use of restaurants the Group has recognised an impairment loss on Tangible Assets of DKK 5,508 thousand. The estimate of value in use was calculated using a pre-tax discount rate of 12%.
Security
At 31 December 2020, properties with a carrying amount of DKK 1,118 million (2019: DKK 1,101 million) were subject to a registered debenture that forms security for bank loans. As security for mortgage loans, the Group has registered mortgage security on the Group's properties of DKK 750 million.

9 **Intangible assets**

Group

DKK'000	Contractual rights	Other	Total
Cost			
Balance at 1 January 2019	204 604	5 030	209 634
Other acquisitions – externally purchased	0	4 790	4 790
Balance at 31 December 2019	**204 604**	**9 820**	**214 424**
Balance at 1 January 2020	204 604	9 820	214 424
Other acquisitions – externally purchased	0	2 360	2 360
Balance at 31 December 2020	**204 604**	**12 180**	**216 784**

DKK'000	Contractual rights	Other	Total
Amortisation and impairment			
Balance at 1 January 2019	18 356	1 089	19 445
Amortisation for the year	10 658	2 491	13 149
Balance at 31 December 2019	**29 014**	**3 580**	**32 594**
Balance at 1 January 2020	29 014	3 580	32 594
Amortisation for the year	10 658	2 374	13 032
Balance at 31 December 2020	**39 672**	**5 954**	**45 626**
Net book value			
At 31 December 2019	**175 590**	**6 240**	**181 830**
At 31 December 2020	**164 932**	**6 226**	**171 158**

Notes (continued)

10 Investments in subsidiaries and associates

Parent company

DKK'000		Profit after tax	Other comprehen-sive income	Total comprehen-sive income	Investment in subsidiaries
Subsidiaries	2020	106 550	0	106 550	697 644
Subsidiaries	2019	116 800	0	116 800	591 093

	Legal form	Domicile	Interest %	Equity	Net result
Food Folk Danmark ApS	ApS	Denmark	100 %	570 894	114 350

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.

Group

DKK'000		Profit after tax	Other comprehen-sive income	Total comprehen-sive income	Investment in associates
Associates	2020	1	0	1	110
Associates	2019	(32)	0	(32)	109

	Legal form	Domicile	Interest %	Equity	Net result
I/S Fællesskiltning*	I/S	Denmark	41.5%	239	3
McDonald's Marketing Coop Danmark A/S	AS	Denmark	1.0%	-	-

* The associate (held through Food Folk Danmark Aps) operates signage in proximity to one of the Company's real estate investments.

11 Deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**	
DKK'000	**2020**	**2019**	**2020**	**2019**
Property, plant and equipment	(4 420)	(2 304)	160 869	165 276
Intangible assets	0	0	37 296	39 525
Interest-bearing loans and borrowings	0	0	10 848	12 542
Provisions	(3 204)	(3 010)	0	0
Tax (assets) / liabilities	**(7 624)**	**(5 314)**	**209 013**	**217 343**
Net of tax liabilities/(assets)	7 624	5 314	(7 624)	(5 314)
Net tax (assets) / liabilities	**0**	**0**	**201 389**	**212 029**

Movement in net deferred tax during the year

	Parent company		**Group**	
DKK'000	**2020**	**2019**	**2020**	**2019**
Opening balance	0	0	212 029	197 695
Recognised in equity (initial application of IFRS 16)	0	0	0	7 675
Recognised in profit or loss	0	0	(10 640)	6 659
Closing balance	0	0	201 389	212 029
Total movement	**0**	**0**	**(10 640)**	**14 334**

Notes *(continued)*

12 Trade and other receivables

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Trade receivables	0	0	54 582	52 960
Deposits	0	0	8 045	7 430
Prepayments	0	0	8 317	6 940
Other receivables	0	0	20 661	2 876
Total trade and other receivables	**0**	**0**	**91 605**	**70 206**

13 Cash and cash equivalents

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Cash and cash equivalents	0	0	0	0
Total cash and cash equivalents	**0**	**0**	**0**	**0**

14 Share capital

Parent company and Group DKK'000	Ordinary shares 2020	Ordinary shares 2019
In thousands of shares	30 000	30 000
On issue at 22 February 2017	0	0
Issued for cash	30 000	30 000
On issue at 31 December - fully paid	**30 000**	**30 000**

Parent company and Group DKK'000	Ordinary shares 2020	Ordinary shares 2019
Allotted, called up and fully paid		
Ordinary shares of DKK 1 each	30 000	30 000
Total	**30 000**	**30 000**
Shares classified as liabilities	0	0
Shares classified in shareholders' funds	30 000	30 000
Total	**30 000**	**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.

Dividends
No dividend was recognised during the period.

15 Other interest-bearing loans and borrowings

Group

The Group has taken out bank loans against security in the Group's owned land and properties.

DKK'000	2020	2019
Non-current other interest-bearing loans and borrowings		
Secured bank loans	589 781	631 276
Lease liabilities	455 803	444 519
Intergroup lendings	89 963	101 540
Total non-current other interest-bearing loans and borrowings	**1 135 547**	**1 177 335**
Current other interest-bearing loans and borrowings		
Secured bank loans	41 495	40 807
Lease liabilities	23 260	23 676
Total current other interest-bearing loans and borrowings	**64 755**	**64 483**

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount
DKK'000				**2020**	**2020**
Danske Bank A/S - Facility A2	DKK	Variable	2024	15 531	15 208
Realkredit Danmark - Facility B1	DKK	0.56%	2034	532 607	481 060
Realkredit Danmark - Facility B2	DKK	0.91%	2037	140 377	135 008
Loan from Food Folk Group Holdings AS	EUR	8.00%	2042	89 963	89 963
Total				**778 478**	**721 239**

Realkredit Danmark - Facilities B1/B2 have been renegotiated in the beginning of 2021 with a new maturity date (March 2036) and a new nominal interest rate of 0.3088%, starting in March 2021. No adjustments to the facilities book values as at 31 December 2020 have been deemed necessary.

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

Loan to Food Folk Group Holdings AS (which is the only one applicable to the Parent company) is subordinated to all other creditors of the Group.

16 Provisions

Group

DKK'000	Dilapidation	Total
Balance at 1 January 2020	14 301	14 301
Provisions made during the year	597	597
Provisions used during the year	(630)	(630)
Provisions reversed during the year	(6)	(6)
Unwinding of discounted amount	302	302
Balance at 31 December 2020	**14 564**	**14 564**
Non-current	13 849	13 849
Current	715	715
Balance at 31 December 2020	**14 564**	**14 564**

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.

17 Trade and other payables

DKK'000	Parent company 2020	Parent company 2019	Group 2020	Group 2019
Trade payables	103	0	23 472	22 885
Interest payable	0	0	75	81
Deposits received	0	0	9 601	9 401
VAT & duties	0	0	8 336	8 175
Payroll related	0	0	17 413	15 599
Other payables and accrued expenses	270	197	16 186	19 054
Total trade and other payables	**373**	**197**	**75 083**	**75 195**

18 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 raise finance for the Company's operations.

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

18 (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 2020	Parent company 2019	Group 2020	Group 2019
Cash and cash equivalents	0	0	0	0
Receivables from related parties	2 079	20 128	166 235	129 998
Trade and other receivables	0	0	91 605	70 206
Total financial assets at amortised cost	**2 079**	**20 128**	**257 840**	**200 204**
Financial assets used as hedging instruments	0	0	0	0
Financial assets designated as fair value through profit or loss	0	0	0	0
Total financial assets	**2 079**	**20 128**	**257 840**	**200 204**
Other interest-bearing loans and borrowings	89 963	101 540	1 200 302	1 241 818
Trade and other payables	373	197	75 083	75 195
Payables to related parties	1 415	0	4 214	1 169
Provisions	0	0	14 564	14 301
Total financial liabilities at amortised cost	**91 751**	**101 737**	**1 294 163**	**1 332 483**
Financial liabilities used as hedging instruments	0	0	0	0
Financial liabilities designated as fair value through profit or loss	0	0	0	0
Total financial liabilities	**91 751**	**101 737**	**1 294 163**	**1 332 483**
Total net financial instruments	**(89 672)**	**(81 609)**	**(1 036 323)**	**(1 132 279)**

The fair value of financial instruments is deemed to be materially equivalent to the carrying value, except for other interest-bearing loans and borrowings with third parties. The fair value of other interest-bearing loans and borrowings for the Group is DKK 795,439 thousand.

18 Financial instruments (Continued)

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

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.

Effect of change of inputs used in fair value measurement
As the possibility of quoted prices (unadjusted) in active markets for identical assets not being available for these assets is remote, no analysis of the effect of changing one or more of the inputs used in fair value measurement to another reasonably possible assumption has been prepared.

18 (b) Credit risk

Financial risk management
Credit risk is the risk of financial loss to the Group if a franchisee 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 principal credit risk raises therefore from trade receivables, which represent outstanding fees receivable. In order to limit the risk surrounding outstanding fees are reviewed on a regular basis in conjunction with debt ageing and collection history.

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 2020.

18 (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 and the Group regularly reviews its position in relation to all financial covenants in place in relation to both its external borrowings and to McDonald's.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements:

Parent company

31 December 2020

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Intergroup loans	89 963	212 313	7 197	7 197	21 591	176 327
Payables to related parties	1 415	1 415	1 415	0	0	0
Trade and other payables	373	373	373	0	0	0
Total	**91 751**	**214 101**	**8 985**	**7 197**	**21 591**	**176 327**

31 December 2019

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Intergroup loans	101 540	247 758	8 123	8 123	24 370	207 142
Payables to related parties	0	0	0	0	0	0
Trade and other payables	197	197	197	0	0	0
Total	**101 737**	**247 955**	**8 320**	**8 123**	**24 370**	**207 142**

***Notes** (continued)*

18 Financial instruments (Continued)

18 (c) Liquidity risk (continued)

Group

31 December 2020

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Secured bank loans	631 276	795 439	63 039	62 288	181 038	489 074
Financial lease liabilities	479 063	585 099	35 950	32 695	98 859	417 595
Loan from Food Folk Group Holdings AS	89 963	212 313	7 197	7 197	21 591	176 327
Payables to related parties	4 214	4 214	4 214	0	0	0
Trade and other payables	75 083	75 083	75 083	0	0	0
Total	**1 279 599**	**1 672 148**	**185 483**	**102 180**	**301 488**	**1 082 996**

31 December 2019

DKK'000	Carrying amount	Contractual cash flows	1 year or less	1 to < 2 years	2 to 5 years	over 5 years
Non-derivative financial liabilities						
Secured bank loans	672 083	859 217	63 777	63 039	186 699	545 702
Financial lease liabilities	468 195	597 284	36 439	34 408	94 615	431 822
Loan from Food Folk Group Holdings AS	101 540	247 758	8 123	8 123	24 370	207 142
Payables to related parties	1 169	1 169	1 169	0	0	0
Trade and other payables	75 195	75 195	75 195	0	0	0
Total	**1 318 182**	**1 780 623**	**184 703**	**105 570**	**305 684**	**1 184 666**

18 (d) Market risk

Market risk - Foreign currency risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's and Company's income or the value of its holdings of financial instruments.
The Group's and Company's operations have exposure to foreign currency risk at year end due to that the carrying amount of financial instruments in foreign currencies amounts to DKK 110,625 thousand. A change of 1% in the exchange rate at year end would have impacted the carrying amount of financial instruments in foreign currency by DKK 1,105 thousand, dependent on the EUR/DKK movement.

Market risk - Interest rate risk

Group

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

DKK'000	**2020**	**2019**
Fixed rate instruments		
Financial liabilities	(706 031)	(755 223)
Total fixed rate instruments	**(706 031)**	**(755 223)**
Variable rate instruments		
Financial assets	164 253	129 188
Financial liabilities	(15 208)	(18 400)
Total variable rate instruments	**149 045**	**110 788**

All financial assets and liabilities identified as fixed rate instruments in the above table are accruing interest at rates that are fixed for the life of the instrument. Interest rate swaps and caps are disclosed above at fair value as fixed rate instruments, whilst the loans that they are hedging are disclosed as variable rate instruments.

Sensitivity analysis
A change of 100 basis points in interest over the year would have increased/decreased the result for the year by DKK 1,490 thousand (2019: DKK 1,108 housand). 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.

18 Financial instruments (Continued)

18 (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 and revolving credit 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 15 after deducting cash and cash equivalents, and equity attributable to the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The debt and equity balances in some parts of the Group, are subject to externally imposed capital requirements, such as those imposed by third party loan providers. The local tax treatment is also taken into consideration when determining the most appropriate capital structure for investments in subsidiaries.

19 Commitments

Capital commitments
During the year ended 31 December 2020, the Group entered into contracts to purchase property, plant and equipment for DKK 2,070 thousand (2019: DKK 5,450 thousand).

Off-balance sheet arrangements (group)
The Group is jointly and severally liable with the co-owners of I/S Fællesskiltning for the partnership's obligations. The total net assets from the statement of financial position amounts to DKK 264 thousand at year end (2019: DKK 264 thousand).

Other guarantees amount to DKK 10,177 thousand.

20 Contingencies

The Group has guaranteed that the subsidiary Food Folk Danmark ApS performs its 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 can't exceed what would normally be permitted to distributed as dividends from the companies. The Food Folk Group Holdings AS group's total obligation amounts to EUR 244.9 million as of 31 December 2020.

The Company is jointly taxed with the operating Danish entities in Food Folk Group. The Company is unlimited jointly and severally liable 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 these financial statements. Any subsequent corrections of the taxable jointly taxed income or withholdings taxes, etc., may entail an increase in the Company's liability.

21 Related parties

Parent and ultimate controlling party
The Company, established on 22 February 2017, was acquired in February 2017 by its current Parent company, Food Folk Group Holdings AS (Norway). The ultimate controlling 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 4).

Group related party transactions

Group companies within the Food Folk Group are rendering/receiving services for the use in ordinary business operations. All transactions are priced on an arm's length basis and are settled in cash at the request of the related party. None of the balances in respect of related party transactions are secured.

Notes *(continued)*

21 Related parties (continued)

Parent company

DKK'000	*Dividends received* **2020**	*Purchase of services* **2020**	*Interest income* **2020**	*Interest expenses* **2020**
Food Folk Group Holdings AS	0	0	0	(8 021)
Food Folk Denmark Aps	0	(63)	0	0
Total	**0**	**(63)**	**0**	**(8 021)**

DKK'000	*Loans payable outstanding* **2020**	*Cash-pooling balances* **2020**	*Receivables outstanding* **2020**	*Payables outstanding* **2020**
Food Folk Group Holdings AS	(89 963)	1 876	0	(1 415)
Food Folk Denmark Aps	0	0	203	0
Total	**(89 963)**	**1 876**	**203**	**(1 415)**

DKK'000	*Dividends received* **2019**	*Purchase of services* **2019**	*Interest income* **2019**	*Interest expenses* **2019**
Food Folk Group Holdings AS	0	0	0	(23 910)
Food Folk Denmark Aps	225 000	(63)	0	0
Total	**225 000**	**(63)**	**0**	**(23 910)**

DKK'000	*Loans payable outstanding* **2019**	*Cash-pooling balances* **2019**	*Receivables outstanding* **2019**	*Payables outstanding* **2019**
Food Folk Group Holdings AS	(101 540)	14 577	0	0
Food Folk Denmark Aps	0	0	5 551	0
Total	**(101 540)**	**14 577**	**5 551**	**0**

Notes _(continued)_

21 Related parties (continued)

Group

DKK'000	*Sale of services* **2020**	*Purchase of services* **2020**	*Interest income* **2020**	*Interest expenses* **2020**
Food Folk Group Holdings AS	1 051	(9 803)	0	(9 689)
Food Folk Norge Holdings AS	50	0	0	0
Food Folk Holdings Suomi Oy	50	0	0	0
Food Folk Holdings Sverige AB	50	0	0	0
Food Folk Norge AS	5 214	(1 533)	0	0
Zero Five AS	336	0	0	0
Food Folk Suomi Oy	4 707	(1 144)	0	0
Food Folk Sverige AB	11 987	(11 686)	0	0
Total	**23 445**	**(24 166)**	**0**	**(9 689)**

DKK'000	*Loans payable outstanding* **2020**	*Cash-pooling balances* **2020**	*Receivables outstanding* **2020**	*Payables outstanding* **2020**
Food Folk Group Holdings AS	(89 963)	164 253	36	(2 108)
Food Folk Norge AS	0	0	415	(226)
Zero Five AS	0	0	24	0
Food Folk Suomi Oy	0	0	373	(132)
Food Folk Sverige AB	0	0	1 134	(1 748)
Total	**(89 963)**	**164 253**	**1 982**	**(4 214)**

DKK'000	*Sale of services* **2019**	*Purchase of services* **2019**	*Interest income* **2019**	*Interest expenses* **2019**
Food Folk Group Holdings AS	3 011	(7 215)	0	(25 299)
Food Folk Norge Holdings AS	50	0	0	0
Food Folk Holdings Suomi Oy	50	0	0	0
Food Folk Holdings Sverige AB	50	0	0	0
Food Folk Norge AS	4 600	(705)	0	0
Zero Five AS	732	0	0	0
Food Folk Suomi Oy	4 597	0	0	0
Food Folk Sverige AB	277	(5 472)	0	0
Total	**13 367**	**(13 392)**	**0**	**(25 299)**

DKK'000	*Loans payable outstanding* **2019**	*Cash-pooling balances* **2019**	*Receivables outstanding* **2019**	*Payables outstanding* **2019**
Food Folk Group Holdings AS	(101 540)	129 189	233	(545)
Food Folk Norge AS	0	0	247	(34)
Zero Five AS	0	0	34	0
Food Folk Suomi Oy	0	0	241	0
Food Folk Sverige AB	0	0	54	(590)
Total	**(101 540)**	**129 189**	**809**	**(1 169)**

Notes *(continued)*

22 Leases

The Group leases mainly properties. Information about leases for which the Group is a lessee is presented below.

i. Amounts recognised in Statemenf of financial position

	DKK'000
- Right-of-use assets (presented in Property, plant and equipment - see note 8)	461 565
- Prepaid expense (presented in Trade and Other Receivables)	(675)
- Lease liabilities (presented in Other interest-bearing loans and borrowings - see note 15)	(479 063)

ii. Amounts recognised in Income Statement

	DKK'000
- Depreciation charges (including impairment loss/reversal)	33 545
- Interest on lease liabilities	12 830
- variable lease payments not included in the measurement of lease liabilities (including COVID-19 rent concession	2 400
- expenses relating to other short-term leases	98
- expenses relating to leases of low-value assets	1 824
- other expenses	(53)

Some leases of restaurants contain variable lease payments that are based on sales that the Group makes at the restaurant. Fixed and variable rental payments for the period ended 31 December 2020 were as follows:

	DKK'000
Fixed payments	3 459
Variable payments	2 472
Total lease payments based on sales	5 931

The Group expects the incidence variable lease payments over the fixed ones to increase consistently with the sales growth expected for the future years.

iii. Amounts recognised in statement of cash flows

	DKK'000
- Payment of lease liabilities (interest portion)	(12 820)
- Payment of lease liabilities (principal portion)	(23 881)
Total cash outflow for leases	(36 701)

iv. Extension Options

Most of the restaurants lease contract contain extension options exercisable only by the Group and not by lessors up to a specific period (usually not higher than one year) before the end of the non-cancellable contract period. The Group assesses at lease commencement whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its controls.
According to the master franchise agreement with McDonald's, expiring 31 March 2037, a restaurant cannot be closed without its approval, even though it is loss making. It is therefore assumed that the lease term will be renewed until 31 March 2037 if there is not an approval from McDonalds to close a specific restaurant.
As a consequence, all available extension options have been already included in the lease term until the closest date to 31 March 2037. No other potential future lease payments not included in lease liabilities can be therefore disclosed.

v. Lease not yet commenced

The Group has entered during 2020 into lease agreements with few landlords not yet commenced, but committing to pay rent from the subsequent year.
The estimated amount of lease liability for the lease period has been assessed around DKK 13.5 million.

vi. Rent concessions

The Group negotiated rent concessions with its landlords for some of its leases as a result of the severe impact of the COVID-19 pandemic during the year. The Group applied the practical expedient for COVID-19-related rent concessions consistently to eligible rent concessions relating to its properties leases.

The amount recognised in profit or loss for the reporting period to reflect changes in lease payments arising from rent concessions to which the Group has applied the practical expedient for COVID-19-related rent concessions is DKK 72 thousand (2019: nil).

23 Changes in liabilities from financing activities

Parent company

DKK'000	Opening balance	IFRS 16 initial application	Cash flows	Non-cash transactions	Closing balance
2020					
Debt to Parent company	101 540	0	(11 169)	(408)	89 963
Long-term liabilities	**101 540**	**0**	**(11 169)**	**(408)**	**89 963**
Liability from financing activities	**101 540**	**0**	**(11 169)**	**(408)**	**89 963**
2019					
Debt to Parent company	362 839	0	(261 058)	(241)	101 540
Long-term liabilities	**362 839**	**0**	**(261 058)**	**(241)**	**101 540**
Liability from financing activities	**362 839**	**0**	**(261 058)**	**(241)**	**101 540**

Group

DKK'000	Opening balance	IFRS 16 initial application	Cash flows	Non-cash transactions	Closing balance
2020					
Debt to credit institutions	631 276	0	0	(41 495)	589 781
Lease liabilities	444 519	0	(36 701)	47 985	455 803
Debt to Parent company	101 540	0	(11 169)	(408)	89 963
Long-term liabilities	**1 177 335**	**0**	**(47 870)**	**6 082**	**1 135 547**
Debt to credit institutions	40 807	0	(48 499)	49 187	41 495
Lease liabilities	23 676	0	0	(416)	23 260
Short-term liabilities	**64 483**	**0**	**(48 499)**	**48 771**	**64 755**
Liability from financing activities	**1 241 818**	**0**	**(96 369)**	**54 853**	**1 200 302**
2019					
Debt to credit institutions	542 718	0	150 863	(62 305)	631 276
Lease liabilities	0	463 299	(36 365)	17 585	444 519
Debt to Parent company	362 839	0	(261 058)	(241)	101 540
Long-term liabilities	**905 557**	**463 299**	**(146 560)**	**(44 961)**	**1 177 335**
Debt to credit institutions	25 890	0	(20 519)	35 436	40 807
Lease liabilities	0	26 806	0	(3 130)	23 676
Short-term liabilities	**25 890**	**26 806**	**(20 519)**	**32 306**	**64 483**
Liability from financing activities	**931 447**	**490 105**	**(167 079)**	**(12 655)**	**1 241 818**

24 Subsequent events

Market risk caused by COVID-19 outbreak continues in 2021. The Group is following the developments and the authorities' recommendations closely, and taking the measures deemed necessary to reduce the impact in the short and long term.
In spite of this, the beginning of 2021 has been strong in terms of sales and profits. Q1 2021 sales increased by 12.5% compared to last year and full year comparable sales growth of almost 9% is expected. From an EBITDA perspective Q1 was 11% higher than last year and 18% ahead of plan.
Where identified due to uncertainties or implications, adjustments have been considered in the consolidated financial statements 2020. However, in conclusion, the COVID-19 pandemic does not materially affect the Group consolidated financial position at 31 December 2020.

Mads Kaad Friis
Undertecknare
Serienummer: PID:9208-2002-2-507088062533
IP: 87.116.xxx.xxx
2021-04-15 13:16:42Z
NEM ID

Niels Skannerup Vendelbo
Undertecknare
Serienummer: PID:9208-2002-2-335181446560
IP: 83.151.xxx.xxx
2021-04-15 14:34:52Z
NEM ID

Anders Torbjörn Hägg
Undertecknare
Serienummer: 19690124xxxx
IP: 213.89.xxx.xxx
2021-04-15 14:35:28Z
BankID

Christian Granhøj
Undertecknare
Serienummer: PID:9208-2002-2-597983246211
IP: 83.151.xxx.xxx
2021-04-15 14:59:10Z
NEM ID